

TELEFILM
C A N A D A

Annual Report
2007-2008



MADE IN **CANADA**

Canada

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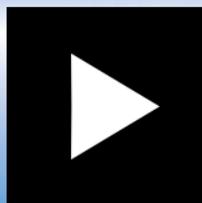
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CHALLENGES



**HYBRID
MEDIA**



**CO-PRODUCTIONS /
INTERNATIONAL
SALES**



**BOX OFFICE
OBJECTIVE**

**WHEN
A CAT
IS NO
LONGER
A CAT...**

**It means it's time to review
our perceptions and our actions...**

The advent of a new media order is matched by a true convergence trend that is creating hybrid media. At a time when all broadcasting platforms are merging and becoming interchangeable and the Canadian audiovisual industry is being strongly urged to take further advantage of the infinite opportunities of the multiplatform environment, Telefilm Canada must innovate, be a visionary and manage its resources with optimal efficiency.



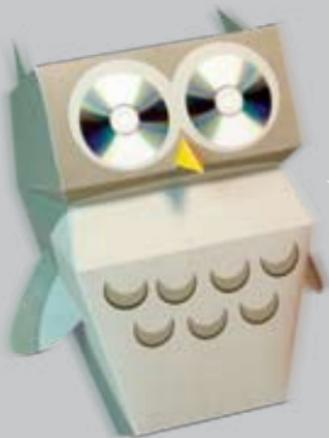
That is why we are exploring an entirely new approach to financing content, namely one fund for the development of Canadian content.

At present, we manage a number of specialized funds for the creation of content. Setting up a single fund would not only meet the needs of the creators of traditional content and interactive media content operating in the multiplatform environment, but would also enable us to align our practices and business models with current and foreseeable industry trends and audiences' new viewing habits.



CHALLENGES  CO-PRODUCTIONS \ INTERNATIONAL SALES

**WHEN
YOU CAN
NO LONGER
STAND
ALONE...**



It means it's time to broaden our horizons...

The average cost of producing a feature film or an interactive product has risen over the past five years, increasing by 28% and 78% respectively. Although we are collectively looking into retrofitting existing business models, it has become obvious that our country does not have sufficient public and private funds to fully support its audiovisual industry.

That is why, as an informed administrator, Telefilm Canada intends to favour co-production with international partners.

Pooling our financial resources with those of foreign partners would increase the potential audiences for our creators' productions while driving exports of our audiovisual culture abroad.

Furthermore, the growing contribution of foreign funds would reduce the pressure on our funds, thereby lowering the percentage of public sector financing for each project so a larger number of projects could be supported.

One of our major priorities over the next two years will be to work with the Department of Canadian Heritage to update its policies regarding co-production and to ensure that Canadian co-production agreements remain competitive to encourage our foreign partners to invest in Canadian productions.



CHALLENGES  BOX OFFICE OBJECTIVE

**WHEN TAPE
MEASURES
NO LONGER
MEASURE...**

It means it's time to create new ones...

The advent of the new media order has disrupted and will continue to disrupt the life cycle of feature films which extends far beyond their mere theatrical release. That said, Telefilm is still required to measure audiences through box-office gross revenues and its Canada-wide objective remains 5% of the annual total. That means DVD sales and rentals, pay-TV, on demand and conventional broadcasts and downloads from interactive media are not considered in calculating the success of Canadian film productions.



That is why Telefilm and the Department of Canadian Heritage have teamed up to fine-tune existing measurement instruments and to develop new audience measurement tools.

Our goal is to be able to monitor the audiences of the projects we finance on all platforms as of 2010.

By favouring a more accurate reading, such data should generate information that would help the federal government to structure a public policy built on a fair and efficient evaluation of Canadian content and its impact on all viewing platforms.



TELEFILM

C A N A D A

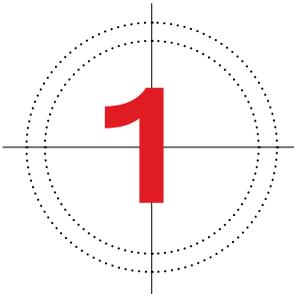


TELEFILM CANADA

A VITAL PARTNER

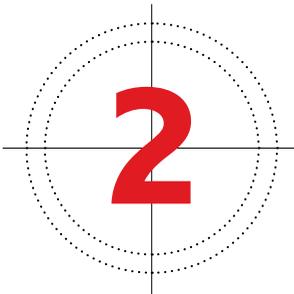
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A GOOD ADMINISTRATOR

- ▶ Management of nearly **\$400M**
- ▶ Canadian Television Fund: **\$265M**
- ▶ Canada Feature Film Fund: **\$93.2M**
- ▶ Canada New Media Fund: **\$9.3M**
- ▶ National Training Program in the film and video sector: **\$2.4M**
- ▶ Budget administratif: **\$28.4M**



A VITAL SUPPORT FROM INDUSTRIAL AND PROFESSIONAL DEVELOPMENT TO INTERNATIONAL MARKETING

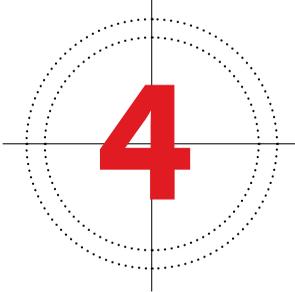
- ▶ Industrial and professional development
- ▶ Development
- ▶ Production
- ▶ Marketing and distribution
- ▶ Participation in Canadian and international festivals and markets



OUR CLIENTS

- ▶ Scriptwriters
- ▶ Directors
- ▶ Producers
- ▶ Distributors
- ▶ Web and game developers
- ▶ Canadian festivals
- ▶ Industry promotional events
- ▶ National training schools

WHO WE ARE



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A GOOD PARTNER

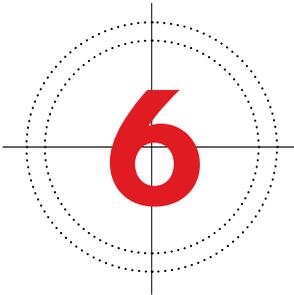
- ▶ Broadcasters
- ▶ Publishers
- ▶ Carriers, aggregators
- ▶ Private funds
- ▶ Private partners
- ▶ Distributors
- ▶ Federal agencies
- ▶ Provincial agencies
- ▶ Foreign partners



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OUR PRESENCE IN ALL REGIONS OF CANADA

- ▶ Halifax
- ▶ Montréal
- ▶ Toronto
- ▶ Vancouver



INVEST IN THE AUDIOVISUAL INDUSTRY

Feature Films

- ▶ Action/Adventure
- ▶ Animation
- ▶ Comedy
- ▶ Documentaries
- ▶ Horror/Thriller
- ▶ Mystery/Crime
- ▶ Drama

New Media

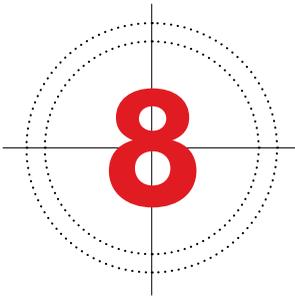
- ▶ Games for consoles, handhelds, PC and mobile phones
- ▶ Independent websites
- ▶ Multimedia installations
- ▶ Multiplatform projects
- ▶ CD-Rom, DVD-Rom



PROVIDE FINANCING OPTIONS

- ▶ Investments
(including performance-based envelopes)
- ▶ Advances
- ▶ Grants

WHAT WE DO



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GENERATE ECONOMIC SPIN-OFFS (2007-2008)

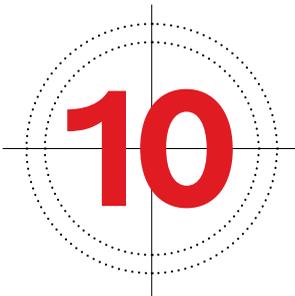
- ▶ Production budgets: more than 387 million dollars
- ▶ Each dollar invested in a production by Telefilm generated:
3.58 dollars in new media projects; and
3.26 dollars in feature film projects
- ▶ Each dollar invested by Telefilm in supporting Canadian companies at festivals and markets abroad generated 9 dollars in sales



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PROMOTE CANADA ABROAD

- ▶ Canadian productions win international awards every year
- ▶ We regularly contribute to retrospectives
- ▶ Canadian products are sold in over **100 countries**
- ▶ We administer co-production agreements with **53 countries**
- ▶ We certify some **100 co-productions** annually
- ▶ We organize immersion sessions in Europe for Canadian professionals



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PARTICIPATE IN NATIONAL AND INTERNATIONAL MARKETS AND FESTIVALS

- ▶ We handle entries for nearly **700 productions** at
17 festivals and events annually
- ▶ We attend **six international markets**
- ▶ We provide financial and logistical support for Canadian producers, distributors, exporters and directors with productions in the official selection of international festivals
- ▶ We encourage sales and co-production

BUILDING AUDIENCES

FEATURE FILMS: OVERALL A RESOUNDING SUCCESS...

AT FIRST GLANCE, CANADIAN CINEMA SEEMS TO HAVE TAKEN A STEP BACK AS ITS SHARE OF THE TOTAL BOX OFFICE WENT FROM 4.1% IN 2006 TO 3.2% IN 2007.

HOWEVER, IF THE BOX-OFFICE RECEIPTS FOR *BON COP*, *BAD COP* (THE FILM THAT REWROTE THE RECORD BOOK IN CANADA) ARE EXCLUDED FOR 2006, THE SHARE OF THE DOMESTIC BOX OFFICE WOULD INSTEAD BE ON THE RISE, GOING FROM 2.7% TO 3.2%.

▶ With respect to a more relevant reference subgroup, namely independent cinema, the market share of Canadian cinema increased significantly, going from 23.3% in 2006 to 31.1% in 2007.

▶ Even if the exceptional resilience of Hollywood productions hampered reaching the objective of 5% of the box office, fiscal 2007-2008 should not be considered a bad year.

▶ Along linguistic lines, the Canadian French- and English-language productions evolved in a similar fashion, yielding an increase compared to independent cinema and a slight decrease in their share of the global market. French-language feature films saw their share of independent film market increase from 52.7% to 57.5%, while their share of the global market went from 17.1% to 16.2%. As for Canadian English-language films, they saw their share of independent cinema increase from 11.7% to 13.1% while their share of the global market went from 1.7% to 0.9%.

NEW MEDIA: SECOND YEAR OF ONLINE USER MEASUREMENT

The convergent websites supported by the Canada New Media Fund (CNMF) remained the most popular among users. In most cases, these are complementary sites for Canadian television programs.

In 2007-2008, Telefilm renewed its online measurement project for another year. In 2007-2008, the projects supported by the CNMF attracted 5.5 million unique visitors, representing an increase of 1.5 million or 37.5%.

MADE IN CANADA: SHARP RISE OF FOREIGN INVESTMENTS

Telefilm's investments have a ripple effect on the other funding sources. Canadian cinema enjoyed a significant injection of foreign financing via international co-production as the value of foreign investments in our productions has gone from 4 million dollars in 2006-2007 to 28 million dollars 2007-2008 – an increase of 24 million dollars.

Foreign investments thus contributed to funding French-language feature films for an increase of 4.1% in 2007-2008 versus 0.9% for the previous fiscal year while English-language productions generated 16.2% of foreign financing compared to 3.5% in 2006-2007. New media productions also experienced impressive growth in their foreign financing, which has gone from 0.6% two years ago to 33.3% last year.

INTERNATIONAL MARKETS: ON THE RIGHT TRACK!

Each dollar injected by Telefilm to support Canadian companies taking part in international television and film markets generated nine dollars in international sales.

VIDEO GAME: A COMPETITION THAT IS REVITALIZING THE CANADIAN INDUSTRY

Created by Telefilm with the support and cooperation of the industry, the Great Canadian Video Game Competition was a resounding success. The 69 participating companies had the opportunity to showcase themselves to key industry players as well as enjoy invaluable advice from mentors and enhance the profile of game designers in the eyes of Canadian publishers.

CLIENTS FIRST!

Telefilm must ensure that it adequately meets the needs and concerns of its clients, namely the entire Canadian audiovisual industry. In keeping with this, it must constantly improve the quality of its services, the response time as well as maintaining its operating expenses ratio.

To this end, management has developed a series of financial and operational indicators in order to better measure its performance. These indicators are numerous and subject to a specific analysis in the Management Analysis Review of this report. In addition to indicating if it has reached its objectives, these indicators clearly show us the areas to improve in order to be a more effective administrator.

Client satisfaction is measurable! This is why Telefilm also intends to carry out a Canada-wide survey during the current fiscal year.

In 2007-2008, eTelefilm, the Internet platform for managing client applications, continued its market penetration with some 600 companies signed up and an online application rate of nearly 20%. Building on this success, Telefilm has expanded the applications of eTelefilm in order to optimize the management of its programs.

◀ **CONGRATULATIONS TO
MINDHABITS WHO WON THE
COMPETITION AS WELL AS
FINANCING WORTH ONE
MILLION DOLLARS!**

**UNDER THE *TELEFILM CANADA ACT*,
THE MANDATE OF THE CORPORATION
IS TO FOSTER AND PROMOTE THE
DEVELOPMENT OF THE AUDIOVISUAL
INDUSTRY IN CANADA AND TO ACT
IN CONNECTION WITH AGREEMENTS
ENTERED INTO WITH THE DEPARTMENT
OF CANADIAN HERITAGE FOR THE
PROVISION OF SERVICES OR
PROGRAMS RELATING TO THE
AUDIOVISUAL INDUSTRIES.**

CORPORATE OVERVIEW

As an instrument of federal government policy, Telefilm supports Canada's audiovisual industries to create cultural products that reflect the diversity of Canada for the benefit of Canadian audiences. Through its programs, Telefilm serves three sectors of the Canadian industry: feature film, television and interactive media.

Telefilm Canada is a Crown Corporation reporting to Parliament through the Minister of Canadian Heritage. Headquartered in Montréal, Telefilm provides its services to the Canadian audiovisual industries through four Canadian offices, in Vancouver, Toronto, Montréal and Halifax.

CANADIAN VISION, CANADIAN VALUES

Telefilm strives to finance the highest quality works that have the best chance of engaging Canadian audiences, while at the same time fostering the long-term sustainability of the audiovisual industry. Our vision is to assure a thriving Canadian audiovisual culture, produced by Canadian content creators, and disseminated through distribution companies, broadcasters, publishers, Web operators, aggregators, carriers and Canadian festivals.

Telefilm promotes six fundamental values:

- ▶ Celebrate the expression of original Canadian audiovisual productions;
- ▶ Champion the Canadian audiovisual industry;
- ▶ Reward performance and stimulate innovation;
- ▶ Ensure the accessible, transparent and responsible delivery of valuable services to partners, clients and Parliament;
- ▶ Promote diversity within administration, policies and programs; and
- ▶ Respect and encourage work/personal life balance and a sustainable environment.

TELEFILM
CANADA

OUR RAISON D'ÊTRE

Telefilm's main strategic objective is to ensure that Canadians have access to high-quality popular Canadian audiovisual productions. In order to achieve that strategic objective, Telefilm has articulated three corporate objectives in its *Corporate Plan 2006-2007 to 2010-2011: From cinemas to cell phones*:

- ▶ Building audiences for Canadian audiovisual productions;
- ▶ Building industry capacity; and
- ▶ Being a good administrator.

The Corporation services the Canadian audiovisual industry by providing assistance to Canadian companies and professionals throughout the entire value chain, from highly specialized training to project financing, from development to distribution and marketing, and from promotion to sales of finished products.

Telefilm is also a catalyst for talent. Its support has made it possible for thousands of Canadian screenwriters, directors, producers, distributors, technicians, performers and interactive media creators to pursue careers in Canada, and to work in their region and in the official language of their choice. Telefilm also provides support for visible minority and Aboriginal professionals. Telefilm is an active player in the worldwide market—from promoting Canadian films at major festivals to stimulating new co-production partnerships.

RESPONSIBLE MANAGEMENT AND LEADERSHIP

Telefilm is governed by a Board and reports to Parliament through the Minister of Canadian Heritage. Telefilm's Board is composed of a Chair and six members, including the Government Film Commissioner.

The Board works in partnership with management to define Telefilm's strategic directions, and to ensure that every effort is made to achieve the Corporation's objectives. The Board sees to it that management practices, and information and audit systems, meet the organization's needs and generate trustworthy results.

Telefilm is governed by certain Divisions of Part X of the *Financial Administration Act*. The Office of the Auditor General of Canada audits its annual financial statements and the Corporation's annual report is tabled annually to Parliament. In 2006-2007, Telefilm issued a five-year corporate plan (2006-2007 to 2010-2011). This plan was developed voluntarily for the purpose of ensuring greater transparency and accountability vis-à-vis Parliament, the audiovisual industry and Canadians at large.

AT YOUR SERVICE!

Telefilm operates with a Client Service Charter that defines what its clients can expect of the Corporation and what Telefilm expects of its clients. Meeting client service standards is an important performance indicator for Telefilm.

Telefilm achieves its objectives by means of the quality and skills of its employees. For many years now, the Corporation has fostered a stimulating working environment based on a qualified professional workforce that reflects the agency's high standards. Telefilm encourages a diversity of talent, experience and cultural origins within its team. As of 2008-2009, the Corporation will be guided by a five-year Human Resources Master Plan as it seeks to attract, stimulate and retain its diverse workforce in the context of the multiplatform environment.

Most of Telefilm Canada's 200 employees are professionals with extensive experience in the industry, as well as in the legal, administrative, financial, communications and policy fields. Telefilm requires that all professionals involved in investment decisions have industry experience.

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▼ MICHEL ROY

MESSAGE FROM THE CHAIR

**IT WAS WITH A GREAT DEAL
OF ENTHUSIASM THAT,
IN THE FALL OF 2007,
I AGREED TO BECOME CHAIR
OF TELEFILM CANADA'S BOARD
FOR THE NEXT FIVE YEARS.**

Overseeing a public organization of Telefilm's stature is both a privilege and a challenge. A privilege, because Telefilm, as a government agency and partner to an industry that exerts an unparalleled influence on our culture, stands at the very heart of Canada's audiovisual system. A challenge, because this industry, despite its spectacular growth, the 180 000 jobs it generates across Canada, and the countless successes it has achieved both at home and abroad, is evolving in the midst of a fast-changing, highly demanding competitive and innovative environment.

I unequivocally support the core objectives that the organization has pledged to achieve between now and 2011: to build audiences for Canadian audiovisual productions, to build industry capacity, and to be an outstanding administrator of public and private funds. The great merit of Telefilm's corporate plan is that it inherently orients the organization toward the future by focusing on products and industrial infrastructure as well as on the competencies of the Corporation itself.

I have set three priorities for myself in this early stage of my mandate: to put in place a well-qualified Board of Directors, with representation from all regions of the country; to encourage co-production, an obligatory avenue for the development of Canada's feature-film industry; and to facilitate Telefilm Canada and the industry's transition to a multiplatform environment.

**NECESSARY COOPERATION BETWEEN THE GOVERNMENT,
TELEFILM CANADA AND THE INDUSTRY**

Given the globalization of markets and the enormous investments made by major conglomerates, the independent industry, essentially comprised of small- and medium-sized companies, requires ongoing government support now more than ever. By support, I mean an enlightened public policy and sustained financial commitments. This principal condition must be met if the industry is to successfully preserve its existing assets and acquire new markets.

The Board supports Telefilm management's wish to collaborate actively with all industry players—writers, directors, producers, distributors, multimedia developers—as well as with all our partners—broadcasters, private funding agencies, and other federal and provincial organizations with economic and cultural mandates. Together, in respect of the objectives of Telefilm-administered funds and programs, we will define and implement the actions that need to be taken to ensure that Canadian content enjoys a promising future.

Telefilm must nevertheless continue to meet the asymmetrical needs of the country's two language markets. On this point, I would like to acknowledge the fruitful collaboration between Telefilm and the English and French Working Groups of the Canada Feature Film Fund. The support provided to linguistic-minority communities, to Aboriginal production, and to cultural communities are also among our organization's priorities.

Telefilm relies on solid and tested skills and competencies, as well as on its renowned reputation as a manager of public and private funds. Nowhere is

CHALLENGES

STRENGTHEN THE CORPORATION'S BOARD SO THAT ALL REGIONS OF THE COUNTRY WERE REPRESENTED, AND TO SET UP AN AUDIT AND FINANCE COMMITTEE AS WELL AS A GOVERNANCE COMMITTEE SO THAT THE BOARD COULD FULLY UNDERTAKE ITS MANDATE.

the value of Telefilm's competencies better illustrated than in the context of the Corporation's service agreement with the Canadian Television Fund. Under this agreement, Telefilm in 2007-2008 administered a budgetary envelope of more than \$265 million while generating substantial savings, which can be reinvested in the production of Canadian cultural content. I am particularly proud of this very successful administrative partnership.

AN ACTIVE ROLE FOR TELEFILM CANADA'S BOARD

In an environment where budgetary parameters are, by definition, strictly defined, and where the global audiovisual industry reinvents itself every day—pushed as it is by relentless change driven by audiences' increasingly specific demands—it goes without saying that we all have to work hand in hand.

- ▶ If we accept that the *all together* rule must prevail at all levels of the industry in order to secure a future worthy of the term, then we must make certain that the rule applies within Telefilm itself. One of the first challenges I set for myself upon arriving at Telefilm was to strengthen the Corporation's Board so that all regions of the country were represented, and to set up an Audit and Finance Committee as well as a Governance Committee so that the Board could fully undertake its mandate. Thanks to the understanding and support shown by the Honourable Josée Verner, the minister responsible for Telefilm Canada, the Board was delighted to welcome the recent appointment of three outstanding administrators, Yvon Bélanger, from Quebec City, G. Grant Machum, from Halifax and Marlie Oden, from Vancouver.

During my mandate, broadly speaking, the Board will ensure that standards of good governance are applied throughout the organization, will participate actively in defining Telefilm Canada's strategic orientations, and will see to it that the Corporation rigorously pursues its mission. We are already fully engaged in these tasks and can count on senior management's full collaboration in their achievement.

Teamwork, in its fullest sense, will be vital, because Telefilm, if it is to maximize the impact of resources that the audiovisual industry requires to develop and flourish, will need to continually find new ways of conducting

its operations. Telefilm's Board, in short, ensures that public funds are well managed, but responsibility for meeting the Corporation's fundamental commitment to the government, to the industry, and to Canadians is borne by the entire organization.

PRIORITIES: PROMOTING CO-PRODUCTION AND LAYING THE GROUNDWORK FOR A NEW MEDIA-DRIVEN ERA

In an ideal world, public funds would be used to stimulate private investment in the production and promotion of feature film, and government support would serve to lessen the risk assumed by private enterprise. We don't live in an ideal world, but in the aim of bringing this ideal a little closer to reality, co-production seems to be the best way, in the short term, to build audiences for Canadian works and to increase the amount of private funding invested in the production of feature films. Increasing the volume of co-productions—without harming the production of distinctly Canadian works—will allow us to foster international relations, pool our financial resources with those of foreign partners, and enable our artists and craftspeople to interact with their colleagues abroad. Increasing the amount of co-productions, in short, will make it possible to fund a greater number of projects and strengthen the industry.

It's also worth noting that, with each passing day, the boundaries separating traditional ways of broadcasting audiovisual content from what we now call new media or interactive media are fading: the Web is converging with television, television is converging with the personal computer, movies are showing up on cell phones—and we haven't even touched on video games, podcasts, and so on... In this new, media-driven era, our world is being shaken up on a daily basis. There's no doubt that young entrepreneurs who are taking on the challenge of our media-driven environment need more and more support.

Telefilm Canada has taken note of this phenomenon and expressed its multiplatform vision in its corporate plan. It will continue to work with the industry and the Department of Canadian Heritage to ensure that Telefilm's strategic planning and the incentive measures deployed are well-adapted to the needs of this industry.

THE WEB IS
CONVERGING
WITH TELEVISION,
TELEVISION IS
CONVERGING WITH
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COMPUTER, MOVIES
ARE SHOWING UP ON
CELL PHONES—AND
WE HAVEN'T EVEN
TOUCHED ON VIDEO
GAMES, PODCASTS,
AND SO ON...

By participating in our industry's transformation, from production to distribution of works—and taking into account the increasing control that audiences now seek to exert on the products they consume as well as the importance of protecting intellectual property rights—Telefilm contributes to the development of this rising economic sector. This sector is shaped by a production context in which a finished product is actually a group of products designed for multiplatform distribution rather than a single product destined for a single platform.

In a future that is closer than we might think, all Canadian audiovisual content will be delivered via digital media. When that time comes, Telefilm Canada will be there with the necessary resources and tools, supporting the principal players involved in the conversion to digital.

CONCLUSION

Endowing Canada's audiovisual industry with greater financial flexibility and seeing that it has the ability to meet the challenges of a multiplatform universe, within a governance framework that ensures probity and integrity: these are the challenges that we intend to address in 2008-2009.

To achieve this, Telefilm Canada will rely on the competence, expertise, and enthusiastic commitment of its Board members, as well as on the dedication, talent and marked passion of its employees.

In closing, I would like to pay tribute to the artists and artisans of Canada's audiovisual and interactive-media industry, and assure them that Telefilm is using all means at its disposal to better support and promote their works so that these may reach and entertain ever-larger audiences, in Canada and around the world.



Michel Roy
Chair of the Board

0018



 S. WAYNE CLARKSON

MESSAGE FROM THE EXECUTIVE DIRECTOR

TELEFILM CANADA IS COMMITTED TO WORKING WITH CANADIAN CONTENT CREATORS AND EMBRACING THE PROMISE OF DIGITAL MEDIA.

Now at the mid-point of our *Corporate plan 2006-2011: From Cinemas to Cell Phones: The Multiplatform Challenge*, we can take pride in several of our achievements, not the least of which is the growth in audiences for cultural products, thanks, in part, to a more diversified feature-film line-up and to online Canadian convergent products. At the same time, our organizational structure, systems and practices are evolving and paving the way for a truly multiplatform approach to the way we support the industry.

WORKING WITH STAKEHOLDERS TO REACH A LARGER CANADIAN AUDIENCE

Although 2007 was a challenging year for the independent film market, Canadian cinema had an overall market share of 3.2%. It's worth noting that French-language Canadian films once again performed well, taking in 16% of overall French box-office receipts. This was an excellent year for the new generation of filmmakers in both markets, as evidenced by Patrick Huard's *Les 3 p'tits Cochons* and Sarah Polley's *Away From Her* (nominated for two Academy Awards®). Again this year, the French-language and English-language Working Groups of the Canada Feature Film Fund (CFFF) played an active role by ensuring that the Fund's guidelines meet industry needs.

As a result of our consultations with the CFFF Working Groups, our Slate Development Pilot Program for English-language productions was announced in the fall of 2007. The Program provides production companies with a revolving corporate line of renewable credit over the course of three years, which offers greater certainty of financial support and autonomy for production companies. Requiring applicants to collaborate with an established distribution company through the development process ensures market-ready films with high box-office potential are brought to market sooner.

Telefilm Canada also launched new programs to encourage French-language production across the country. We put in place programs for Francophone producers outside Quebec (Écrire au long) and we supported regional French-language production (call for French-language regional projects). Moreover, Telefilm acknowledged the importance of co-production for the French-language market by issuing a call for French-language, Canadian-majority international co-production projects.

These initiatives, several of which are pilot projects, were very well received and projects financed in 2007-2008 or after will contribute to the diversity of stories emanating from francophone communities throughout the country.

EMBRACING THE DIGITAL REALITY

In 2007, we enthusiastically welcomed the renewal of the Canada New Media Fund (CNMF) for another two years. Last year was an exceptional one for Canadian online products. We are pleased to have contributed to this success by funding, notably, several convergent websites based on hit TV shows, but also by finalizing the Great Canadian Video Game Competition, which offered talented developers the funding potential and the mentoring they needed to develop their ideas and exploit intellectual property rights to these ideas.

As the lines between content delivery mechanisms continue to blur, and as these delivery mechanisms continue to fragment, the CNMF fund is accumulating convergent success stories; from the science-fiction television series *ReGenesis* picking up an International Interactive Emmy

LAST YEAR WAS AN
EXCEPTIONAL ONE
FOR CANADIAN
ONLINE PRODUCTS.
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SEVERAL CONVERGENT
WEBSITES BASED ON
HIT TV SHOWS.

for its *ReGenesis Extended Reality Game* in 2007, to the innovative hip-hop *Rapspace.tv* website that allows users to self-produce and edit their music, to *The Central Institute for Exploration (CIE)*, a multiplatform game that uses websites, mobile phones and real-world locations to engage kids in the universe of a secret agency dedicated to exploring the past, present and future.

In order to refine the future-focused strategies contained in its corporate plan, Telefilm will draw on the findings of the Interactive Media Forum 3.0, launched in March, 2008. The purpose of this initiative, organized jointly with the Department of Canadian Heritage, was to consult with small- and medium-sized enterprises in the interactive industry across the country on three key topics: access to funding, access to qualified professionals, and the creation of Canadian intellectual property which will enable it to deliver on its commitment to respond to the multiplatform challenge with solutions that are proposed by its key stakeholders.

While the federal government film policy *From Script to Screen* requires Telefilm to measure audiences through box-office receipts, the immense reach of ancillary markets is broadening the definition of audience success. Telefilm considers this to be a crucial issue and will contribute to the Department of Canadian Heritage's action plan to identify performance targets that more accurately gauge audience performance of content delivered through myriad content-delivery mechanisms – from film screens, to computers, to iPods, to cell phones.

STRIVING TO BETTER SERVE OUR CLIENTS

In 2007-2008, Telefilm established the foundations of an even more effective administration, with an improved organizational structure as well as enhanced processes and tools. It implemented new systems that are both flexible and robust enough to respond to the needs of content creators engaged in all platforms for the dissemination of Canadian cultural content. Management expense ratio, risk management, accountability and information architecture and security have all been identified as priorities.

MESSAGE FROM THE EXECUTIVE DIRECTOR

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By administering the funding programs of the Canadian Television Fund, Telefilm contributes to the ongoing success of the television industry. The television industry benefits from our online business tool eTelefilm and receives national and international support for its professional development and its business development needs.

Two special projects, which rely on the work of multi-departmental groups within Telefilm, allowed us to change our approach to English-language feature film and to industry development support programs, processes and tools.

On the English-language side, a new organizational structure was put in place for creative content and business affairs, which fosters decision-making focused on the priorities of the feature-film market, that is, better scripts and better marketing. The business-affairs group consists of feature-film and new-media specialists—an important step toward a multiplatform vision.

We reviewed the full range of our national and international industry development programs to ensure that they support our core objectives: to increase audiences, to build industry capacity, and to be a good administrator.

Following a review of programs and consultations with the industry, Telefilm developed two new industry-development programs, the Festivals Performance Program and the Skills and Screens Program, which cover all festivals and the full range of professional-development activities for the industry.

In order to facilitate the dissemination of the Corporation's decisions to clients and key stakeholders, our Client Service Charter is being updated. The revised Charter will clearly identify what clients can expect of Telefilm and what Telefilm expects of its clients.



OUR GREATEST TREASURE — OUR PEOPLE

Beyond policy statements, programs, services and financial resources — no matter how effective all of these may be—an organization's success depends ultimately on its human capital. The major challenge facing managers in the years ahead will be to know how to attract, motivate and retain a wide range of skilled employees—this in an environment where workforce mobility and consumption of cultural goods will continue to present unprecedented challenges.

It was in light of this reality that in 2007-2008 Telefilm undertook an in-depth consultation with its workforce. The purpose of this initiative is to implement a five-year master plan for human resources. Ultimately, the master plan will reinvigorate our leadership, our activities and the services we provide to our clients.

Finally I will mention that Telefilm Canada enthusiastically welcomed the appointment of Michel Roy as the Corporation's new Chair of the Board in October 2007. A man of culture, an administrator and creator, Michel Roy has spent his career in both the public and private sectors, in Canada, France and the United States. His passion, commitment and wide-ranging skills and interests have already made their mark on Telefilm and its Board.

My colleagues on the executive committee — Carole Brabant, Chief Administrative Officer and Elizabeth Friesen, Chief Operations Officer — will continue to work closely with the Board and the industry as a whole to ensure that Telefilm Canada capitalizes on evolving technologies.

Lastly, I'd like to offer a sincere thank-you to each and every Telefilm Canada employee for their outstanding commitment to supporting and developing Canada's film, television and interactive media industries.



S. Wayne Clarkson
Executive Director

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TELEFILM IS ENTERING ITS FIFTH DECADE AND AN UNPRECEDENTED TECHNOLOGICAL REVOLUTION IS UNFOLDING, OFFERING US THE CHANCE TO MAKE THE MOST OF CANADIANS' ENTREPRENEURIAL ENERGY, CREATING NEW GROWTH OPPORTUNITIES, AND INCREASING ECONOMIC RETURNS IN THE INDUSTRY.

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-MONE...

STRATEGIES GOING FOR WARD

AS TELEFILM MADE FISCAL 2007-2008 A YEAR OF INNOVATION IN POLICIES, PROGRAMS AND ADMINISTRATIVE PRACTICES, THE CORPORATION IS ALSO REACHING THE MIDWAY POINT OF ITS CURRENT FIVE-YEAR CORPORATE PLAN AND MUST ESTABLISH THE FOUNDATIONS OF ITS FUTURE CORPORATE PLAN.

FRAGMENTED AUDIENCES ON MULTIPLE PLATFORMS

Beyond all else, we support talented Canadians in creating content that succeeds with audiences at home and abroad. One of our greatest challenges in the coming years is to ensure Canadians take full advantage of the multiplatform revolution as it transforms the production, distribution, marketing and, of course, consumption of audiovisual content.

There has never been such a huge shift in media habits as the one we've witnessed over the past decade. In 2007, total box-office sales in Canada amounted to about \$857.6 million, the bulk of it earned by foreign films. In the same period, interactive media content producers and enablers in Canada realized about \$5 billion in revenues. **The interactive media industry's most lucrative component is interactive entertainment. However, Canadian interactive entertainment companies are, for the most part, earning their revenues by developing intellectual property (IP) that is optioned to publishers and distributors through licensing – mostly to foreign-owned companies.**

If we are to effectively continue to invest in this sector, we need to focus on building the industry's capacity so that burgeoning Canadian interactive companies can retain their IP. To do this, focused public policy initiatives need to direct investment to strengthening the business infrastructure of the dynamic interactive media industry. This strategy will be vital to positioning the overall audiovisual industry as a pillar of the Canadian economy.

These changes in technology and shifts in our cultural landscape mean that we must be prepared to adapt programs and processes in order to be more effective as the government's audiovisual cultural agency. We need to explore the idea of a single content creation fund responding to the needs of both traditional and interactive media content creators in this multiplatform environment.

One unique content creation fund, regardless of the platform, would increase the opportunities and efficiencies for expressing Canadian stories in traditional or new ways, maximizing audiences on existing and new platforms. One fund to support content creation would streamline and simplify the administrative process while increasing the opportunity for multiplatform measurement and audience intelligence gathering. With the agility of an investor, the content fund would be able to respond rapidly in an environment that is continually influenced and affected by changes in technology and in the habits of diverse niche audiences.

IN 2007,
TOTAL BOX-OFFICE
SALES IN CANADA
AMOUNTED TO ABOUT

\$857.6 M

It is critical that the audiovisual industry remain committed to exploiting the growing multiplatform capacities that continue to open new windows of opportunity. To create a sustainable industry, the final product must be considered as a cluster of products designed for multiplatform distribution, rather than a single product designed for distribution on a single platform. Traditional television programs and feature films may generate creative concepts for games development, interactive Websites and mobisodes; or content initially designed for a console platform may be turned into a movie; we are now telling our stories on multiple platforms.

MODERNIZING THE FEDERAL POLICY LANDSCAPE

We are encouraged by the number of policy and regulatory reviews under way. We believe they will lead to a more modern regulatory structure that will reflect today's interactive media environment and enable Canadian companies to compete successfully tomorrow.

Telefilm will refine its strategies according to the recommendations of the Canadian Radio-television and Telecommunications Commission (CRTC) set forth, for instance, in its review of the CTF. One important aspect of all our plans will be to ensure that content creators reach the widest possible audiences through multiplatform delivery. Also, the findings of the Commission's New Media Project Initiative, and its upcoming public consultations on Canadian broadcasting in new media in the spring 2009 may provoke further strategic adjustments if the Commission concludes that it needs to regulate interactive media to meet the objectives of the *Broadcasting Act* and the *Telecommunications Act*. In addition, Telefilm will continue to stress to the CRTC that its regulatory reviews must not erode the financing and promotional resources currently available to Canadian content from the broadcasting sector, and that the availability of shelf space for uniquely Canadian audiovisual productions must be ensured.

TELEFILM WILL ALSO WORK WITH INTERACTIVE MEDIA INDUSTRY STAKEHOLDERS AS WELL AS THE FEDERAL GOVERNMENT TO ENSURE THAT A POLICY FRAMEWORK FOR THIS BOURGEONING SECTOR IS DEVELOPED IN ORDER TO SUSTAIN ITS ABILITY TO INNOVATE AND REMAIN INTERNATIONALLY COMPETITIVE.

Telefilm believes that the development of a unique content creation fund is complementary to a larger industrial strategy and it's the reason why its Board of administration has created a new committee which will support the Corporation in moving forward with issues related to its role in the interactive media sector.

AN INTERNATIONALLY COMPETITIVE INDUSTRY

In the past year, the Department of Canadian Heritage has also been developing a new policy framework for international certified co-productions. This is welcome news! Canada needs to update its international co-production strategy to respond to new market forces, including the squeeze on investment sources; the dramatic drop in Canadian co-production activity since 2000; notable decreases in foreign-location shooting; the increasing popularity of indigenous content around the world; and the growing strength of Europe's production industries, which compete with Canadian producers for many of the same foreign investment sources.

Canadian co-productions have the advantage of showcasing Canada to the world, benefiting tourism and building on our foreign relationships. Boosting the made-in-Canada brand internationally will enhance Canada's business relations with our traditional partners and open the door to emerging trading partners. At home, co-productions make Canada's feature film industry less vulnerable to fluctuations in the U.S. dollar, in addition to supporting the development of a highly skilled, knowledge-based work force.

As an informed administrator, Telefilm Canada intends to favour co-production with international partners. Pooling our financial resources with those of foreign partners would increase the potential audiences for our creators' productions while boosting exports of our audiovisual culture abroad.

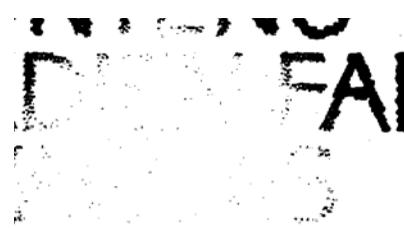
Furthermore, the growing contribution of foreign financing funds would reduce the pressure on our funds, thereby lowering the percentage of public sector financing for each project so a larger number of projects could be supported. One of our major priorities over the next two years will therefore be to work jointly with the Department of Canadian Heritage to update its policies regarding co-production and to ensure that Canadian co-production agreements remain competitive enough to encourage our foreign partners to invest in Canadian productions.

RENEWING OUR FUNDS TO ENSURE THE FUTURE

On a parallel track to these reviews by government, in 2008-2009 Telefilm will work closely with the Department of Canadian Heritage to renew federal support in the interactive media sector. Canada's public investment in the interactive media industry must increase if we are to create new growth opportunities and greater economic returns for all sectors of the industry. But we also have to consider redesigning the Canada New Media Fund (CNMF) in order to best serve this increasingly important industry. The value of ownership and control of intellectual properties is well demonstrated, and Telefilm is committed to increasing Canadian IP advantages in the global interactive media industry.

As our country ages, it is important to replenish the Canadian talent pool, but in today's environment, it is also important to retool our future workforce with the skills and approaches needed for creating content in a multiplatform universe. The audiovisual industry is no longer limited to film and video, and so we must consider finding new funding sources to explore other initiatives that can provide mentoring and training.

Given Canada's rich history and experience, it is our obligation to help prepare future generations of content creators. We have proven to be a nation of skilled programmers who have attracted international recognition as the best in the world. The response to Telefilm's 2007 Great Canadian Video Game Competition certainly demonstrated our strong technical capabilities and story line capacity; members of the industry have indicated their support for such a tailored approach to the development of Canadian talent. Telefilm will explore how it can extend this type of initiative to other platforms to ensure that Canadian creators can continue to develop original Canadian content and remain competitive on the international scene.



MEASURING FUTURE SUCCESS

Our definition of success in the traditional and new media industry will include growing capacities for multiplatform distribution, increased Canadian-owned IP and a strengthened business infrastructure that can compete on the worldwide level. By this, we mean strong companies able to retain ownership in their content; mid-career professional development geared to regional, Aboriginal and multi-ethnic cultures; a creative, skilled workforce that includes the new generation of workers; and access to shelf space to reach Canadian audiences.

Concurrently, the advent of the new media order has disrupted the measurement of traditional media and will continue to disrupt the life cycle of feature films which now extends far beyond their theatrical release. That said, Telefilm is still required to measure audiences through box-office gross revenues and its Canada-wide objective remains 5% of the annual total. That means DVD sales and rentals, pay-TV, on demand and conventional broadcasts and downloads from interactive media are not considered in calculating the success of Canadian film productions. That is why Telefilm and the Department of Canadian Heritage have teamed up to fine-tune existing measurement instruments and to develop new audience measurement tools.

This approach, which has the potential to become a real Canadian success story, requires new investment, both private and public. These elements will encourage Canadian talent to stay in Canada and contribute to our dynamic culture and a robust economy.

Telefilm must be a visionary and responsive leader. We understand that today's multitasking creators cannot afford to be working in silos – they need to share information and ideas. And while they focus on creating, Telefilm will continue working with the industry and the various levels of government to provide leading-edge business affairs practices and market intelligence to ensure that the Canadian audiovisual industry remains internationally competitive.

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STRATEGIC OBJECTIVES

FILM

Greater number of Canadians enjoy distinctive Canadian films

PORTFOLIO DIVERSIFICATION

Invest in a diverse portfolio

INTERACTIVE MEDIA

Greater number of Canadians find Canadian cultural experiences on the Internet and through digital off-line platforms

FESTIVALS AND AWARDS

Canadian cultural products are promoted to audiences in Canada and abroad

BUILDING AUDIENCES

KEY PERFORMANCE INDICATORS	TARGETS	2007-2008 RESULTS
Canadian box office share	Achieve Canadian box-office share of at least 5%	Achieved 3.2% box office share, down from the previous year's 4.1%
Diversification by genre, budget size, language and region	Establish baseline data for portfolio diversification, increase the number of genres represented in portfolio	A drop in the share of the dominant genre, drama notably from 80% to 38% in French drama, and an overall diversification among the other genres in the portfolio
Number of unique visitors for online products, sales revenues for offline products	Establish baseline data for on-line audiences, determine the appropriate approach and methodology for audience measurements	Telefilm continues to establish a baseline data; 2 nd successful year of on-line audience tracking completed. Telefilm financed projects received on average 5.5 million page views and 723,000 individual visits per month
Prizes earned at major Canadian and international Festivals	Maintain or increase current levels of awards won	Telefilm supported projects won 116 awards and had 3 Oscar® nominations; an increased number from the 15 awards and one Oscar® nomination received in 2006-2007

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**FEATURE
FILM IN
CANADA:
WEATHERING
THE STORM**

THE FEATURE FILM MARKET IN CANADA IS A GOOD EXAMPLE OF IMBALANCE. THERE IS AN IMBALANCE IN THE WAY FILMS ARE CONSUMED IN THE TWO DIFFERENT LANGUAGE MARKETS. THERE IS ALSO AN IMBALANCE IN THE BUDGETS AND BUSINESS MODELS BETWEEN STUDIO AND INDEPENDENT PRODUCTIONS.

THEN, THERE IS A MAJOR IMBALANCE BETWEEN A FEW BLOCKBUSTER TITLES AND THE HUNDREDS OF MODESTLY-BUDGETED INDEPENDENT FILMS. THIS IS A MARKET PLACE FOR WHICH A FEW WINNERS AT THE TOP COMMAND THE MAJORITY OF THE SALES VOLUME, AND THIS PAST YEAR WAS NO EXCEPTION.

The average box office take for a single film title in 2007 was \$1.6 million. In comparison the *median* take for a title was only about \$100,000. The top 10 feature film performers in 2007* accounted for \$246 million worth of box office receipts.

In other words, two percent of the film titles released in 2007 accounted for almost a third of the total box office take.

This is an extremely competitive market. 2007 saw well-branded franchise properties come of out of Hollywood; a further exaggeration of the disparity between the top few and the rest.

In 2006, the top 20 films were worth about \$318 million. In 2007, the top 20 films were worth almost \$60 million more than the previous year. Given the growth of the overall market, that \$60 million represents a major shift in box office share away from modestly successful films towards the more popular films. This market shift has had an impact on the burgeoning Canadian industry. Canadian films' slow but steady rise up resulted in a share of more than 5% in 2005. Since then, Canadian share has eroded significantly in the wake of Hollywood's seemingly indefatigable quest for international box office revenue in the last two years.

* Box-office receipts are tabulated on a calendar year basis, from January 1 to December 31. The receipts of films having played in more than one calendar year are ascribed to the year in which they were earned.

**2006 TO 2007: TOTAL BOX OFFICE VALUE AND AVERAGE VALUE VARIATION
 FOR CANADIAN TITLES VS INDEPENDENT TITLES**

	2006	2007	2006-2007
Independent Film Box Office	\$ 149,380,641	\$ 89,265,815	(40.2)%
Canadian Film Box Office	\$ 34,754,637	\$ 27,755,648	(20.1)%
Independent Film Average Title	\$ 353,503	\$ 238,282	(32.6)%
Canadian Film Average Title	\$ 363,103	\$ 313,895	(13.6)%

A barometer for determining the studio films' impact on market share can be seen in how independent film titles fared overall. In 2006, the independent films made approximately \$149 million in box office. In 2007, the independent film box office dropped considerably to only \$89 million.

This represents a 40% drop for independently produced films.

The average value of an independent film title went from \$353,000 in 2006 to \$238,000 in 2007.

It is clear that the Hollywood studio productions cut deeply into the film market in 2007.

Comparatively, Canadian films have been more successful at weathering this storm than the wider independent film market.

Canadian films accounted for almost \$28 million in box office receipts for 2007. If films that were released in previous years are omitted, this total comes to a little under \$27 million. A Canadian title is worth about \$314,000. In comparison, in 2006, Canadian films accounted for \$34.7 million in box office receipts and the average worth of a film title was about \$363,000. This represents a drop of 20% for overall box office (compared to a 40% drop for overall independent) and about a 14% drop for the average title's worth (compared to a 33% drop for overall independent). This is a clear indication that as a subset of independent films, Canadian titles have proven to be more resilient in a marketplace that is highly competitive.

**2007 BOX OFFICE FOR CANADIAN, INDEPENDENT AND
TOTAL BY LANGUAGE MARKET**

	Canadian Film Box Office	Total Independent Film Box Office	Total Market
French Market Box Office	\$ 20,833,928	\$ 36,234,724	\$ 128,450,325
English Market Box Office	\$ 6,921,720	\$ 53,031,091	\$ 729,111,073
Total	\$ 27,755,648	\$ 89,265,815	\$ 857,561,398

Within the context of highly marketed blockbuster titles and a subsequent erosion of independent market share, the overall Canadian market-share did not hit the CFFF objective of 5%. In 2007, the overall Canadian share of the market was 3.2% a drop from 4.1% from the previous year.

Given the drop in the overall independent film market, the drop to 3.2% for Canadian film is actually a case of Canadians 'holding their own' in a very difficult market.

HIGHLIGHTS OF THE FEATURE FILM MARKET IN 2007

In 2007, the total value of box office receipts for all films in Canada hit \$857.6 million, a small increase over 2006 (about one percent). The total box office for new releases in 2007 was about \$771 million.

TOTAL VALUE FOR THE FEATURE FILM MARKET
AND BOX OFFICE FOR CANADIAN FILM

	2007
Box Office Take for Canadian Films	\$ 27,755,648
All Others	\$ 829,805,750
Total Market Value	\$ 857,561,398

There were 477 titles released in Canada in 2007.

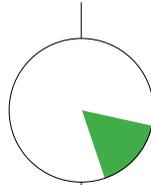
The Canadian market share failed to meet the 5% benchmark for a second year in a row. In actual dollars, the Canadian box office share of the market has dropped from \$34.7 million in 2006 to \$27.8 million in 2007. This drop has been at the expense of the English-language market which went from \$12.5 million the previous year to \$6.9 million this year.

In total, the top ten Canadian films have earned more than \$21 million at the box office. The number one Canadian produced film in Canada was *3 P'tits Cochons*. It earned a little over \$4.5 million at the box office in 2007. This is a remarkable contrast to the more than \$12 million that last year's *Bon Cop Bad Cop* earned. Despite the absence of such a tremendous hit, this year saw more \$2 million plus titles than the previous year. Some of the other big performers for Canadian film this year were *Nitro* (\$3.6 million), *Eastern Promises* (\$3.1 million) and *Ma fille, mon ange* (\$2.6 million).

477

TITLES RELEASED
IN CANADA
IN 2007

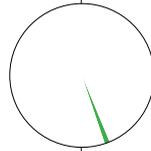
**CANADIAN PRODUCED FRENCH
LANGUAGE FEATURE FILM TOTAL
MARKET SHARE**



16.2%

% OF TOTAL
MARKET

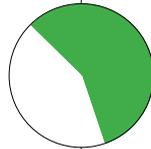
**CANADIAN PRODUCED ENGLISH
LANGUAGE FEATURE FILM TOTAL
MARKET SHARE**



0.9%

% OF TOTAL
MARKET

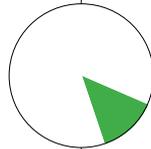
**CANADIAN PRODUCED FRENCH
LANGUAGE FEATURE FILM
INDEPENDENT MARKET SHARE**



57.5%

% OF
INDEPENDENT
MARKET

**CANADIAN PRODUCED ENGLISH
LANGUAGE FEATURE FILM
INDEPENDENT MARKET SHARE**



13.1%

% OF
INDEPENDENT
MARKET

0040



IN THE FRENCH LANGUAGE MARKET THERE CONTINUES TO BE STRONG PERFORMANCES BY CANADIAN-PRODUCED FILM TITLES. OF NOTE IN 2007 WERE *3 P'TITS COCHONS*, *NITRO*, *MA FILLE*, *MON ANGE* AND *À VOS MARQUES...PARTY!*

FRENCH-LANGUAGE BOX OFFICE OF CANADIAN FILMS REPRESENTS ABOUT 58% OF THE INDEPENDENT FILM MARKET AND JUST OVER 16% OF THE TOTAL MARKET.

Although there was a small rise in the share of the independent market relative to the previous year, the Canadian share of the overall market remained relatively unchanged between 2006 and 2007. In dollar terms, the Canadian share of the French-language market saw a small drop from \$22.3 million to \$20.8 million.

English-language Canadian films accounts for 0.9% of the overall market and 13.1% of the independent market. The share of the overall market declined relative to 1.7% in 2006, as well as the 1.1% in 2005. English-language Canadian films made about \$5 million less this year than the previous year.

ANALYSIS OF FRENCH-LANGUAGE MARKET

Since 2001, the film audiences in the French-language market have been supporting home-grown hits. However, despite a growing demand for new French-language films, the volume of new movie titles being released has not necessarily mirrored this trend. In other words, the supply has been having trouble keeping up with the demand.

In the French language market, there continues to be strong performances by Canadian-produced film titles. Of note in 2007 were *3 P'tits Cochons*, *Nitro*, *Ma fille, mon ange* and *À vos marques...Party!* All four of these titles broke the one million dollar mark, and combined, accounted for almost \$13 million in box office revenues in the French-language market. If it were not for the 2006 run away hit, *Bon Cop Bad Cop*, 2007 would appear to be a better year. However, French-language film share did slightly drop from 17.1% to 16.2%.

The French-language market has faced growing challenges in the past few years. A growing demand for a higher volume of good quality productions has put a significant strain on the existing resources in the industry; a victim of its own success. Telefilm has started working on strategies to tackle this challenge, among them, by looking beyond Canada's borders: international co-production.

International movie-making partnerships provide a two prong advantage. First and foremost, these partnerships create an immediate influx of cash into an industry that has limited access to private resources.

The second advantage that foreign partnerships provide, specifically for the French-language market, is that it increases the size of the potential market. Despite the success of French-language film in Canada, the potential audience pool is relatively small in comparison to other markets. In order to increase film sales, there needs to be a larger pool of potential movie-goers. International co-productions, with other French-speaking countries such as France and Belgium, create new markets and new audiences for a film.

Recognizing the importance of international partnerships, Telefilm has made it a critical part of its feature film strategy. This past year saw a significant increase in foreign investment in both French-language and English-language Canadian film. Foreign participation in financing increased from 0.9% to 4.1% in French-language productions and from 3.5% to 16.2% in English-language productions.



LOOKING BEYOND
CANADA'S BORDERS:
INTERNATIONAL
CO-PRODUCTION

ANALYSIS OF ENGLISH-LANGUAGE MARKET

In 2006, the Canadian share of the English-language feature film market reached 1.7%. In 2007, this dropped down to 0.9%. The single year drop in the English-language market is largely due to an anomalous year in which well-known studio franchises released multiple sequels in a single season. Although the overall market remained flat, there were tens of millions of redistributed box office share to the top few films. Despite this kind of competition, English-language film managed to keep its share close to one percent.

Another challenge that continues to affect the success of the English-language market is the difficulty in getting all sectors of the industry to work toward a common goal of a strong Canadian film industry: this includes insufficient investment in marketing and a lack of incentives for distributors commitment. For a second year, Telefilm has worked closely with the CFFF Working Group in order to find common solutions to the same challenges.

Marketing has taken a front seat in many of Telefilm's strategies this past year, including an industry consulted revision of the marketing guidelines and incorporating a 'best practices' approach that stipulates distributors and producers work more closely together. Also, in an attempt to further nurture mid-level producers with more modest portfolios, Telefilm also launched a new funding mechanism, the Slate Development Pilot Program. The larger objective of these strategies is to build audiences in the English-language market. Canadian English-language cinema has certainly come a long way, and in 2007-2008, Telefilm has taken steps to go even further.



BRANDING CONTENT MADE IN CANADA

ENCOURAGING AND NURTURING NEW TALENT: TELEFILM SUPPORTS TWO FIRST-TIME DIRECTORS

Telefilm prides itself on making bold decisions on new talent. Whereas many film investment opportunities fall by the wayside for up-and-coming filmmakers, Telefilm is usually the first to provide much needed resources to these emerging talents. The 2007 film season saw two significant pay-offs for Telefilm's decisions: *Away from Her* and *3 P'tits Cochons*.

Patrick Huard is best known as an actor for his roles in such films as *Bon Cop Bad Cop*, *Nez Rouge* and *Maman Last Call*. However, Huard is also the first-time director of 2007's most successful film: *Les 3 P'tits Cochons*. This title earned over \$4.5 million at the box office: an amazing feat for any Canadian film, let alone, a new director's first effort. It also proved to have the fourth highest box office revenue for any Canadian film in the last five years. It was nominated for five Genies (winning the Golden Reel Award) and nominated for 12 Jutras (winning the Golden Ticket Award).

Similarly, Sarah Polley's much anticipated first time directed feature, *Away from Her*, was one of the few high performing English-language titles for 2007. In total, the film has taken in almost \$1.5 million dollars in Canadian box office. This young director's effort resulted in a multitude of awards including seven Genies, a Golden Globe, a Screen Actors Guild Award and two Oscar® nominations.

These two hugely successful films are what Telefilm is all about: proving that Canadian talent is able and willing to attract large audiences and win awards and accolades: all with a little help in the beginning.



▶ AWAY FROM HER — DIRECTOR: SARAH POLLEY

A DIVERSE PORTFOLIO

Given the proclivities of the box office across genres, Telefilm has made it a priority to create diversity among the projects it supports. This past year saw a further increase in this diversification.

English-language commitments clearly diversified: at the beginning of the year, only three genres received commitments whereas by the end of the year, this had grown to six genres, including more than 9% for horror and about 7% for historical drama. Similarly, French-language production commitments have seen genre diversification over the last three quarters, albeit more modestly than the English-language portfolio. In the last quarter, two additional genres were added to the portfolio (romantic comedy and horror).

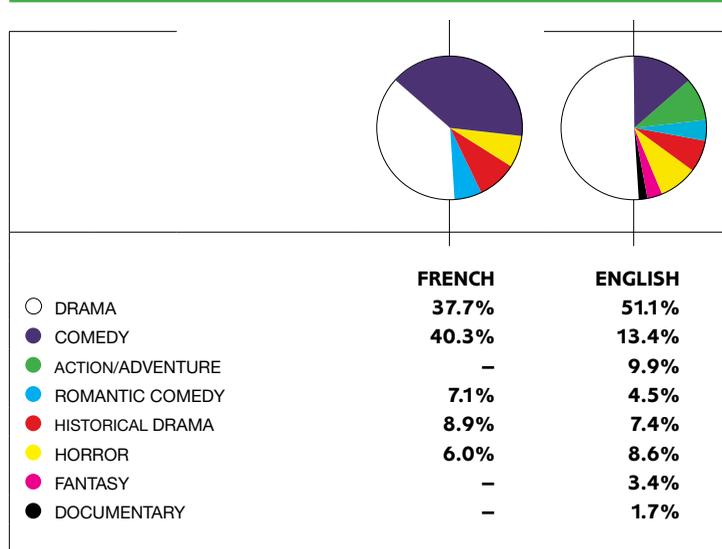
The key indicator that Telefilm has been focussing on is diversifying its portfolio away from the dominant genre, drama to other genres. For example, two years ago in 2004-2005, drama represented more than 57% of the English-language commitments and about 55% of the French commitments. The 2006-2007 year saw English-language commitments to drama stay relatively the same and the French-language jumped to about 80% drama. Drama has again dropped down in 2007-2008 with 51% in English, and a tremendous drop to 38% in French.

CANADIAN CONTENT ON MULTIPLE PLATFORMS

A feature film title now has a life cycle beyond the box office. DVD, VOD, downloads on to personal computers, iPods and cell phones all add to the life cycle of films. Telefilm, jointly with the Department of Canadian Heritage and the industry, is working towards a global audience measurement strategy as attaining the 5% box-office should not be the only target taken into account when it measures the success of Canadian products.

ENGLISH-LANGUAGE
COMMITMENTS CLEARLY
DIVERSIFIED

TITLES BY LANGUAGE AND GENRE



Canadian Feature Film on the Small Screen

Television is indeed a powerful medium for drawing audiences to Canadian films. For example, the largest single audience for a Canadian film in 2007 was *Les Boys II*. This film is almost ten years old, and yet managed to attract almost a million viewers on a Saturday evening. *Elvis Gratton XXX*, a more recent film (2004) also managed in a single airing to pull in an impressively-sized audience: about 785,000. These audience numbers represent 'single viewings', which means they capture the audience for one single airing of the film. Many Canadian-produced films enjoy multiple airings throughout the year. The top three airings of *Bon Cop Bad Cop*, for example, saw a combined audience of around 600,000. This film is broadcast throughout the year on Super Écran and The Movie Network in English. This suggests that on a cumulative basis, television audiences for these films can grow very large over time.

2007 TELEFILM FINANCED FEATURE FILMS PERFORMANCE ON TELEVISION*

CANADIAN TELEVISION FUND CODED PERIOD: JANUARY 2007 TO DECEMBER 2007

Rank	Film Title	Station	Air Date	Day	Time	Average Minute Audience
1	Les Boys II	TVA	2/3/07	Saturday	18:30	908.8
2	Elvis Gratton XXX	TVA	9/6/07	Thursday	20:00	785
3	Les Boys I	TVA	1/27/07	Saturday	18:30	683.5
4	Camping sauvage	SRC	5/13/07	Sunday	20:00	573.3
5	Le pacificateur	SRC	5/19/07	Saturday	20:00	460.2
6	Les dangereux	TVA	4/21/07	Saturday	18:30	425.5
7	Idole instantanée	SRC	9/7/07	Friday	19:00	402.4
8	Ç't'à ton tour Laura Cadieux	SRC	5/6/07	Sunday	20:00	402
9	La vie après l'amour	TVA	3/11/07	Sunday	10:00	391.9
10	Laura Cadieux... la suite	TVA	2/25/07	Sunday	10:00	364.1
11	Bon Cop, Bad Cop	Super Ecran 1	7/1/07	Sunday	20:00	348
12	L'art de la guerre	TQS	1/6/07	Saturday	20:00	340.9
13	Elvis Gratton	TVA	10/8/07	Monday	11:30	336.5
14	Le Survenant	SRC	9/14/07	Friday	19:00	334.9
15	Owning Mahoney	CBC Full	5/5/07	Saturday	2:00	139.8
16	Dans une galaxie près de chez vous	VRAK	6/30/07	Saturday	10:00	130.1
17	Secret de ma mère, Le	Super Ecran 1	5/13/07	Sunday	20:00	128.1
18	Roméo et Juliette	Super Ecran 1	10/20/07	Saturday	19:10	123.3
19	Bon Cop, Bad Cop	Super Ecran 2	7/5/07	Thursday	21:25	121.2
20	Bon Cop, Bad Cop	M (TMN1)	6/9/07	Saturday	21:00	118.0
21	À vos marques... Party!	Super Ecran 1	8/26/07	Sunday	13:30	115.2
22	Vie secrète des gens heureux, La	Super Ecran 1	8/26/07	Sunday	20:00	113.2
23	Babel	TQS	10/20/07	Saturday	12:00	66.8
24	Boys IV, Les	Super Ecran 4	10/14/07	Sunday	12:45	63.7
25	Rafales	TeleQuebec	7/21/07	Saturday	23:00	62.9

*Source: BBM Infosys

OVERALL AVERAGE: CNMF FUNDED PROJECTS					
	Overall monthly average Page views	Visits	Average number of page views per visit	Unique visitors	Number of projects that submitted a report
Total – English	3,791,013	600,866	6.31	375,521	15
Total – French	1,755,772	121,821	14.41	67,202	9
Total – new-media projects funded by Telefilm	5,546,785	722,687	7.68	442,723	24

Among the top performers for feature film on television in 2007, the French-language film titles had much more success than the English. In fact there were only two English-language Canadian films that made it into the top 25 airings. *Owning Mahoney* aired on CBC in May 2007, attracting an average audience of about 140,000 and the English presentation of *Bon Cop Bad Cop* attracted about 118,000 on The Movie Network.

Convergent On-line Media

The on-line environment has become a priority for Telefilm in the last few years. The Canadian New Media Fund has proven to be an important support for many up and coming interactive content producers. Telefilm has also been working hard to track the performance of its interactive media clients.

In 2007-2008, Telefilm completed a second year of on-line audience tracking. Many of our clients continue to attract large audiences to 'made-in-Canada' content. In total, web sites for which Telefilm has participated financially have received a monthly average of 5.5 million page views. In an average month, these projects enjoyed 723,000 visits, for which 443,000 were unique visitors. Given the challenges that Canadian producers in other media have had in acquiring audiences, this is another astounding year for Canadian-produced on-line content.

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As is increasingly the case, some of the most popular on-line products in Canada are convergent properties. These websites have ties to other Canadian film and television production, either in a promotional sense or as a 'value added' component for the audience. The majority of the most popular Telefilm-financed projects for 2007-2008 are convergent with Canadian-produced television programming. Considering the audience numbers this past year, this represents an exceptional success in drawing audiences to Canadian product on multiple platforms.

Telefilm will continue to hone its strategies in tracking the on-line and interactive media. There is still a long road to go in gauging all performances, especially for platforms such as DVD, on-line sales/downloads, Internet Protocol Television and other novel means of delivering content. The two years of on-line media tracking has proven to be an excellent start in this ever complex and changing media environment.

PERFORMANCE OF TELEFILM-FUNDED PROJECTS

	Average number of page views per month
1 This Is Daniel Cook	2,516,070
2 Cornemuse	1,307,006
3 Odd Job Jack	615,945
4 Shipwreck Central	224,218
5 Contact, l'encyclopédie de la création	176,516
6 Delilah and Julius (English)	147,926
7 Broken Saints	125,147
8 Delilah and Julius (French)	111,075
9 Visez	73,581
10 ReGenesis Extended Reality Game	70,337

AWARD AND PRIZES 2007-2008

TELEFILM CANADA
ANNUAL REPORT 2007-2008

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FEATURE FILM

ATLANTIC REGION

POOR BOY'S GAME

2007 Atlantic Film Festival

- ▶ Best Atlantic Feature, *Clement Virgo*
- ▶ Michael Weir Award for Best Original Screenplay, *Chaz Thorne, Clément Virgo*
- ▶ PowerPost Craft Awards, Best Art Direction, *Bill Fleming*

2007 Calgary International Film Festival

- ▶ CityTV Award for Best Canadian Feature, *Clément Virgo*

2008 Vancouver Film Critics Circle

- ▶ Best Supporting Actor in a Canadian Film, *Greg Bryk*

JUST BURIED

2007 Atlantic Film Festival

- ▶ Best Director, *Chaz Thorne*

SHAKE HANDS WITH THE DEVIL (Atlantique/Ontario)

2007 Atlantic Film Festival

- ▶ Best Actor, *Roy Dupuis*

2008 Genie

- ▶ Best Achievement in Music – Original Song *Valanga Khoza, David Hirschfelder* for the song «Kaya».

2008 Jutra Awards

- ▶ Best Actor, *Roy Dupuis*

2007 Sudbury Cinéfest

- ▶ Audience Award, *Roger Spottiswoode*
- ▶ Best Canadian Film, *Roger Spottiswoode*

QUEBEC REGION

3 P'TITS COCHONS

2008 Genie

- ▶ It was nominated for five Genies. Winning the Golden Reel Award

2008 Jutra Awards

- ▶ Nominated for 12 Jutras. Winning the Golden Ticket Award

AURORE

2007 Mexico International Film Festival

- ▶ Grand Jury Prize



CONTINENTAL, UN FILM SANS FUSIL

Namur 2007, Festival International du Film francophone

- ▶ Best Film

2007 Toronto International Film Festival

- ▶ Best Canadian First
Feature Film

2008 Genie

- ▶ Nominated for 5 Genies

2008 Jutra Awards

- ▶ Best achievement in Directing
- ▶ Best Motion Picture of the Year
- ▶ Best performance by an Actor
in a Supporting Role
- ▶ Best screenplay

UN DIMANCHE À KIGALI

2007 Phoenix Film Festival

- ▶ Audience Award & Best Film –
World Cinema best picture

2007 Kuala Lumpur International Film Festival

- ▶ Best Film

2007 Genie

- ▶ Nominated for 8 Genies,
Winning Best Adapted Screenplay

2007 Jutra Awards

- ▶ Nominated for 2 Jutras.
Winning Best Sound

DÉLIVREZ-MOI

2007 Festival de cine internacional de Ourense

- ▶ Audience Award

2007 Brussels International Independent Film Festival

- ▶ Best Actress
- ▶ Best Screen play, International
competition

2007 Roma Independent Film Festival

- ▶ New Visions Award

2007 Tibuton International Film Festival

- ▶ Golden Reel Award

2007 Jutra Awards

- ▶ Best Actress, *Céline Bonnier*

MAURICE RICHARD

2007 Palm Beach International Film Festival

- ▶ Special Jury Award

2007 Milan International Film Festival

- ▶ Best Cinematography

RESTLESS

2008 Berlinale – Internationale Filmfestspiele

- ▶ Oecumenic Jury Award
- ▶ Prize of the Guild of German Art
House Cinemas
- ▶ Nominated Golden Berlin Bear

LE SECRET DE MA MÈRE

2007 Stony Brook Film Festival

- ▶ Best Feature

2007 Genie Awards

- ▶ Nominated for 2 Genies

ONTARIO AND NUNAVUT REGION

THE TRACEY FRAGMENTS

2007 Vancouver Film Festival

- ▶ Critics Choice

AMAL

2008 San Francisco International Asian American Film Festival:

- ▶ Jury Award

2008 Victoria Film Festival

- ▶ Best Canadian Feature Film

2007 Cinéfest Sudbury Festival

- ▶ Best Canadian First Feature

2007 Whistler Film Festival

- ▶ Phillip Borsos Award

AWARD AND PRIZES 2007-2008

EASTERN PROMISES

2008 Genie

- ▶ Nominated for Best Film

Oscars® - 80th Academy Awards

- ▶ Nominated for Best Actor

2007 British Independent Film Festival

- ▶ Best Performance by an Actor in an Independent British Film

2008 Fotogramas de Plata Award

- ▶ Best Foreign Film

2007 Satellite Award

- ▶ Best actor in a Motion Picture, Drama

2007 Toronto Film Critics Association Awards

- ▶ People's Choice Award

2008 Vancouver Film Critics Circle

- ▶ Best Actor in a Canadian Film, *Viggo Mortensen*
- ▶ Best Director in a Canadian Film, *David Cronenberg*
- ▶ Best Film - Canadian

AWAY FROM HER

Won 39 awards and nominated for another 15

2008 Genie Awards

- ▶ Best Actor
- ▶ Best Actress
- ▶ Support Actress
- ▶ Claude Jutra Award for Direction of a First Feature Film
- ▶ Director
- ▶ Editing
- ▶ Adapted Screenplay

Oscars® - 80th Academy Awards

Nominated for:

- ▶ Best Actress, *Julie Christie*
- ▶ Best Script based on an already published work

2008 Golden Globes

- ▶ Best Actress

2008 Screen Actors Guild Awards

- ▶ Best Actress
- ▶ Best Script

2008 Critic's Choice Award

- ▶ Best Actress at the Broadcast film critics association

2008 COFCA Award

- ▶ Breakthrough Film Artist at the Central Ohio Film Critics Association

2008 Chlotridus Awards

- ▶ Best adapted Screenplay

2007 Dallas - Fort Worth Film Critics Association Awards

- ▶ Best Actress

2008 London Critics Film Circle Awards

- ▶ British Actress of the Year

2008 Los Angeles, Broadcast Film Critics Association Awards

- ▶ Best Leading Actress

2007 Los Angeles Film Critics Association Awards

- ▶ New Generation Award

2007 National Board of Review

- ▶ Best Actress

2008 National Society of Film Critics Awards

- ▶ Best Actress

2008 New York Film Critics Online Awards

- ▶ Best First Film
- ▶ Best Actress

2007 Online Film Critics Society Awards

- ▶ Best Actress
- ▶ Breakthrough Filmmaker

2007 Phoenix Films Critics Society Awards

- ▶ Best Actress
- ▶ Best Screenplay

2007 Sao Paulo International Film Festival

- ▶ Nominated for International Jury Award

2007 Southeastern Film Critics Society Awards

- ▶ Best Actress

2007 Washington DC Area Film Critics Association Awards

- ▶ Best Actress

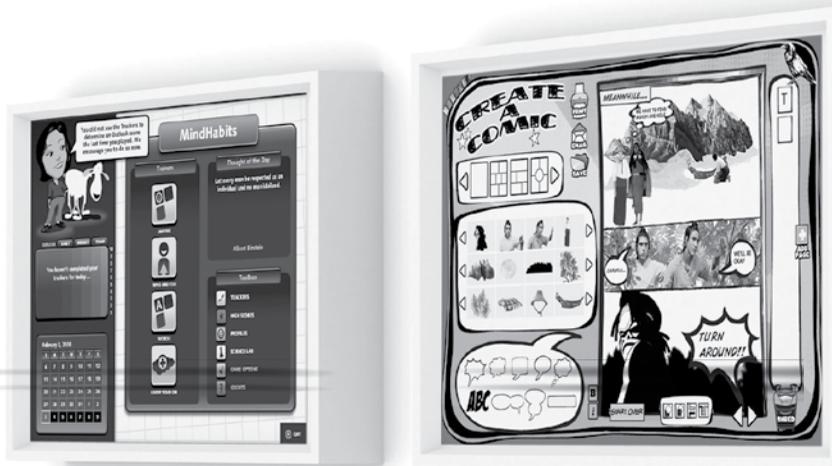
SILK

2008 Genie

- ▶ 4 Nominations
- ▶ Best Achievement in Costume Design

2008 Jutra Awards

- ▶ Best Art Direction
- ▶ Best Cinematography
- ▶ Best Costume Design
- ▶ Best Sound



FUGITIVES PIECES

**2007 Cinema Festa
Internazionale di Roma**
▶ Best Actor

MANUFACTURED LANDSCAPES

2007 Nashville Film Festival
▶ Reel Current Award

**2007 Nyon, Visions du Reel –
Festival International
de Cinéma**
▶ Prix de la Direction du
développement et de la
coopération du ministère des
Affaires étrangères suisse

**2007 River Run International
Film festival**
▶ Best Feature – Documentary

WATER

**2007 Shashat Women's
Film Festival**
▶ Best International Film

WHO LOVES THE SUN

2007 Beverly Hill Film festival
▶ Best Female performance –
Best Actress

**2007 Worldfest Houston –
International Film Festival**
▶ Bronze Award – Best Film

WESTERN REGION

WALK All Over Me

**2007 Alberta Film and
Television Awards**
▶ Best Feature Film
(Carolyn McMaster, Producer –
CHAOS A Film Company)

FIDO

Genie Award
▶ Achievement in Art Direction/
Production Design

SAVING LUNA

**2008 Bermuda International
film festival**
▶ Best Documentary Award

2008 Byron Bay Film Festival
▶ Best Environmental Film

**2007 Jackson Hole Wildlife
Film Festival**
▶ Best People and Animals

**2008 San Francisco Ocean
Film Festival**
▶ Audience Award

**2008 Santa Barbara International
Film Festival**
▶ Audience Choice Award
– Best Feature

AWARD AND PRIZES 2007-2008

NEW MEDIA

QUEBEC REGION

MIND HABITS

- ▶ Winner of the Great Canadian Videogame Competition

LE QUÉBEC AU NATUREL

- ▶ 2007 Octas Award for the use of French in Information Technology
- ▶ 2007 Octas IT Award, cultural, educational or media sectors

TURBULENT

- ▶ Turbulent named CTVM.info's Multimedia Personality of 2007
- ▶ 2007 Boomerang Award, media and entertainment website, for Fric Show
- ▶ 2007 Japan Prize finalist for Fric Show
- ▶ 2007 Gemini Award finalist, Best Website, for Fric Show
- ▶ Winner of the NFB's 2007 Cross-Media Challenge, for Who We Are
- ▶ 2007 Octas Award finalist for the Les Invincibles website

BLUE SPONGE

2007 Boomerang Awards

- ▶ Winner Best Internet Site B2C – SME for Parasuco in Canada

ONTARIO AND NUNAVUT REGION

AREWETHEREYET.TV Sinking Ship Entertainment

- ▶ Finalist for the Prix Jeunesse Interactivity Prize. It is one of just 3 finalists in its preschool category and the only Canadian contender.
- ▶ Nominated for Excellence in Learning, Canada New Media Awards (CNMA) 2007

ACES OF THE GALAXY, Artech Studios

- ▶ Got a 8/10 rating from OXM the official Xbox 360 magazine in the UK

REGENESIS EXTENDED REALITY GAME II Xenophile Media in association with Shaftesbury Films

- ▶ Extended Reality Game
- ▶ Winner of Excellence in Cross Platform, CNMA 2007

WWW.ODDJOB JACK.COM Smiley Guy Studios Inc.

- ▶ Nominated for excellence in cross-platform, CNMA 2007

WESTERN REGION

ANASH INTERACTIVE Reel Girls Media Inc.

- ▶ Best Digital Cross-Platform Project at the Alberta Film and Television Awards
- ▶ Silver at the World Media Festival in Hamburg, Germany
- ▶ Gold Remi from the WorldFest-Houston International Film Festival

CAFÉ SONIC

- ▶ Winner of Excellence in the Use of Social Media – CNMA 2007

HOTHEAD GAMES

- ▶ Semifinalist in the Great Canadian Video Game Competition
- ▶ Winner of most promising company of the year award at the CNMA 2007
- ▶ Backbone Magazine and KPMG “unveil the PICK 20, the first and only national roundup of Canada’s Web 2.0 pioneers and practitioners. Client companies highlighted include: **Cambrian House** (funded for “Gwabs”); **Something Simpler** (funded for “pul.se”); **Movieset**.

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OBJECTIVE :2

STRATEGIC OBJECTIVES

Invest in the audiovisual industry to attract other forms of financing

Companies increase their capacity through sales and business development at markets

Industry professionals benefit from high-quality training initiatives

Visible minorities, official languages minority professionals and aboriginal professionals benefit from opportunities to advance in their careers

BUILDING INDUSTRY CAPACITY

KEY PERFORMANCE INDICATORS	TARGETS	2007-2008 RESULTS
<p>% of financing from other sources of funding</p>	<p>Maintain or increase % of financing from other sources</p>	<p>Significant increases in foreign investment leveraged over the previous year</p>
<p>Level of sales and business achieved at markets</p>	<p>Maintain or increase Canadian and International sales and business development</p>	<p>Overall sales at international markets for Canadian companies grew by \$2.5 million</p>
<p>Level of satisfaction and positive career impact due to Telefilm training and development programs and initiatives</p>	<p>Launch survey methodology</p>	<p>Training survey project completes second successful year with an overall average of 80% participant satisfaction</p>
<p>Level of resources committed to programs and initiatives designed to promote professional development within culturally diverse communities</p>	<p>Maintain or increase the level of investments</p>	<p>Generally maintained levels with 12% of French-language contracts signed with Francophones outside Quebec and 18% of English-language contracts signed with Anglophones in Quebec</p>

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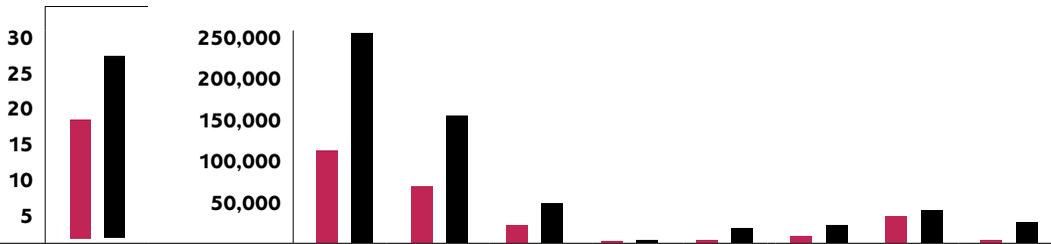
CANADA FEATURE FILM FUND (CFFF)

Financial Analysis

Production – New signed Contracts

IN THOUSANDS OF DOLLARS

- FRENCH
- ENGLISH



	Number of Projects	Total Budgets	Budgets*	Canada Feature Film Fund	Broad-casters	Private Sector	Distributor and Exporters	Other Government Sources	Foreign Participants
●	17	110,409	68,080	20,445	1,435	3,282	8,135	31,982	2,801
●	26	251,861	153,023	47,412	3,525	17,423	20,391	39,418	24,854

* Does not include the foreign share (\$141,167) of Official co-production budgets in which Canada is a minority partner.

THIS PAST YEAR SHOWED AN IMPROVEMENT OVER THE LAST IN THE ABILITY OF PRODUCERS TO LEVERAGE OTHER SOURCES OF FINANCING WITH TELEFILM'S SUPPORT.

LEVERAGING IN FEATURE FILM

Telefilm is usually the first investor in a project. Telefilm's early investments in a project leverage funding from other sources. With a modest injection of resources, producers have been able to generate interest in their projects and increase their financing.

This past year showed an improvement over the last in the ability of producers to leverage other sources of financing with Telefilm's support. In 2006-2007, almost 40% of all feature film financing was attributed to Telefilm resources, whereas in 2007-2008, this figure dropped to about 30%. This can largely be attributed to a significant increase of foreign investment in Canadian film. There was an increase from 2.5% in 2006-2007 to almost 13% in 2007-2008 of the foreign share of Canadian film budgets.

The 2007-2008 figures also reiterate the importance of international co-production. Funding from foreign investors increased from \$4 million dollars in 2006-2007 to almost \$28 million in 2007-2008. This represents \$24 million new dollars into the industry that Telefilm helped trigger. Telefilm will pursue corporate strategies that continue to see foreign investment in Canadian film grow.

LEVERAGING IN NEW AND INTERACTIVE MEDIA

As in feature film, Telefilm's commitments through the Canada New Media Fund (CNMF) to new media and interactive content production aids in leveraging additional funding. In general, monetizing a product and financial resources are scarcer in this industry than with feature film, however, 2007-2008 appears to be a banner year for new resources in the interactive media sector. In previous years Telefilm's share of the budgets for these projects have held steady at about a 40% share, however this past year, Telefilm's overall share of new media budgets dropped to 27.9%.

Much of this growth in leveraged financing can be attributed to the fact that there has been a significant influx of foreign investments into these projects (foreign participation jumped from 0.6% to 33.3% share of overall budgets). This is an extremely positive development for a Canadian industry that despite having tremendous talent, has been burdened with a lack of financial resources in the past. However, Telefilm and the industry stakeholders must continue to work on developing strategies to encourage Canadian private sector to invest into Canadian content creation on different platforms that often represent a higher level of risk than traditional media.

FOREIGN
PARTICIPATION
SHARE OF OVERALL
BUDGETS:

33.3%

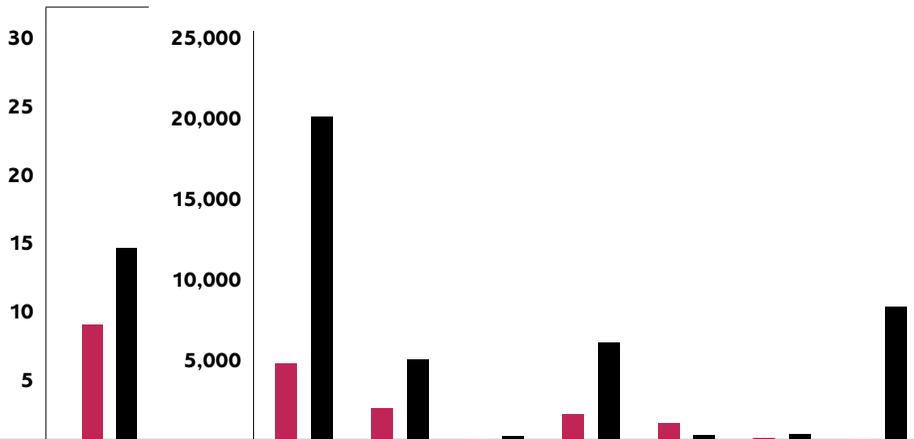
CANADA NEW MEDIA FUND (CNMF)

Financial Analysis

Product Assistance – Production Only – Signed Contracts

IN THOUSANDS OF DOLLARS

- FRENCH
- ENGLISH

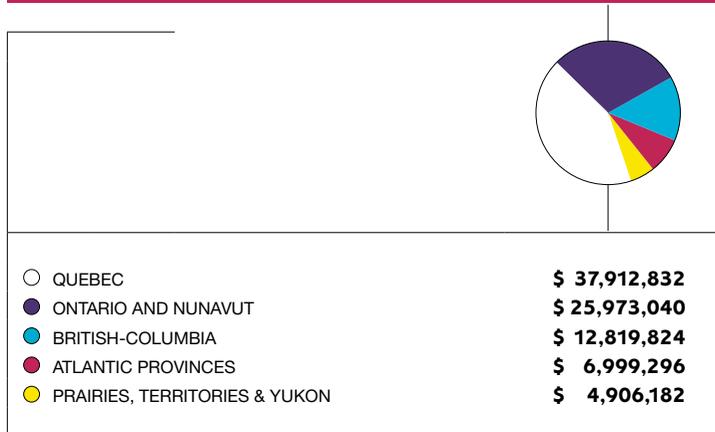


	Number of Projects	Total Budgets	Canada New Media Fund	Broad-casters	Private Sector	Distribu-tors and Exporters	Other Government Sources	Foreign Companies
● FRENCH	9	4,752	1,964	48	1,574	1,032	107	27
● ENGLISH	15	20,125	4,983	196	6,072	275	335	8,264

REGIONAL INVESTMENTS: PRODUCTIONS MADE IN CANADA

Telefilm is committed to supporting the development and production of audiovisual productions from every region of the country. The primary objective of this balanced investment approach is to ensure that contracts are entered into with regional companies, thus stimulating the growth of local economies.

TOTAL INVESTMENTS BY PROVINCES/REGION



TOTAL INVESTMENTS BY LANGUAGE



**OVERALL, FOR EVERY DOLLAR
THAT TELEFILM COMMITTED
IN SUPPORT (NOT INCLUDING
IN-HOUSE EXPENSES), CANADIAN
COMPANIES REPORTED ALMOST
NINE DOLLARS WORTH
OF SALES.**

INTERNATIONAL MARKETS AND FESTIVALS

Telefilm surveyed the Canadian participants at TV markets (NATPE, MIPTV and MIPCOM) and the feature film markets (European Film Market Berlin, Cannes Film Market)*.

International sales are becoming more and more important to the Canadian audiovisual industry. Given Canada's modest domestic market and its proximity to the largest international producer of big budget audiovisual content; it is critical for the health of the Canadian industry that sales strategies include markets beyond our borders. Opportunities abound at these international market places. This year Canadian companies continued to see relatively strong sales performances.

Since 2006-2007 Telefilm has tracked the performance of its initiatives at international markets. This research activity followed the festival cycle which starts in January with NATPE and finishes in October with MIPCOM. Because of this, all annual report building industry capacity financial figures associated with Telefilm's involvement in the international markets are based on calendar year and not Telefilm's fiscal year.

* The surveys were conducted from January 1 2007 to December 31, 2007.

RELATIVE TO THE 2006 MARKETS, THE VALUE OF ALL CANADIAN COMPLETED SALES INCREASED BY ABOUT 50%.

In the calendar year 2007, Telefilm contributed a total of \$866,000 to help Canadian companies at International markets (not including in-house expenses). In total, 251 companies received support from Telefilm across five markets largely through Telefilm-financed 'Canadian Pavilions' and business centres. The pavilions provided a location for promotional literature and displays, as well as meeting places to conduct business.

In 2007, 149 companies reported sales activity at the markets. Last year, the sales of Canadian companies at these measured markets accounted for about \$70 million (completed deals and working deals). Relative to the 2006 markets, the value of all Canadian completed sales increased by about 50%.

An aggregate picture indicates a strong return on investment for Telefilm. Overall, for every dollar that Telefilm committed in support (not including in-house expenses), Canadian companies reported almost nine dollars worth of sales.

In addition to strong sales performances, participating companies also expressed continued strong levels of satisfaction for both the business accomplished at the markets as well as the utility of the Telefilm's Canadian pavillions. On average, 90% of respondents reported using the Canadian pavilion. For the second year in a row, high marks were given for the helpfulness of Telefilm staff at the event as well as the usefulness of the pavilion itself.

For a detailed copy of our International Markets report, please visit Telefilm's website: www.telefilm.gc.ca

THE SALES OF
CANADIAN COMPANIES
AT THESE MEASURED
MARKETS ACCOUNTED
FOR ABOUT

\$70M

TRAINING INITIATIVES

Telefilm has completed a second year of surveying participants in its training and business development initiatives. For 2007-2008, this research has expanded in scope to include satisfaction surveys for five development initiatives; these include:

- ▶ On the Road to the Games Developers Conference (market preparedness initiative)
- ▶ Berlinale (market preparedness initiative)
- ▶ Écrire au Long / Feature it!

In aggregate, about 80% of the graduates this year were satisfied overall with programs they attended. About 16% of the participants had a neutral opinion and only 4% were not satisfied. Some other points of interest from this year's research include:

- ▶ 73% felt the programs objectives were clearly laid out
- ▶ 71% felt the program met their expectations
- ▶ 75% felt that the program's format was appropriate
- ▶ 89% felt that the presenter of their program was knowledgeable

Participants proved to be generally happy with the value of the program as well:

- ▶ About 80% indicated that the program was well worth it
- ▶ More than 77% of the participants would recommend the program

Telefilm is still fine-tuning a research strategy for assessing the success of industry development programs such as these. Participants are surveyed a second time, one year after their graduation, in order to gauge the long term affect the programs may have had on their professional careers. Telefilm hopes to see results next year from this element of the research program.



BRANDING CONTENT MADE IN CANADA

THE GREAT CANADIAN VIDEO GAME COMPETITION – A RESOUNDING SUCCESS

Telefilm is convinced that Canada has the talent and potential to be a world leader in the \$20-billion video game market. While the country is already ranked # 3 in the world* as an international hub for game development, challenges exist for independent game developers to bring original content to market in a highly competitive market.

Created with industry support and input, Telefilm's Great Canadian Video Game Competition, is a first-of-its-kind initiative. The goals of the Competition were to elevate the commercial profile of Canadian-owned gaming companies and help the industry grow. This past year saw the winner of the competition.

The competition took place in three rounds that mirrored traditional industry financing. In January 2007, an industry jury awarded 10 companies Round 1 status (**Innovation**) and each received \$50,000 in financial assistance to explore their gaming concepts, develop a visual identity and elaborate a plan to raise initial private-sector investment. In March 2007, four of the 10 companies scored Round 2 status (**Project Development**). The final four represented handheld, Nintendo and Microsoft platforms.

With a total of 69 entries, the final winner Mind Habits was announced in September 2008 and will receive financing up to half a million dollars from Telefilm matched evenly by private investors, totalling almost \$1,000,000.

* Source: Trade and Investment – 2006 "Playing for keeps: Challenges to sustaining a world-class UK games sector"



The Great Canadian Video Game Competition also functioned as a networking opportunity between up-and-coming Canadian companies and industry 'heavy weights'. Telefilm assembled and engaged an all-star jury and panel of industry insiders and experts to help design and implement the competition. This group included senior executives from Electronic Arts, Ubisoft, Radical Entertainment, PriceWaterhouseCoopers, New Media BC, and IGDA, as well as several other top industry players.

The committee also included eight mentors who have many years of game experience and proven track records. These mentors provided invaluable support and coaching to the competitors. This mentorship program proved to be one of the most successful elements of the competition.

In the end, this initiative proved to be a resounding success for both Telefilm and the Canadian video game industry. Among the many positives of this program were the increased media attention, which brought our finalists into the international industry limelight; increased interest in the development community from Canadian publishers; and, of course, the financial resources that went into creating Canadian game intellectual property.



DIVERSITY: **ABORIGINAL,** **CULTURAL** **AND** **LINGUISTIC** **SUPPORT**

CONSULTATIONS AND OUTREACH: IN 2007-2008, TELEFILM CANADA BROUGHT TOGETHER AN ABORIGINAL TASK FORCE TO HELP REDESIGN ITS INITIATIVES TARGETING THE ABORIGINAL COMMUNITIES.

This consultation contributed to the development of a new 3-year initiative (Featuring Aboriginal Stories Program) set to be launched in 2008-2009. The Program will aim to encourage established audiovisual professionals to move into feature film. The new initiatives will assist mid- and advanced-career level Aboriginal producers, writers and directors to develop and produce feature films for Aboriginal, Canadian and world audiences. The Aboriginal Peoples Television Network (APTN) is a partner in this program and, with Telefilm, will develop and implement the outreach and communications plans to promote this new initiative next fiscal year.

In 2007-2008, Telefilm Canada also renewed its Memorandum of Understanding with the Interdepartmental Partnership with Official-Languages Communities (IPOLC). As part of its renewal process, Telefilm Canada consulted with Official Language Minority Community (OLMC) content creators in order to better meet their needs and to better define their challenges and training needs as Telefilm is seeking to expand access to its programs to the new generation of creative artists and content creators emerging from these communities. Telefilm also consulted with television producers from the OLMC to support them during the transition toward a multiplatform environment.

Outreach and communication strategies intended to promote Telefilm's programs and initiatives in the OLMC were developed and implemented in 2007-2008; the activities related to these strategies will be pursued in 2008-2009. In order to facilitate applicants' access to different Telefilm

programs, all initiatives and programs addressing the needs of content creators from the Minority Official-Language Communities were regrouped and branded under the “Official Languages Activities Program (OLA)”. The objectives and expected results are clearly indicated so applicants can more easily locate initiatives responding to their needs.

PRODUCTIONS AND COMMITMENTS

In 2007-2008, Telefilm’s Canada Feature Film Fund supported the production and/or marketing of 12 projects with multicultural content, and the production of four Aboriginal films. *What’s Cooking?* recounts the confusion that results when a first generation Canadian accepts a Canadian diplomatic position in India, her parents’ homeland. Also supported was an Aboriginal feature-length documentary, *Reel Injun* which deals with the evolution of the image of Native people in film from the silent film era to today. The Writer’s First program supported the development of three projects with multicultural content: *Trash*, *Horn* and *Broken English*. One project with Aboriginal content, *Heart of the Arctic*, was also supported.

Among the projects funded in partnership with the Department of Canadian Heritage through its IPOLC in 2007-2008, are four projects with multicultural content, *Trajectoires*, *Sweet Blood (kephart)*, *Recherche mère porteuse musulmane* and *La Maison de mes ancêtres*. Other visible minority projects were supported through Telefilm Canada’s Mini-Treaties Program (*L’Histoire de Jen*), and its Versioning Assistance Program (*Silk*).

Through the Canada New Media Fund (CNMF), Telefilm supported in 2007-2008 one project with Aboriginal content, *Digital Nations*, a multiplatform project initiated by APTN. Fifteen Aboriginal artists from across Canada were commissioned to create a two-minute short film on the theme of their perception on to the concept of ‘nation’. These short films will be seen worldwide on video cell phones, computers, and television as well as on big screens at film festivals. The project will be cross-promoted; the website will be crucial to showcasing these short films worldwide and to including user-generated content.

12
PROJECTS
SUPPORTED BY
TELEFILM’S CANADA
FEATURE FILM FUND

Telefilm also supported, via the CNMF, *Who We Are*, a project that combines new platforms with documentary video to paint an impressionist portrait of human migration. The Web component serves as a video-sharing platform featuring multifaceted videos, and aims to tell the stories of Canadian immigrants in the context of current international affairs. These stories combined, create a large mosaic of portraits: a collective portrait of us all.

Telefilm supports Canadian film festivals, and has provided assistance to various festivals that promote the works of content creators from cultural and Aboriginal communities and that provide opportunities for their professional development. During 2007-2008, Telefilm Canada supported the following festivals that showcase and promote Canada's Aboriginal and multicultural talent: imagineNATIVE Film and Media Arts festival, *Festival du film et de la vidéo autochtones de Montréal*, Toronto Reel Asian International Film Festival, Dreamspeakers 12th Annual Film Festival and *Vues d'Afrique – semaine audiovisuelle au Burkina Faso*.

In 2007-2008, Telefilm increased its commitments to the development, production and marketing of Aboriginal and multicultural content. In the previous year, Telefilm committed \$385,000 to programs dedicated to the Aboriginal talent and \$3.4 million to programs dedicated to visible minority creators; whereas in 2007-2008, Telefilm committed \$1,278,000 and \$3,739,000 respectively.

In 2006-2007 a total of \$1,035,000 was committed to the content creators from the OLMC, whereas in 2007-2008, Telefilm only committed a total of \$486,000. The decrease in its commitments was mainly due to the consultation and redesign of Telefilm's programs and initiatives aimed at the content creators from the OLMC. As a result, Telefilm was not able to deliver the full range of activities planned for 2007-2008. Plans for 2008-2009 will allow for the delivery of all activities and make it possible to realize all planned investments over a two-year period.

Finally Telefilm submits two annual reports to the federal government, one on multiculturalism and one on official languages. For more details, please visit our website: www.telefilm.gc.ca.

0072



OBJECTIVE #3

STRATEGIC OBJECTIVES
To be an efficient and innovative administrator
To be transparent and accountable
To better serve our clients

BE A GOOD ADMINISTRATOR

KEY PERFORMANCE INDICATORS	TARGETS	2007-2008 RESULTS
Management Expense Ratio	Maintain a low %	<p>The CFFF management expense ratio is at 9%, compared to 8% in 2006-2007</p> <p>The Television Business Unit ratio is constant at 3% since 2006-2007</p> <p>The management expense ratio for the CNMF stands at 26% an increase from 19% in 2006-2007</p>
Implement Performance Measures	Develop performance measures	Financial and operational Performance indicators are now implemented
Client satisfaction	Maintain or increase the level of client satisfaction rate in comparison with 2005-2006 Canada-wide survey	A survey of the Ontario region was conducted in 2007-2008

THE CORPORATION DEEMS THAT ITS PARTNERS AND CLIENTS HAVE A RIGHT TO QUALITY, LOW-COST SERVICES, WITH QUALITY DETERMINED ON THE BASIS OF RECOGNIZED, MEASURED AND COMMUNICATED PERFORMANCE STANDARDS. TELEFILM DEFINES THE VALUE OF ITS SERVICES ON THE BASIS OF THREE DISTINCT VARIABLES: QUALITY, RESPONSE TIME, AND COSTS.

For Telefilm, this premise underlies its claim to be an efficient administrator offering value-added services to its clientele. To this end, and in line with its corporate plan, Telefilm has given itself three strategic core sub-objectives that it believes to be essential to its goal of being a good administrator:

- ▶ To be an effective and innovative administrator offering program-management services at an attractive cost;
- ▶ To be transparent and responsible by developing relevant performance measurements for the industry and for the organization;
- ▶ To better serve its clients by assessing its clients' satisfaction.

▶ **TO BE AN EFFECTIVE AND INNOVATIVE ADMINISTRATOR OFFERING PROGRAM-MANAGEMENT SERVICES AT AN ATTRACTIVE COST**

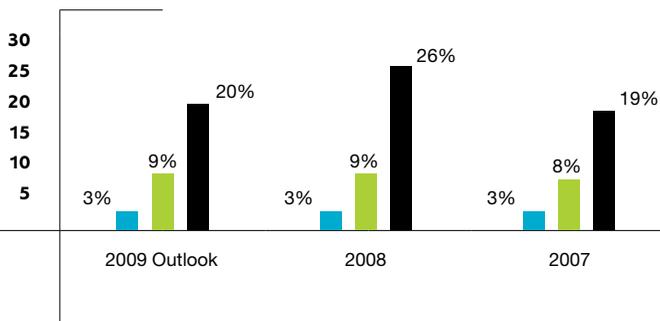
Management expense ratio

Since fiscal year 2007, management has systematically integrated the notion of program costs into all of its cost reporting, for its financial forecasts as well as for its results. As such, accountability for administrative and operational decisions that affect program costs and related management fees has become an essential part of the Corporation's financial management process.

Management has adopted the "management expense ratio" as a performance measurement. This measurement unit corresponds to operating expenses (before amortizations and write-offs) in relation to monies invested in assistance expenses for each of the Corporation's major programs. Detailed operating expenses for main programs appear in Schedule F of the financial statements.

MANAGEMENT EXPENSE RATIO

- TELEVISION BUSINESS UNIT
- FEATURE FILM FUND
- NEW MEDIA FUND



It should be noted that the various funding programs the Corporation manages cannot be compared one against the other. Indeed, program guidelines and selection methods, the scope of projects, as well as the number of files that must be analyzed are only some of the factors to be considered when evaluating program performance. For this reason, it would be rash to compare management expense ratios for each program. The preceding graph shows management expense ratio trends for our main programs over three fiscal years.

Canada Feature Film Fund (CFFF)

The ratio for the CFFF is slightly higher, rising from 8% in 2006-2007 to 9% in 2007-2008. The increase is directly due to the need for full-time equivalent employees occasioned by fund activities. It should be noted that the number of signed applications increased by 12%. Management expects that the management expense ratio for 2008-2009 will be comparable to this year's, at 9%.

Television Business Unit (TBU)

The ratio for the television unit remains stable, at 3%. Supported by an outsourcing agreement that covers the full range of services, management is pleased to be able to provide the television industry with services offering an enviable price/quality ratio. Management does not expect an increase in the management expense ratio in 2009. Note: Assistance expenses inherent to the outsourcing agreement are the property of the CTF and as such are not included in the Corporation's financial statements.

Canada New Media Fund (CNMF)

The management expense ratio for new media is 26%, a significant increase over the ratio for fiscal 2007, which stood at 19%. This data gives a misleading picture of the situation, because the program's operating expenses, at \$2.6 million, are comparable to those from the previous fiscal year. Nevertheless, assistance expenses fell sharply during fiscal 2007-2008 (-\$3.3 million), and this had a major impact on the calculation of the ratio. This is a direct result of a moratorium imposed by management on signing of all contracts for the first three months of the fiscal year because the Corporation did not have the authority to commit the Department's funds. Finally, the results illustrate the organization's limited ability to synchronize its resources with the timing of applications submitted to the program. Management expects that in 2008-2009, management expense ratio should return to a more reasonable rate of 20%.

▶ TO BE TRANSPARENT AND RESPONSIBLE BY DEVELOPING RELEVANT PERFORMANCE MEASUREMENTS FOR THE INDUSTRY AND THE ORGANIZATION

During 2007-2008, the Corporation continued to deploy performance measurements that allow it to track and assess the achievement of its objectives and set targets. In this regard, the performance measurement model revolves around two key areas of activity: financial indicators and operational indicators. In practical terms, the Corporation uses these indicators to measure the organization's performance in relation to its key success factors.

FINANCIAL INDICATORS	OPERATIONAL INDICATORS
<ul style="list-style-type: none">▶ Expenses of the Canada Feature Film Fund (CFFF)▶ Expenses of the Canada New Media Fund (CNMF)▶ Administrative budget	<ul style="list-style-type: none">▶ Time taken to render production funding decisions for the CFFF and the CNMF▶ Television Business Unit service levels▶ Triggering of disbursements to projects (days)▶ Triggering of disbursements to product and service providers (days)▶ Number of critical IT system hours available▶ Number of critical IT system incident-free days available

WE COUNT, WE MEASURE, WE IMPROVE AND WE ACHIEVE

Financial indicators essentially pertain to budgetary targets that must be met, for our programs as well as for administrative costs, while our operational indicators represent certain key elements pertaining to high-quality customer service. The targets, results and findings for all of our financial and operational indicators are presented on pages 83 to 86 of the Management's Discussion and Analysis section. It should also be noted that Management will assess the relevance of these indicators on a regular basis and that indicators may evolve over time.

600
COMPANIES
HAVE REGISTERED
FOR eTELEFILM

▶ **BETTER SERVING OUR CLIENTS BY ASSESSING CLIENT SATISFACTION**

Although no Canada-wide client satisfaction survey was conducted in 2007-2008, information available to management would indicate that the Corporation is on its way to meeting the target it would like to attain in the client survey planned for next year, that is to maintain or raise client satisfaction levels in relation to the 2005-2006 results. To this end, in 2007-2008, the Corporation commissioned a survey in Ontario and Nunavut region to assess the degree to which the organization responded to the particular challenges of this region. Findings showed that our actions yielded encouraging results.

Management also took steps to enhance client satisfaction by implementing a number of specific initiatives, such as: establishing and following up on performance indicators and adding services to eTelefilm.

▶ **eTELEFILM AND WWW.TELEFILM.GC.CA:
CATALYSTS OF CLIENT SATISFACTION**

eTelefilm's success as a business tool continued to grow throughout the fiscal year. To date, almost 600 companies have registered for this online tool and close to 20% of all applications are now submitted online. There is every reason to believe that clients appreciate the simplicity, speed and reliability of eTelefilm, which also offers direct deposit for selected programs. Pleased with the industry's response, Telefilm extended eTelefilm's scope to cover exploitation reports and activities such as festival and international market registrations and international festival pre-selections. eTelefilm will also be available to clients of the new industry development programs.

REORGANIZATION OF HEAD-OFFICE PREMISES: WORK COMPLETED

The Corporation completed all work on the reorganization of its head-office premises during fiscal 2008. These major renovations were aimed at finding long-lasting solutions to recurrent problems affecting work spaces, lighting, acoustics and air quality. Telefilm is now equipped with a conference centre that has up-to-date meeting rooms. All of these spaces serve to offer our clients and staff a stimulating environment conducive to more productive meetings.



BRANDING CONTENT MADE IN CANADA

THE 2005-2006 ANNUAL REPORT WINS ANOTHER AWARD OF EXCELLENCE

In December 2007, the Canadian Institute of Chartered Accountants (CICA) honoured Telefilm Canada's 2005-2006 annual report with an Award of Excellence for corporate reporting by a Crown Corporation. This honour confirms the merit of Telefilm Canada's corporate reporting regarding the administration of public funds, with the CICA recognizing the consistency that prevails between its corporate plan and the targets, strategies and results set out in its annual report. Telefilm strives for excellence, and the Corporation is proud that its performance has been recognized by an organization committed to enhancing the quality of financial reporting in Canada.

**MANAGEMENT'S
DISCUSSION AND ANALYSIS** **0081**

DECLARATION OF RELIABLE, UP-TO-DATE INFORMATION

The Management's discussion and analysis (MD&A) is prepared by management for the purpose of providing information complementary to the financial statements and of reporting on the Corporation's past performance and future perspectives. This review aims to be relevant, comprehensive and reliable. It presents among other information, its performance indicators, financial data pertaining to fiscal 2008, as well as comparative data for the fiscal year, and also offers an outlook on the future when such is deemed useful. The information provided also seeks to be balanced and completely transparent. The MD&A is presented to the Executive Committee, the Audit and Finance Committee and thereafter approved by the Corporation's Board. It supplements the audited financial information presented on pages 108-130.

THE YEAR'S HIGHLIGHTS AND ACHIEVEMENTS

Fiscal 2008 was a year of continuity and consolidation for the Corporation. Strengthened by its assets, the organization completed its review of how the Canada Feature Film Fund is delivered by distinguishing between investment decisions and contract management. It was also during 2008 that eTelefilm literally became an indispensable tool of the Corporation's development, with penetration rates among clients reaching unprecedented levels.

In addition, the second year of our service contract with the Canadian Television Fund (CTF) was a success and confirmed that Telefilm is indeed an effective administrator for the industry. In fact, the Corporation has already started optimizing certain processes in the aim of improving its service to the television industry.

Lastly, the Corporation undertook an in-depth review of its programs and delivery methods on the Industry Development Operations sector. This multi-sector project, which is currently being implemented, will enable the Corporation to better align its activities with its strategic objectives.

These achievements represent only a part of its overall activities. The Corporation also worked to achieve another set of objectives, and the results it achieved in meeting these objectives demonstrate its confidence and determination in light of its administrative responsibilities.

**DELIVERING
RESULTS
THAT MEET
EXPECTATIONS**

FISCAL 2008

- ▶ Key administrative performance indicators:
Meeting budgetary targets
 - Canada Feature Film Fund: Target reached
 - Canada New Media Fund: Target reached
 - Administrative budget: Target reached
- ▶ Rigorous management of public funds: Proactive management of the administrative budget will allow us to reinvest \$1 million in our programming in fiscal 2009.
- ▶ Transfer of assets to the Canadian Television Fund: mission accomplished.
- ▶ Strategic budgetary allocation

KEY ADMINISTRATIVE PERFORMANCE INDICATORS

During the fiscal year, the Corporation intensified its move to greater accountability and responsibility by continually measuring certain established performance objectives. Management aims to apply a managerial approach process that will ensure and offer optimal performance and service to its clients and partners. The results compiled are factual and provide an accurate measurement of the Corporation's performance in meeting established targets.

Financial indicators	Targets	Results	Findings
Minimal expenses of the CFFF	\$82.7 M	\$90.2 M	Target reached
Minimal expenses of the CNMF	\$12.3 M	\$10.1 M	Initial target not reached
Administrative expenses: maximal threshold	\$28.4 M	\$28.2 M	Target reached

Management established three key financial indicators, relevant to the Corporation and to the industry. Indeed, not meeting the CFFF and CNMF targets could have a negative impact on funds available for investment in the industry because these two funds are subject to agreements and terms and conditions that annually limit the use of funds. The administrative budget target represents the maximal amount that can be used for the Corporation's administrative costs. The Corporation identifies as a target the minimal amounts established at the time agreements and regulations are drawn up in order to ensure that funds do not lapse.

Telefilm's results are positive and illustrate that management achieved forecast targets for the CFFF expenses and for the use of sums earmarked for administrative expenses. Feature film expenses exceed the established threshold because this Fund has at its disposal recoveries that can be reinvested. As for administrative expenses, our stringent management of public funds is reaping benefits: Telefilm achieved a budgetary surplus of just under \$200 000, which represents a target accuracy rate of 99.3%. By taking full advantage of its available room for manoeuvre, management made wise use of the financial resources in the \$28.4 million envelope by financing certain charges for the upcoming fiscal year. As a result, the sum of \$1 million is available for program funding in fiscal 2009. It should be noted that the administrative budget is calculated on a modified cash basis, rather than on an accrual basis, and therefore cannot be compared to the operating and administrative expenses in the financial statements.

With respect to the CNMF, the situation was more difficult and expected results were revised downward. Indeed, the late renewal of the agreement, in June 2007, compromised its ability to meet the initial target of \$12.3 million. Management quickly realized the need to reduce \$3 million in funding for fiscal 2008. In agreement with the Department of Canadian Heritage, the target was revised to \$9.3 million and the Corporation was able to achieve the new target. Additional expenses are funded by Telefilm and by the Fund's accumulated recoveries.

Concurrently with the financial indicators, management also endeavours to set targets tied to key operational indicators. These indicators converge into a central theme: customer service. As a service provider, Telefilm has a duty to ensure that each sector meets established standards and, in the event a sector fails to do so, makes the necessary adjustments.

The CNMF reaches and exceeds its target for the number of weeks required to render a decision, which is excellent. The situation is different, however, when it comes to decision time limits for the CFFF, which only manages to reach its set target 40% of the time. This is the direct outcome of application deadlines set by Operations sectors, which are unable to meet the demand within prescribed time limits. Considering that Telefilm deems decision timetables to be important, it would be good for management to assess the degree to which this process can be optimized and to take the necessary corrective measures or, if need be, to review the target for required time limits, specifically at the time that application deadlines are set.

Operational indicators	Targets	Results	Findings
Time limits for production funding decisions			
• CNMF: Decision rendered in 14 weeks	90% of the time	95% of the time	Target reached
• CFFF: Decision rendered in 10 weeks	90% of the time	40% of the time	Target not reached
TBU service levels: Indicators pertaining to time limits to be met, in number of days	12 targets to reach	8 targets reached	Target partially reached
Project payments triggered	≤ 3 days	2.7 days	Target reached
Payments for product & service suppliers triggered	≤ 25 days	25.9 days	Target not reached
Number of critical IT system hours available	≥ 97.5%	99.7%	Target reached
Number of critical IT system incident-free days available	≥ 90%	92%	Target reached

The Television Business Unit (TBU) also has a set of time limits to respect, time limits that ensure a uniform standard of service quality to CTF clients. The TBU reaches 8 of 12 targets and has also put in place corrective measures to address problems. Furthermore, significant improvements have been realized by the TBU year after year in its service levels, including a significant reduction in the key measure of the delay between reception date of the application and the signature of the contract and the first drawdown date. During the past year, the TBU also undertook a review of the internal production application due diligence processes initially adopted during the transition of CTF administration to Telefilm. This review was conducted with the objective of increasing efficiencies and adopts improved risk assessment practices. These changes have resulted in a more efficient use of staff and improved overall client service. Finally, Telefilm has consistently delivered all required CTF reporting within the requirements of the Service Agreement.

Moreover, the Corporation expects excellent performance results when it comes to the number of days required to trigger payments to clients and suppliers. The target for triggering project payments is reached, with only 2.7 days required to prepare and cut a cheque. As for payments to suppliers, we are not reaching the set target of 25 days but are taking

instead 25.9 days. Working in a mode of continuous improvement, management has already identified the sectors where progress will have to be made. Lastly, the IT department evaluates its performance on the basis of two particularly crucial targets: the number of hours systems are available and the number of incident-free days. In both cases, results exceed expectations, with an unprecedented 99.7% target achievement rate for the number of hours critical IT systems are available. Availability of these systems is a key factor in the ability to successfully meet the Corporation's other operational indicators.

TRANSFER OF ASSETS TO THE CANADIAN TELEVISION FUND

In connection with the outsourcing service agreement with the Canadian Television Fund and in compliance with approval granted by the Governor in Council, Telefilm transferred to the Canadian Television Fund on July 1, 2007 all of its rights, titles, interests and obligations regarding television projects in which the Corporation had invested since November 20, 1996 under the Canadian Television Fund's Equity Investment Program. Carefully planned and executed, this transfer involved more than 4,000 titles that had benefited from a total investment of more than \$900 million.

BUDGET MANAGEMENT

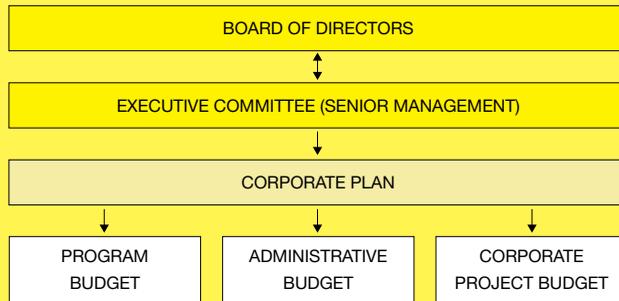
The Corporation is subject to numerous constraints stemming from its business plan objectives, its contribution agreements and its parliamentary appropriation. For example, in establishing program budget levels, the Corporation must take account of linguistic thresholds, regional disparities, and the demands specific to each region—with all being optimized in order to achieve set objectives.

The Corporation follows a transparent process whereby management discusses the budgets underlying the various programs. In addition, recurring administrative expenses are established and presented to each sector in order to ensure that the sectors have all necessary financial resources needed to attain their objectives. Finally, the Corporation identifies priority corporate projects that will speed up the Corporation's achievement of its business plan objectives. The following graph shows the strategic alignment of our budgetary allocation process.

**MISSION
ACCOMPLISHED**

**STRATEGIC
ALLOCATION**

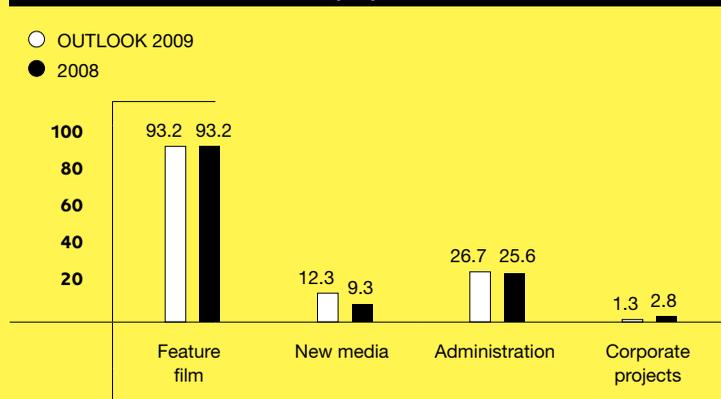
STRATEGIC BUDGETARY ALLOCATION



All of this information is tabled with the Executive Committee and approved by the Corporation’s Board. This iterative process is key to the achievement of our results. Notably, the process ensures that our business plan objectives are aligned with the resources required to achieve the objectives.

As long as the Corporation delivers services expected by its partners, its ability to continue operating is assured for 2009. Indeed, the totality of its funding derives from the Appropriation Act, from memorandum of understandings or agreements, or from recoveries. The graph below illustrates the major elements of the fiscal 2008 budget, and provides an outlook for fiscal 2009. Overall funding is relatively stable, with only the Canada New Media Fund experiencing a notable fluctuation due to the decreased funding needs of \$3 million from fiscal 2008.

MAJOR BUDGETARY ELEMENTS (\$M)



SIGNIFICANT ACCOUNTING POLICIES

The Corporation applies Canadian generally accepted accounting principles in preparing all financial information that it publishes. There has been no change to the accounting policies applicable to fiscal 2008.

FINANCIAL INSTRUMENTS

On April 1, 2007, the Corporation adopted retroactively without restating the comparative figures, the new standards contained in chapters 1506, "Accounting Changes," 1530, "Comprehensive Income," 3251, "Equity," 3855, "Financial Instruments – Recognition and Measurement," and 3861, "Financial Instruments – Disclosure and Presentation" of the Canadian Institute of Chartered Accountants Handbook (CICA). Adopting these new accounting standards has not had a significant financial impact.

IMPORTANT ACCOUNTING ESTIMATES

The preparation of financial statements requires that management make estimates and assumptions that substantially affect reported amounts. The assessment for the allowance for bad debts, the calculation of severance benefit obligation and the assessment of contingent liabilities are among the most important elements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

What?

The IFRS will replace the Canadian Generally Accepted Accounting Principles (GAAP) for the preparation of interim and annual financial statements.

The IFRS traditionally derive from international standards organizations:

- ▶ International Accounting Standards Board
- ▶ International Accounting Standards Committee
- ▶ International Financial Reporting Interpretations Committee
- ▶ Standing Interpretations Committee

Why?

In a context of globalization and transparency:

- ▶ To use internationally accepted accounting principles
- ▶ To adopt a common method of reporting financial information around the world
- ▶ More than 100 countries have already adopted the IFRS

Who?

The IFRS will apply to any Canadian organization classified as a publicly accountable enterprise:

- ▶ All Federal Crown corporations
- ▶ Publicly listed companies, banks and insurance companies
- ▶ Credit and savings unions
- ▶ Securities firms and investment banks

When?

The IFRS will be applied to annual and interim financial statements beginning on January 1, 2011. Organizations will have to compile data that meet IFRS standards for comparative purposes as of 2010.

How?

Through project-by-project management, the organization has already started taking steps towards developing a strategy to achieve the goal of applying the IFRS to its financial statements.

Corporate IFRS project

- | | |
|---|----------------|
| ▶ Diagnostic | September 2008 |
| ▶ IFRS integration plan | May 2009 |
| ▶ Upgrade of knowledge and systems | September 2009 |
| ▶ Deployment: comparative data for 2011 | April 2010 |

Impacts?

Management will comply with all new applicable standards and, rather than underestimate the scope and complexity of the IFRS application, Telefilm intends to draw on the most highly skilled resources in order to benefit as much as possible from the advantages that these new standards are expected to deliver.

FINANCIAL REVIEW

TELEFILM

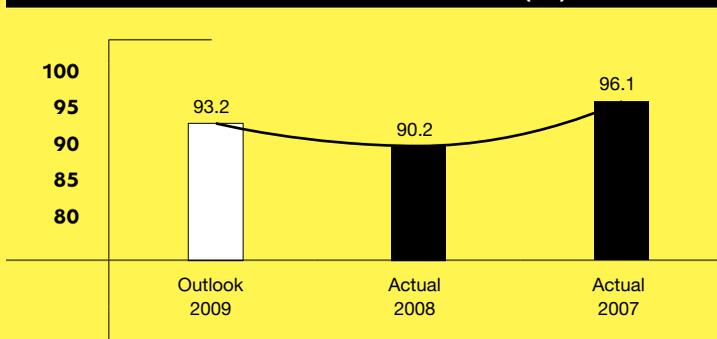
For a second consecutive year, total industry assistance expenses fell off sharply, dropping from \$138 million in 2007 to \$109 million in 2008. The drop of \$29 million is mainly due to the cessation of investment activities related to the CTF's Equity Investment Program. At the same time, recoveries derived from investments declined by \$12 million (from \$27 million in 2007 to \$15 million in 2008.) The drop in recoveries is also due directly to the cessation of recovery activities deriving from the CTF's Equity Investment Program. The following graphs summarize the assistance expenses, recoveries, funding sources and outlooks for each of the main Funds on which the Corporation's results are based.

CANADA FEATURE FILM FUND (CFFF)

Feature film investments reached an unprecedented high in 2007, and management expected a slight drop in 2008. The decline of \$5.9 million is due to a combined decrease in sums disbursed for production and distribution and marketing of feature films. For fiscal 2009, the CFFF will have a budget comparable to those in previous fiscal years, and as such expects expenses to reach similar levels.

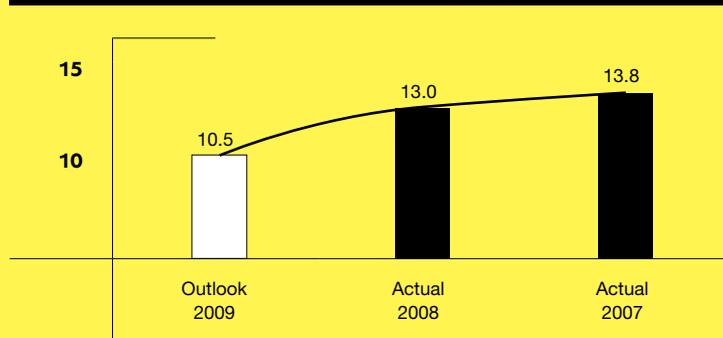
**AN ASSET
TO THE
INDUSTRY**

CANADA FEATURE FILM FUND: ASSISTANCE EXPENSES (\$M)



As for recoveries, fiscal 2007 (at \$13.8 million) was an exceptional year, while recoveries for fiscal 2008 totalled \$13 million, a figure that is representative of what the industry is capable of returning. This decrease of 6% is mainly due to a reduction in the returns from marketing projects. It should be noted that a portion of the recoupment capacity comes from box office success of films financed by the Corporation. As for future cash flow expected from feature film activities, management estimates a cash inflow of \$10.5 million. By setting conservative revenue projections, the Corporation avoids overstating its budgetary targets.

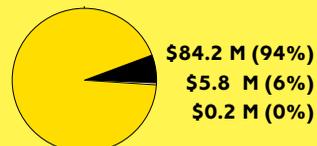
CANADA FEATURE FILM FUND: RECOVERIES (\$M)



The graph below shows the funding sources for feature film. The main source of funding—accounting for 94% of total funding—comes from Telefilm’s parliamentary appropriation. It should be noted that only 45% of recoveries in 2008 (at \$13 million) were required to complete the budgetary envelope necessary to meet feature-film expenses.

**CANADA FEATURE FILM FUND
FUNDING SOURCES: \$90.2 M**

- PARLIAMENTARY APPROPRIATION
- RECOVERIES
- CANADIAN TELEVISION FUND

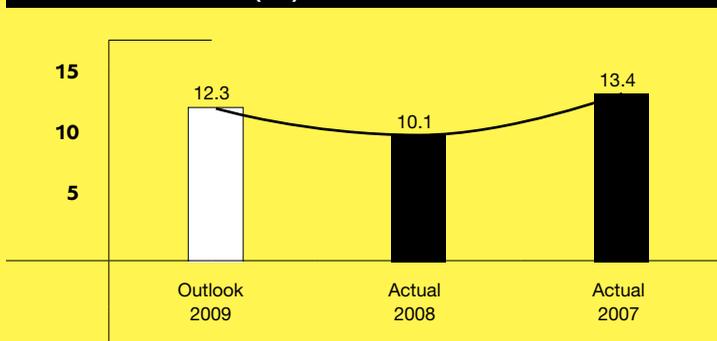


CANADA NEW MEDIA FUND (CNMF)

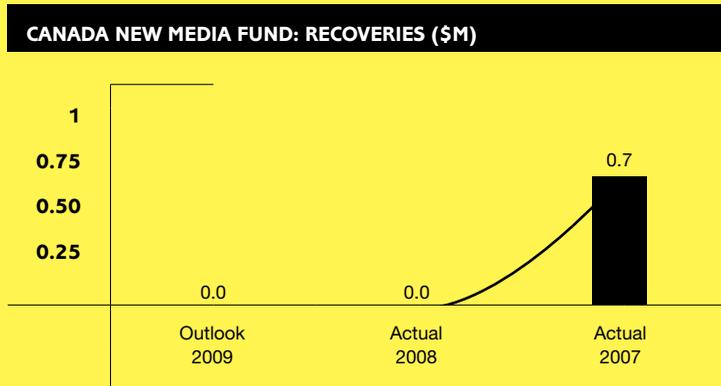
In 2008, CNMF expenses fell by \$3.3 million, or 25%, compared with fiscal 2007. The decrease in program expenses is primarily due to the fact that the contribution agreement with the Department of Canadian Heritage was signed late, in June 2007. This meant that a three-month moratorium was placed on project evaluations, thereby upsetting the delicate balance between budget requirements, the Fund's renewal conditions and the needs of an emerging industry.

By mutual agreement, the Corporation and the Department of Canadian Heritage have revised downward (-\$3 million) the expected level of assistance expenses for fiscal 2008. As for fiscal 2009, the situation will return to normal, with expenses targeted at \$12.3 million.

CANADA NEW MEDIA FUND ASSISTANCE EXPENSES (\$M)

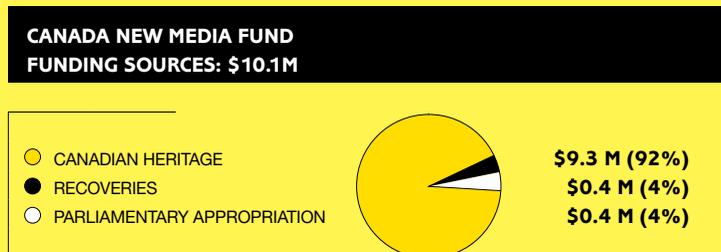


Under a new clause in the current contribution agreement, the Corporation must return all CNMF recoveries to the Consolidated Fund. This requirement explains why no revenues are indicated for fiscal 2008. Fund activities nevertheless generated revenues of almost \$187,000, which were returned to the federal government during the fiscal year. It should be noted that this particular requirement deprives the Fund of significant sums—sums that cannot be reinvested. At the present time, there is no mechanism whereby these sums can be recovered from the Consolidated Fund.



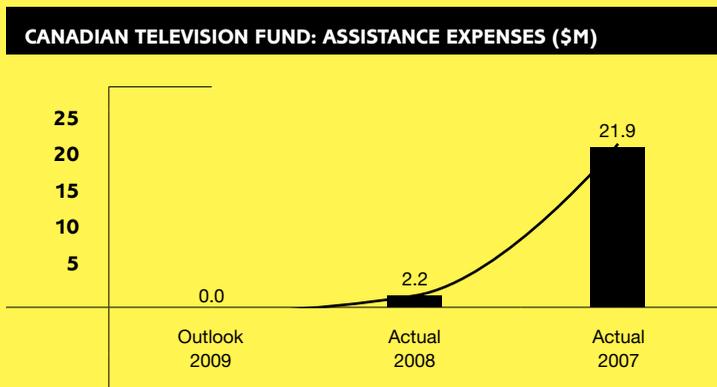
The graph below, showing the funding sources for the CNMF illustrates that these sources are not very diversified. The Department of Canadian Heritage, through a two-year contribution agreement, funds an industry that is still growing. For fiscal 2008, 92% of the Fund's resources, that is \$9.3 million, are derived from the contribution agreement with Canadian Heritage.

Considering that future recoveries will not be reinvested in the program (amounts for 2008 come from previous recoveries) and that the Corporation's parliamentary appropriation does not contain an envelope specifically earmarked for new media activities, Telefilm is working with the Department to find a more appropriate method of supporting this promising industry.



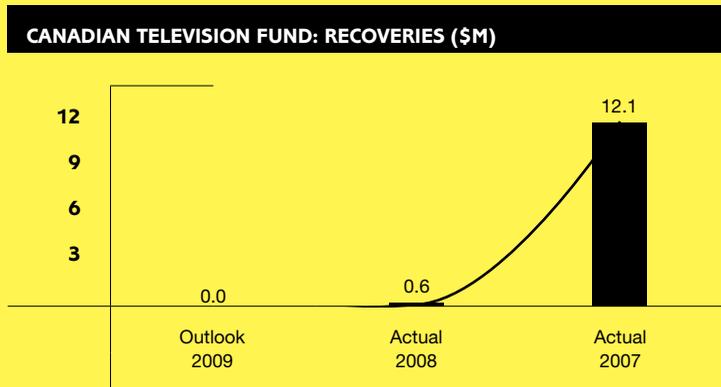
**CANADIAN TELEVISION FUND (CTF) –
EQUITY INVESTMENT PROGRAM**

Fiscal 2008 marked the definitive end of Telefilm activities pertaining to the CTF's Equity Investment Program. Indeed, the Corporation transferred its assets^{*} to the CTF on July 1, 2007. As such, the final transactions flowing from this partnership which began in 1996, were recorded in fiscal 2008. Since April 1, 2006, all new investments initiated under the Equity Investment Program have been governed solely by the CTF. The following graph illustrates CTF assistance-expense trends.



As a direct result of the termination of our activities, television recoveries declined substantially, from \$12.1 million in 2007 to \$0.6 million in 2008. This can be explained in large part by the mandatory submission dates for producers' exploitation reports, which are set for August and February of each year. The Corporation did not receive any mandatory submission in fiscal 2008, a situation caused by two factors: the transfer of assets on July 1, 2007 and the submission dates. It should also be noted that the television industry will not lose any of its financial resources, given that recoveries flowing from the titles transferred are now governed by the CTF.

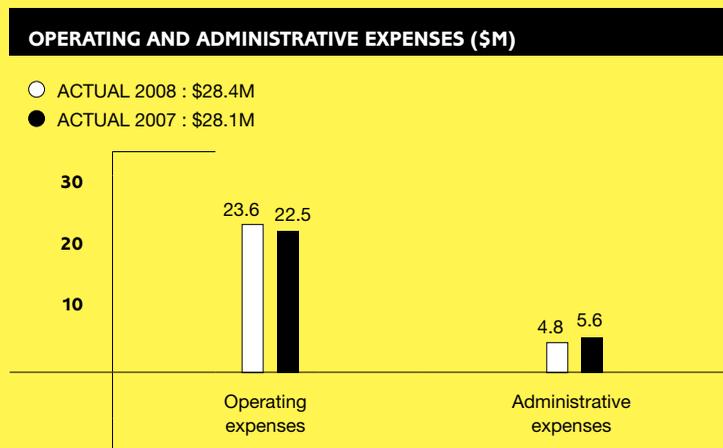
* Note 13 of the financial statements.



OPERATING AND ADMINISTRATIVE EXPENSES

Its overall operating and administrative expenses amounted to \$28.4 million in 2008, a controlled increase of 1.1% compared with expenses of \$28.1 million in 2007.

Telefilm incurs operating expenses to manage and deliver programs and administer the CTF's funding program. Its administrative expenses are incurred to carry out tasks inherent to corporate activities. Salaries and benefits (62%), professional fees (10%), and amortizations and write-offs of property and equipment (9%) account for 81% of the Corporation's overall operating and administrative expenses in 2008.



Operating expenses in fiscal 2008 amounted to \$23.6 million, up by \$1.1 million over 2007. This increase of 4.9% is mainly attributable to payroll charges from the operational sectors. Overall cost increases were due to recurrent salary increases and an increase in resources for full-time equivalent employees (FTE), distributed among several departments, including: the Television Business Unit, the new National Business Process Management sector, and the Industry Development Operations sector.

Administrative expenses for their part fell by a noticeable \$0.8 million, from \$5.6 million in 2007 to \$4.8 million in 2008. The drop was directly due to lower expenses associated with professional fees. In 2007, the Corporation had prioritized certain aspects of its governance as well as technological developments applicable to its administrative functions. In addition, the Corporation in 2008 benefited from a fiscal tax decision that was recorded in reduction of professional fees. It should be noted that to obtain the best value for each dollar invested, Telefilm calls on the expertise of external professionals whenever it does not have in-house expertise, and that these needs vary from one fiscal year to another.

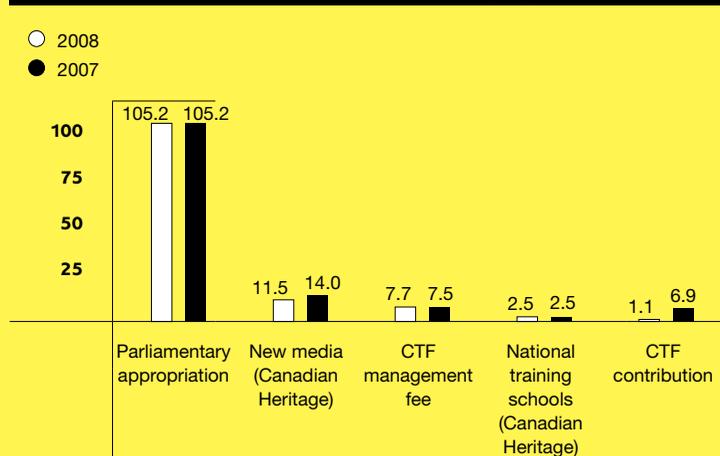
GOVERNMENT FUNDING AND REVENUES

Overall funding fell from \$136.6 million in 2007 to \$128.3 million in 2008, a drop of \$8.3 million that was chiefly due to lower contributions from the Canadian Television Fund and the Department of Canadian Heritage.

The drop in revenue from the CTF is a direct result of the transfer of assets, and will be ongoing.

The Department of Canadian Heritage's contribution is tied to the CNMF, and the decrease in the Department's contribution is due to the reduction of \$3 million the CNMF applied to 2008. The contribution from the CNMF in fiscal 2009 is expected to be \$14.5 million. Management does not foresee any other significant decrease in funding for fiscal 2009.

OVERVIEW OF THE MAJOR FUNDING SOURCES (\$M)

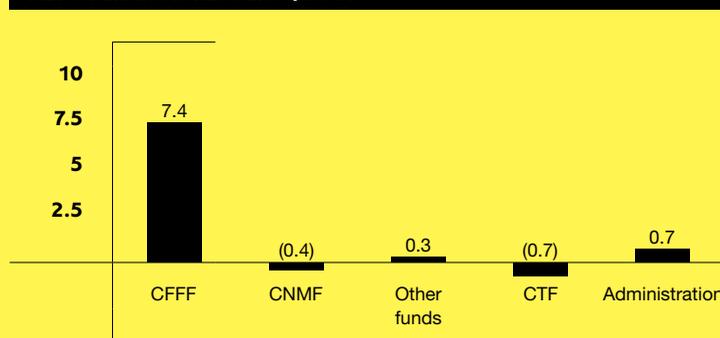


NET RESULT

Net operating results show a surplus of \$7.3 million. One of the characteristics of the Corporation is the fluctuating nature of its operating results.

Management has put in place a variety of sophisticated information, control and management mechanisms that enable the Corporation to confidently determine that available funds are committed to the industry every year.

NET OPERATION RESULTS: \$7.3 M



However, one of the variables over which the Corporation has no control is the actual production calendar for a given project; this has a major impact on when funds are used and, inevitably, on its net results.

The Net Operating Result graph shows the surplus or deficit elements broken down by fund. The situation with regard to the CFFF stands out from the other funds, and indicates that, on a fiscal year basis, the Corporation did not make full use of the 2008 recoveries.

BALANCE SHEET

ASSETS

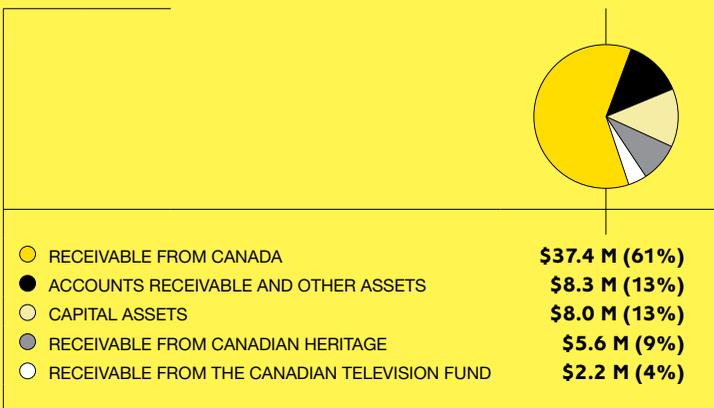
The Corporation's balance sheet is solid and shows as the principal asset a balance receivable from Canada of \$37.4 million, which is equivalent to its cash on hand. It should be noted that this liquidity will be required to fund the contracted commitments for funds and programs reported in note 9 of the financial statements.

The other major items derive from its accounts receivable and other assets that primarily consist of sums to be recovered in the short term. In terms of receivables, the Department of Canadian Heritage and the CTF owe the Corporation \$5.6 million and \$2.2 million respectively. Apart from the increase in the amount of cash on hand, its asset fluctuations derive mainly from the amount owed by the CTF, which is down \$7 million as a result of the settlement of amounts tied to fiscal 2007.



ASSETS
\$61.5 M

ASSETS: \$61.5 MILLION



LIABILITIES

\$12.5 M

EQUITY OF CANADA

\$49 M

LIABILITIES AND EQUITY OF CANADA

LIABILITIES: \$12.5 MILLION AND EQUITY OF CANADA: \$49 MILLION



With a balance standing at \$49 million, the Equity of Canada represents 80% of items that make up our liabilities and our Equity. This balance derives from the accumulated surplus originating in recoveries that have not yet been recorded as assistance expenses.

While management makes every effort to annually reinvest recoveries in the industry, project production cycles traditionally last almost 500 days — a major discrepancy with its own fiscal cycle.

Deferred capital funding, which refers to amounts used to purchase property and equipment, is the largest item among its liabilities at \$8 million.

There has been little change in its total liabilities with the exception of a \$1 million drop in its accounts payable, most of which is due to amounts payable in connection with our renovation work in 2007.

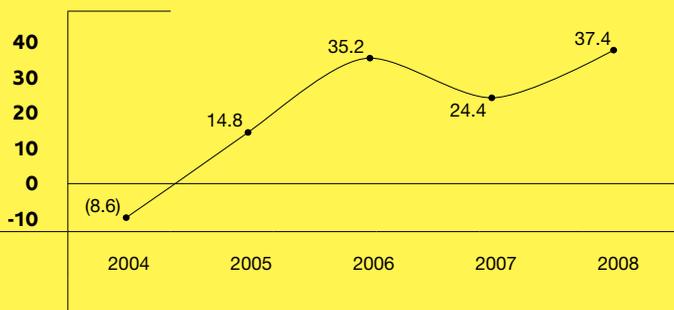
CASH FLOW

During the last few fiscal years, management has endeavoured to put in place mechanisms aimed at speeding up payment of all outstanding balances owed to the Corporation.

The graph "Cash Flow fluctuations" offers tangible evidence that these actions are working, with available cash balance standing at an unprecedented \$37.4 million as at March 31, 2008.

In fiscal 2008, operating activities generated positive cash flow of \$13 million. This fluctuation was due primarily to recoveries from the CFFF and our television activities.

CASH FLOW FLUCTUATIONS (\$M)



RISK MANAGEMENT

Telefilm increasingly strives to practice risk-based management. In an operating environment marked by limited resources, high customer-service standards and ongoing requirements regarding transparency and accountability in the management of public funds, it has become essential for organizations to be especially rigorous when it comes to risk management.

Generally speaking, Telefilm ensures that it manages risk effectively by conducting an annual and systematic review of opportunities and threats that may affect the Corporation's ability to properly fulfill its mandate. This analysis subsequently allows the Corporation to identify risks that require closer attention and to assign resources more effectively according to corporate priorities and objectives.

Risk-management processes

Risk management is an integral part of Telefilm's organizational strategy and is integrated on an ongoing basis into every level of the organization. The Executive Committee composed of our most senior managers: the Executive Director, the Chief Operating Officer and the Chief Administrative Officer, is ultimately responsible for managing risk. The Committee receives support from the Information, Performance and Risk department, responsible for identifying major risks and putting in place an organization-wide risk-management plan. This plan ensures that the Corporation identifies priority actions and that these actions are applied in a concerted manner throughout each of the organization's sectors and departments.

This year, the risk-management plan focused on preparing the organization for the Office of the Auditor General's Special Examination, slated for 2009. A review of current systems and practices was conducted to ensure that the Corporation properly fulfils its mandate and achieves its objectives. This review has helped improve its management and governance practices, and will continue to do so during the coming year.

Telefilm faces four major kinds of risk: strategic, organizational, financial, and operational.

Strategic risks are those that interfere with the Corporation's ability to achieve its objectives. Some of the factors that could affect the Corporation's ability to achieve its objectives include changes in client and partner needs, amendments to regulations governing Telefilm, changes to the organization's mandate or to the service agreement with the Canadian Television Fund, and changes to the envelopes associated with the funds that the Corporation manages.

Telefilm helps attenuate these risks by engaging in close communication and collaboration with its clients and partners in the aim of continually understanding their needs. Paying close and constant attention to policy and regulatory changes and to developments in the audiovisual market also provides the Corporation with the necessary ability to minimize the impact of such risks. Program performance evaluations are tools that are used to better assess and mitigate these risks.

Organizational risks are those associated with costs and losses arising from a non-optimal organizational structure (human resources management, management of knowledge and competencies, values and rules of conduct). Telefilm's organizational structure seeks to be as flexible as possible so it can adequately respond to a changing market and align itself with the Corporation's objectives and mandate. Telefilm's structure is streamlined which allows the Corporation to clearly identify organizational responsibilities and priorities, thereby improving accountability. The structure is overseen by the Executive Committee.

This year was marked by the drafting of a Human Resources Master Plan. The intent of the plan is to endow the organization with a vision that will enable it to achieve its business plan and optimize its organizational management practices. The plan also aims to strengthen the Corporation's organizational structure by offering a strategic human-resources vision that will allow Telefilm to attract, motivate and retain employees within the organization.

Financial risks are associated with losses arising from poor management of the Corporation's finances. Telefilm's management relies on systems and practices aimed at ensuring the quality of financial information used for management purposes. Monthly and quarterly management reports ensure that various financial matters are stringently followed up, such as budgetary oversight and annual disbursement targets. All sectors throughout the organization review and comment on these reports so as to ensure that everyone has a common understanding of the issues at stake and can address these issues in a timely manner. Annual improvements to our business policies and procedures, the application of quality controls for financial information produced by the Corporation, and improvements to information systems, such as automation of controls related to approvals and management processes, also allow us to manage risks proactively and to better understand their impact on the management of finances.

Operational risks arise from shortcomings in internal control processes or systems associated with daily activities. The documentation and annual review of operational policies and procedures, the annual program pertaining to quality control and compliance with these policies and procedures, as well as employee training programs, help mitigate this type of risk. This year, the Corporation introduced a Code of Conduct for all employees, provided training focused specifically on risk management to managers, and followed up on recommendations issuing from previous

audits. Telefilm also successfully completed a test of its backup systems in July 2007 in order to assess its ability to recover, within a timeframe of 48 hours, the systems supporting its principal activities. These tests are conducted each year to ensure the continuity of Telefilm's operations. As such, the Corporation is in a good position to ensure that its operational risks are being well covered.

SHORT-TERM AND MEDIUM-TERM OUTLOOK

Management has made it its duty to put in place management systems and practices aimed at helping the Corporation achieve its business plan objectives. However, in order to remain effective, relevant and viable, management must also anticipate the potential impacts of major trends that may have an effect on the organization. To this end, the Corporation is working on a number of future-oriented plans and actions:

- ▶ Renewal of the service agreement with the Canadian Television Fund
- ▶ Extension of the agreement governing the Canada New Media Fund
- ▶ Achievement of its corporate projects

RENEWAL OF THE SERVICE AGREEMENT WITH THE CANADIAN TELEVISION FUND (CTF)

Our service agreement with the CTF expires in 2009 and the contract stipulates that the agreement can be renewed for another three-year period. Under the terms of the agreement, the Corporation administers the CTF's Broadcaster Performance Envelopes and Special Initiatives Stream. Financial information pertaining to these Funds is the property of the CTF and as such is not included in Telefilm's financial statements.

In the year ahead, the Corporation will do its utmost to achieve, maintain and exceed service levels as required by the CTF and also consolidate its unique relationship with CTF management. To this end, Telefilm has already turned its attention to the matter by identifying sectors and services that may contribute added value to the Canadian Television Fund.

In the short term, Telefilm will also be closely monitoring the recommendations of the Canadian Radio-television and Telecommunications Commission (CRTC) in the context of the Proceeding on the Canadian Television Fund Task Force Report, which is a component of the ongoing review of the CTF and its mandate, as well as any subsequent changes to the CTF programs that may result from this process. As the service provider to the CTF, Telefilm's objective is to effectively manage the impact these potential changes may have on the administration of CTF processes and programs and on its clients.

THE CANADA NEW MEDIA FUND

The funding agreement for the Canada New Media Fund expires on March 31, 2009. The emerging digital-media industry is a priority for the Corporation, and to this end, management is working with the Department of Canadian Heritage to ensure that financial resources to support the industry will continue to be available. The Corporation expects that, eventually, digital and traditional media will be fully integrated one with the other.

ACHIEVEMENT OF OUR CORPORATE PROJECTS

▶ Restructuring of sectors involved in program delivery

Over the next few months the Corporation will restructure its operational sectors. With the help of its four offices, from Vancouver to Halifax, management is maintaining its focus on customer service. Among other benefits, the restructuring will lead to improved accountability and more effective cost reporting.

▶ 2009 Special Examination

In accordance with applicable federal laws, in 2009 the Corporation will undergo its first Special Examination to be conducted by the Office of the Auditor General of Canada. The purpose of the Special Examination is to provide an independent, objective opinion on whether the corporation's financial information and control systems, management control and information systems, as well as management practices were applied in a manner that provided reasonable assurance that:

- the Corporation's assets are safeguarded and controlled;
- the Corporation's financial, human and physical resources are managed economically and efficiently; and
- the Corporation's operations are carried out effectively.

▶ **Human Resources Master Plan**

A well-balanced, skilled workforce is essential for any organization aiming for innovation and excellence, especially in light of the demographic changes, globalization and rapid technological development that our industry is experiencing. Our Human Resources Master Plan, a collective project, will give Telefilm a head-start when it comes to human resources management. This plan will focus on the importance of attracting, integrating and retaining a new generation of employees from a variety of ethnic and cultural backgrounds—employees who will eventually replace baby boomers as they begin retiring.

By combining new outlooks from a broader talent pool with the expertise of its older employees, the Corporation will be able to reconsider its traditional approach to human resources management. The Master Plan will address the following issues: succession planning, mentoring, motivation, interpersonal relations, working environment, teamwork, collaboration, the balance between work and private life, training, salary and benefits, and, finally, work satisfaction. In the longer term, the renewal of our workforce will give Telefilm a competitive advantage and help it successfully achieve its strategic objectives. Although this initiative started in 2008, the final report will be tabled during the next fiscal year.

▶ **Information architecture: better aligning our objectives, our performance and our processes**

This very promising project will enable us to align our business plan with objectives and performance measurements for each of our programs. The project will also make it easier to establish direct links between our programs, the underlying processes and operational and administrative performance indicators. The result of this work will be conveyed via a new “Intranet.”

OVERVIEW OF THE LAST SIX YEARS – NET RESULT AND COMPREHENSIVE INCOME

IN THOUSANDS OF DOLLARS

	2008	2007	2006	2005	2004	2003
Expenses						
Canada Feature Film Fund	90,179	96,096	74,573	79,304	91,875	78,866
Canada New Media Fund	10,100	13,356	12,445	8,608	9,737	8,469
Other Funds	6,167	6,838	5,945	5,690	5,535	7,859
Canadian Television Fund – Equity Investment Program	2,170	21,930	107,673	109,890	110,043	114,206
Music Entrepreneur Program	–	–	–	5,389	8,797	4,355
Assistance expenses	108,616	138,220	200,636	208,881	225,987	213,755
Net recoveries	(15,019)	(27,268)	(26,214) ²	(24,764)	(19,823)	(22,392) ¹
Operating and administrative expenses	28,402	28,066	23,996 ²	23,788	22,413	21,614 ¹
Operating costs	121,999	139,018	198,418	207,905	228,577	212,977
Government funding and revenues						
Parliamentary appropriation	103,308	103,053	122,476	126,300	123,419	134,953
Management fees from the Canadian Television Fund	7,699	7,544	–	–	–	–
Canadian Television Fund – License Fee Program	1,073	6,930	13,082	2,000	24,509	26,761
Department of Canadian Heritage:						
Canadian Television Fund – Equity Investment Program	–	–	49,775	49,775	49,775	47,275
Canada New Media Fund	11,500	14,000	14,000	8,907	9,656	7,452
Music Entrepreneur Program	–	–	175	5,443	9,560	5,740
Professional training schools	2,519	2,516	2,550	2,550	2,550	2,795
Other contributions	25	135	–	–	–	–
Amortization of deferred capital funding	2,626	2,540	2,241	2,182	1,961	1,498
Other revenues	591	654	933	671	441	909
	129,341	137,372	205,232	197,828	221,871	227,383
Net result and comprehensive income	7,342	(1,646)	6,814	(10,077)	(6,706)	14,406

1 Financial data have not been adjusted to conform to the presentation format adopted in 2006 and 2005.

2 Financial data have been adjusted to conform to the presentation format adopted in 2007.

OVERVIEW OF THE LAST SIX YEARS – BALANCE SHEET

IN THOUSANDS OF DOLLARS

	2008	2007	2006	2005	2004	2003
Assets						
Receivable from Canada	37,365	24,348	35,238	14,783	–	8,854
Receivable:						
Department of Canadian Heritage	5,571	6,210	4,656	18,502	30,664	15,381
Canadian Television Fund	2,164	9,154	–	2,000	24,509	26,761
Accounts receivable, prepaid expenses and loans	8,162	7,283	7,500	6,771	8,289	10,108
Long-term accounts receivable, loans and investments	182	55	268	164	243	428
Property and equipment	8,010	8,741	9,135	8,991	9,194	6,714
	61,454	55,791	56,797	51,211	72,899	68,246
Liabilities and Equity of Canada						
Payable to Canada	–	–	–	–	8,551	–
Accounts payable and accrued liabilities	2,290	3,247	2,072	3,639	6,544	6,388
Severance benefit obligation	1,369	1,208	1,125	914	727	585
Deferred leasehold inducements	791	943	1,167	1,183	1,322	1,292
Deferred capital funding	8,010	8,741	9,135	8,991	9,194	6,714
Equity of Canada	48,994	41,652	43,298	36,484	46,561	53,267
	61,454	55,791	56,797	51,211	72,899	68,246

00107

FINANCIAL
STATEMENTS
Year ended March 31, 2008

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▣ 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 accounts, financial and management controls, 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 Part VIII of the *Financial Administration Act*, as it read before its repeal on September 1, 1984, with the relevant sections of part X of the *Financial Administration Act*, with the *Telefilm Canada Act* and with the by-laws and policies of the Corporation.

The Board of Directors is responsible for ensuring that management fulfills 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 and may make recommendations to the Board of Directors with respect to these and/or related matters. In addition, the Committee also meets annually with the external auditor to discuss the audit of the financial statements.

The external auditor, the Auditor General of Canada, conducts an independent audit of the financial statements, and reports to the Corporation and to the Minister of Canadian Heritage, Status of Women and Official Languages and Minister for La Francophonie.



S. Wayne Clarkson
Executive Director



Carolle Brabant, CA, MBA
Chief Administration Officer

Montréal, Canada
June 6, 2008

▣ AUDITOR'S REPORT

To the Minister of Canadian Heritage, Status of Women and Official Languages and Minister for La Francophonie

I have audited the balance sheet of Telefilm Canada as at March 31, 2008, and the statements of operations, comprehensive income and equity of Canada and cash flows 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, 2008 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 *Financial Administration 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, 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 applicable provisions of Part X of the *Financial Administration Act*, the *Telefilm Canada Act* and the by-laws of the Corporation.



Sylvain Ricard, CA
Assistant Auditor General
for the Auditor General of Canada

Montreal, Canada
June 6, 2008

STATEMENT OF OPERATIONS, COMPREHENSIVE INCOME AND EQUITY OF CANADA

YEAR ENDED MARCH 31, 2008

IN THOUSANDS OF DOLLARS

	Schedule	2008	2007
Assistance expenses			
Canada Feature Film Fund	A	90,179	96,096
Canada New Media Fund	B	10,100	13,356
Other funds	C	6,167	6,838
Canadian Television Fund – Equity Investment Program	D	2,170	21,930
		108,616	138,220
Net recoveries	A,C,D	(15,019)	(27,268)
Net assistance expenses		93,597	110,952
Operating and administrative expenses	E	28,402	28,066
Cost of operations		121,999	139,018
Revenues			
Management fees from the Canadian Television Fund		7,699	7,544
Contribution from the Canadian Television Fund		1,073	6,930
Interest and other revenues		298	251
Investment revenues		293	403
		9,363	15,128
Net cost of operations before government assistance		112,636	123,890
Government assistance			
Parliamentary appropriation		103,308	103,053
Contributions from the Department of Canadian Heritage	G	14,044	16,651
Amortization of deferred capital funding (note 8)		2,626	2,540
		119,978	122,244
Net result from operations and comprehensive income		7,342	(1,646)
Equity of Canada at the beginning		41,652	43,298
Equity of Canada at the end		48,994	41,652

The accompanying notes and the schedules are an integral part of these financial statements.

BALANCE SHEET

MARCH 31, 2008

IN THOUSANDS OF DOLLARS

	Note	2008	2007
ASSETS			
Current assets			
Receivable from Canada		37,365	24,348
Accounts receivable	4	6,222	5,750
Contributions receivable from the Department of Canadian Heritage		5,571	6,210
Receivable from the Canadian Television Fund		2,164	9,154
Prepaid expenses		1,940	1,533
		53,262	46,995
Long-term accounts receivable		182	55
Property and equipment	5	8,010	8,741
		61,454	55,791
LIABILITIES AND EQUITY OF CANADA			
Current liabilities			
Accounts payable and accrued liabilities	6	2,290	3,247
Long-term liabilities			
Deferred lease inducements		791	943
Severance benefit obligation	7	1,369	1,208
Deferred capital funding	8	8,010	8,741
		10,170	10,892
Equity of Canada		48,994	41,652
		61,454	55,791
Commitments (note 9)			
Contingencies (note 11)			

The accompanying notes and the schedules are an integral part of these financial statements.

Approved by the Board:



Michel Roy, Chair

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2008
IN THOUSANDS OF DOLLARS

	2008	2007
Operating activities		
Net result from operations and comprehensive income	7,342	(1,646)
Items not affecting cash:		
Amortization of property and equipment	2,285	2,372
Loss on write-offs of property and equipment	341	168
Decrease in deferred lease inducements	(152)	(224)
Increase in the severance benefit obligation	161	83
Amortization of deferred capital funding	(2,626)	(2,540)
	7,351	(1,787)
Changes in non-cash working capital items:		
Decrease (increase) in accounts receivable	(472)	77
Decrease (increase) in contributions receivable from the Department of Canadian Heritage	639	(1,554)
Decrease (increase) in receivable from the Canadian Television Fund	6,990	(9,154)
Decrease (increase) in prepaid expenses	(407)	140
Increase (decrease) in accounts payable and accrued liabilities	(957)	1,175
Decrease (increase) in long-term accounts receivable	(127)	213
	13,017	(10,890)
Financing activities		
Parliamentary appropriation for capital funding	1,895	2,146
Investing activities		
Acquisition of property and equipment	(1,895)	(2,146)
Increase (decrease) in liquidity	13,017	(10,890)
Receivable from Canada at the beginning	24,348	35,238
Receivable from Canada at the end	37,365	24,348

The accompanying notes and the schedules are an integral part of these financial statements.

1 ► AUTHORITY AND ACTIVITIES

The Corporation was established in 1967 by the *Telefilm Canada Act*. The mandate of the Corporation is to foster and promote the development of the audiovisual industry in Canada, including feature film, television and new media industries. The Corporation may also act through agreements with the Department of Canadian Heritage for the provision of services or programs relating to audiovisual or sound recording industries.

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 on September 1, 1984, and as if it continued to be named in Schedule C of the Act. The Corporation is also subject to certain provisions of Part X of the *Financial Administration Act*.

2 ► SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted principles. The significant accounting policies followed by the Corporation are summarized as follows:

a) Assistance expenses

Assistance expenses include all forms of assistance granted to activities related to feature film, television and new media industries. Assistance expenses are carried out mainly through investments, forgivable advances and grants; they are accounted for as follows:

- i) Investments granted in return for a share in operating revenues and forgivable advances are recorded for the operations in the year in which the funds are paid or have become payable; they are all recorded as assistance expenses due to the uncertainty of the amounts that can be recovered.
- ii) Grants are recorded for the operations in the year in which the funds are paid or have become payable.

b) Recoveries

Recoveries come from recovered advances and shares in operating revenues resulting from investments. Recoveries are recorded for the operations once they have become due. Any recovery of investment that exceeds the amount invested is recorded as investment revenue. Recoveries are shown net of the costs incurred to recover them.

2 __ SIGNIFICANT ACCOUNTING POLICIES (CONT.)

c) Revenues

Management fees

The management fees correspond to the reimbursement of expenses relating to the administration and the delivery of the Canadian Television Fund financing programs. The fees are recorded on an accrual basis.

Contribution and interest and other revenues

The contributions and the interest and other revenues are recorded on an accrual basis.

d) Government assistance

The Corporation obtains its funds by means of parliamentary appropriation and contributions from the Department of Canadian Heritage. Parliamentary appropriation used to finance the assistance expenses and the operating and administrative expenses is recorded on the Statement of Operations, Comprehensive Income and Equity of Canada. The portion of parliamentary appropriation used to finance the acquisition of property and equipment is recorded as deferred capital funding on the balance sheet and is amortized on the same basis as the related property and equipment. Parliamentary appropriation is recorded up to allowable incurred expenditures.

The contributions from the Department of Canadian Heritage are recorded on the Statement of Operations, Comprehensive Income and Equity of Canada up to allowable incurred expenditures.

e) Amount receivable from Canada

The Receiver General for Canada processes the financial operations of the Corporation through the consolidated revenue fund, thus the absence of bank accounts. For the purposes of the financial statements, the result of banking operations appears on the balance sheet as an amount receivable from Canada.

2 __ SIGNIFICANT ACCOUNTING POLICIES (CONT.)

f) Property and equipment

Property and equipment are recorded at cost. Amortization is based on their useful life using the following method and rates:

Asset	Method	Rates
Software and licenses	Straight-line	14% and 20%
Leasehold improvements	Straight-line	Terms of the leases
Technological equipment	Straight-line	20%
Furniture	Straight-line	10%

Assets related to work in progress are not subject to amortization. When work in progress is completed, the sums relating to assets are reported in the appropriate item and are amortized in compliance with the Corporation's policy.

g) Employee future benefits

Pension plan

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contributions reflect the full cost as employer. This amount is currently based on a multiple of the employees' required contributions and may change over time depending on the experience of the Plan. The Corporation's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Corporation. The Corporation is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

Severance benefits

Employees are entitled to severance benefits as provided for under conditions of employment. The cost of these benefits is accrued as employees render the services necessary to earn them. Management determines the severance benefit obligation using a method based upon assumptions and its best estimates. The main assumption is related to the estimate of employees who will benefit from maximal admissible severance that is related to the number of years of service and to the reason for termination employment. This assumption is revised annually. These benefits represent the only obligation of the Corporation that entails settlement by future payment.

2 __ SIGNIFICANT ACCOUNTING POLICIES (CONT.)

h) Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. The allowance for bad debts, the useful life of property and equipment and the severance benefit obligation and contingencies are the most significant items where estimates are used. Actual results could differ from those estimates and such differences could be material.

3 ► NEW ACCOUNTING STANDARDS ADOPTED

On April 1, 2007 the Corporation adopted the new standards of the Canadian Institute of Chartered Accountants (CICA) Handbook sections 1506 "Accounting changes", 1530 "Comprehensive income", 3251 "Equity", 3855 "Financial instruments – Recognition and measurement" and 3861 "Financial instruments – Disclosure and presentation". These Sections are applied retroactively without restating the comparative figures and have no impact on the April 1, 2007 balances. The adoption of these new accounting standards has no significant financial impact.

Section 3855 requires that the Corporation classifies all its financial assets into one of these four categories: held for trading, held to maturity, available for sale or loans and receivables. Financial assets held for trading or available for sale are to be measured at fair value. Financial assets held to maturity and loans and receivables are to be measured at amortized cost, using the effective interest method. Also, these new standards require that the Corporation classifies its financial liabilities into one of these two categories: held for trading or other financial liabilities. All financial liabilities are to be measured at amortized cost using the effective interest method, except for financial liabilities that are classified for trading which are to be measured at fair value.

Classification of financial instruments

Upon adoption of Section 3855, the Corporation has established the following classifications:

All financial instruments are measured at fair value on initial recognition. Subsequent measurement and classification is as follows:

The amount receivable from Canada is classified as held for trading and any period change in fair value is recorded in earnings.

3 __ NEW ACCOUNTING STANDARDS ADOPTED (CONT.)

The amounts receivable from the Canadian Television Fund, the contributions receivable from the Department of Canadian Heritage and accounts receivable are designated as held for trading. Where the time value of money is not material due to the short-term nature, amounts receivable are carried at the original invoice amount less allowance for doubtful accounts.

Long-term accounts receivable, net of the provision for doubtful accounts, are designated as held for trading and any change in fair value is recorded in earnings.

Accounts payable and accrued liabilities are designated as held for trading. Where the time value of money is not material due to their short term nature, the amounts payable are carried at the original invoice amount.

Embedded derivatives

The Corporation has no embedded derivatives that would require separation from their host contracts as of March 31, 2008. Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contract. Embedded derivatives are measured at fair value with changes in fair value recognized in earnings. The Corporation revised its significant contracts as of April 1, 2007.

Comprehensive income

Section 1530 presents Comprehensive income, which consists of net income and other comprehensive income. Other comprehensive income is defined as the change in equity from transaction and other events from non-owner sources. These are recognized in comprehensive income, but excluded from net income. Upon adoption of Section 1530, the Corporation revised its "Statement of operations and Equity of Canada" to include the newly required statement of comprehensive income by creating a combined statement. No amounts have been reclassified to accumulated other comprehensive income. Currently, the Corporation has no comprehensive income.

Accounting changes

Section 1506 requires that when an entity has not applied a new primary source of generally accepted accounting principles (GAAP) that has been issued in the CICA Handbook but is not yet effective, the entity shall disclose this fact and known or reasonably estimable information relevant to assessing the possible impact that application of the new primary source of GAAP will have on the entity's financial statements in the period of initial application. To this effect, the Corporation has to mention the following future accounting changes.

3 __ NEW ACCOUNTING STANDARDS ADOPTED (CONT.)

Future accounting changes

a) Capital Disclosure

New Section 1535 “Capital disclosures” establishes disclosure requirements about an entity’s capital and how it is managed. This new standard will be effective starting April 1, 2008. The Corporation is in the process of studying the impact these new requirements will have on its financial statements.

b) Financial Instruments – Disclosures and Presentation

The CICA issued Section 3862, “Financial Instruments – Disclosures” and Section 3863, “Financial Instruments – Presentation” which replace Section 3861, “Financial Instruments – Disclosure and Presentation”. The new disclosure standard requires the disclosure of additional detail of financial asset and liability categories as well as a detailed discussion on the risks associated with the company’s financial instruments. The presentation requirements are carried forward unchanged. These new standards will be effective starting April 1, 2008. Although the new disclosure standard provides for additional disclosures only, with no measurement impact, the Corporation is currently in the process of evaluating the impact that these additional standards will have on its financial statements.

4 ► ACCOUNTS RECEIVABLE

IN THOUSANDS OF DOLLARS

	2008	2007
Accounts receivable related to recoveries	3,637	3,371
Tax to be recovered	2,401	1,970
Other accounts receivable	184	409
	6,222	5,750

NOTES TO FINANCIAL STATEMENTS
 Year ended March 31, 2008

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5 ► PROPERTY AND EQUIPMENT

IN THOUSANDS OF DOLLARS

	2008			2007
	Cost	Accumulated Amortization	Net Value	Net Value
Software and licenses	14,273	10,672	3,601	5,269
Leasehold improvements	4,595	1,049	3,546	2,490
Technological equipment and furniture	1,415	552	863	724
Work in progress	–	–	–	258
	20,283	12,273	8,010	8,741

6 ► ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

IN THOUSANDS OF DOLLARS

	2008	2007
Accounts payable related to assistance expenses, trade payables and accrued liabilities	2,052	2,957
Current portion of deferred lease inducements	161	153
Current portion of severance benefit obligation	77	137
	2,290	3,247

7 ► EMPLOYEE FUTURE BENEFITS

a) Pension plan

The Corporation and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation's and employees' contributions to the Public Service Pension Plan were as follows:

IN THOUSANDS OF DOLLARS

	2008	2007
Corporation contributions	1,903	1,715
Employee contributions	876	782

b) Severance benefit obligation

The Corporation provides severance benefits to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Benefits will be paid from future appropriations and other funding sources. Information about the plan, measured as at the balance sheet date, is as follows:

IN THOUSANDS OF DOLLARS

	2008	2007
Balance at beginning	1,345	1,259
Cost for services rendered during the year	252	120
Benefits paid during the year	(151)	(34)
Balance at end	1,446	1,345
Short-term portion (included in accounts payable)	77	137
Long-term portion	1,369	1,208
	1,446	1,345

NOTES TO FINANCIAL STATEMENTS
Year ended March 31, 2008

00122

8 ► DEFERRED CAPITAL FUNDING

The amount presented on the balance sheet is as follows:

IN THOUSANDS OF DOLLARS

	2008	2007
Balance at beginning	8,741	9,135
Parliamentary appropriation for capital funding	1,895	2,146
Amortization of deferred capital funding	(2,626)	(2,540)
Balance at end	8,010	8,741

9 ► COMMITMENTS

a) Projects

The Corporation is committed contractually to disburse sums in the following funds:

IN THOUSANDS OF DOLLARS

	Total
Canada Feature Film Fund	29,039
Canada New Media Fund	7,007
Other Funds	915
	36,961

9 __ COMMITMENTS (CONT.)

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:

IN THOUSANDS OF DOLLARS

	Total
2009	1,404
2010	1,737
2011	1,678
2012	1,658
2013	1,555
2014 – 2015	1,916
	9,948

10 ► 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.

11 ► CONTINGENCIES

In the normal course of business, various claims and lawsuits have been brought against the Corporation. Management is in no position to predict the outcome of these lawsuits and the potential losses cannot reasonably be estimated. Thus, no provision was taken in this regard in the Corporation's accounts.

12 ▶ FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The amount receivable from Canada, accounts receivable, contributions receivable from the Department of Canadian Heritage, the amount receivable from the Canadian Television Fund and accounts payable and accrued liabilities are part of the normal course of operations of the Corporation. The carrying amount of these financial instruments approximates their fair value due to the relatively short periods to maturity of the instruments. There is no concentration of accounts receivable for any particular client.

The fair values of long-term accounts receivable have been established by discounting the drawdowns expected in the repayment agreements based on the average Bank of Canada discount rate as at the balance sheet date.

13 ▶ TRANSFER OF ASSETS TO THE CANADIAN TELEVISION FUND

In accordance with the authorization received from the Governor General in Council, Telefilm transferred to the Canadian Television Fund on July 1, 2007 all its rights, titles, interests and obligations, including copyrights, pertaining to the television productions and television projects in which it has participated financially or in which it has invested, or relating to the agreements that it has entered into since November 20, 1996 as part of the Equity Investment Program of the Canadian Television Fund, and this, without any financial compensation. Schedule D presents the operations of the Canadian Television Fund – Equity Investment Program prior to the date of transfer. As of the date of the transfer, the Canadian Television Fund assumes all the responsibilities relating to the balance of the commitments.

14 ▶ OBJECTIVES AND POLICIES IN RELATION TO FINANCIAL RISK MANAGEMENT

As a result of its operations, the Corporation is exposed to various financial risks. Management of financial risks is overseen by the Corporation's management. The Corporation does not enter into financial instruments contracts, including derivatives, for speculative purposes.

15 ▶ COMPARATIVE FIGURES

Some of the 2007 figures have been reclassified to conform to the presentation adopted for 2008.

SCHEDULES – OTHER INFORMATION
Year ended March 31, 2008

00125

A – CANADA FEATURE FILM FUND

IN THOUSANDS OF DOLLARS

	2008	2007
Assistance expenses		
Production assistance	62,160	66,510
Distribution and marketing assistance	10,128	14,029
Development assistance	9,217	7,495
Low budget independent feature film assistance	1,776	1,753
Screenwriting assistance	1,214	908
Official coproduction assistance	686	774
Versioning and subtitling assistance	492	292
	85,673	91,761
Complementary activities		
Grants for industrial and professional development	3,302	2,677
Participation in foreign festivals and markets	1,041	1,370
Advertising, promotion and publications	82	232
Other	81	56
	4,506	4,335
	90,179	96,096
Recoveries	(13,248)	(14,157)
Recovery fees	280	406
	(12,968)	(13,751)
Net assistance expenses	77,211	82,345

SCHEDULES – OTHER INFORMATION
 Year ended March 31, 2008

00126

B – CANADA NEW MEDIA FUND

IN THOUSANDS OF DOLLARS

	2008	2007
Assistance expenses		
Production assistance	5,250	6,424
Development assistance	1,514	2,168
Distribution and marketing assistance	773	1,994
	7,537	10,586
Complementary activities		
Grants for industrial and professional development	1,532	1,486
Video game competition	775	975
Participation in foreign markets	231	271
Advertising, promotion and publications	25	38
	2,563	2,770
	10,100	13,356
Recoveries		
Recovery fees	–	(711)
	–	21
	–	(690)
Net assistance expenses	10,100	12,666

C – OTHER FUNDS

IN THOUSANDS OF DOLLARS

	2008	2007
Assistance expenses		
Production and development assistance	444	949
Official coproduction assistance – Television	325	378
	769	1,327
Complementary activities		
Grants to professional training schools	2,399	2,295
Grants for industrial and professional development	2,338	2,416
Participation in foreign markets	620	672
Advertising, promotion and publications	32	41
Other	9	87
	5,398	5,511
	6,167	6,838
Recoveries	(1,495)	(703)
Recovery fees	32	20
	(1,463)	(683)
Net assistance expenses	4,704	6,155

D – CANADIAN TELEVISION FUND – EQUITY INVESTMENT PROGRAM

IN THOUSANDS OF DOLLARS

	2008	2007
Assistance expenses		
Production assistance	2,079	20,364
Versioning and subtitling assistance	57	167
Development assistance	34	1,388
	2,170	21,919
Complementary activities		
Grants for industrial and professional development	-	11
	2,170	21,930
Recoveries	(588)	(12,144)
Net assistance expenses	1,582	9,786

E – OPERATING AND ADMINISTRATIVE EXPENSES

IN THOUSANDS OF DOLLARS

	Operating	Administrative	2008	2007
Salary and employee benefits	14,731	2,721	17,452	16,171
Professional services	2,092	589	2,681	3,612
Amortization and write-offs of property and equipment	2,286	305	2,591	2,486
Rent, taxes, heating and electricity	1,518	251	1,769	1,646
Office expenses	1,004	202	1,206	1,288
Information technology	997	133	1,130	1,326
Travel and hospitality	758	325	1,083	1,043
Advertising and publications	210	280	490	494
	23,596	4,806	28,402	28,066

Operating expenses represent expenses incurred to deliver the programs. Administrative expenses represent expenses associated with corporate activities inherent to responsibilities vested to the Corporation.

The administrative expenses include an amount of \$278,342 that represents expenses incurred by the Board of Directors for the fiscal year 2008. For the fiscal year 2007, these expenses amounted to \$461,428.

F – OPERATING EXPENSES FOR PRINCIPAL PROGRAMS

IN THOUSANDS OF DOLLARS

	Canada Feature Film Fund	Television Business Unit	Canada New Media Fund
Salary and employee benefits			
Management, administration and delivery	3,254	3,716	1,150
Shared services departments	1,468	1,207	451
Departments in support of operations	2,236	2,532	700
Other costs	1,350	244	306
Operating expenses for principal programs before amortization and write-offs	8,308	7,699	2,607

Management, administration and delivery of programs and departments with shared services

Management, administration and delivery of programs fees consist of: labour charges inherent to the managers responsible for the funds, administrative employees in support of operations and employees specialized in program delivery activities. The costs of departments with shared services come from wages and fringe benefits relating to the departments that service all of the programs, such as Finance, Communications and Policy, Planning and Research.

Departments in support of operations

These costs present the expenditures incurred to support all the employees designated to management, administration and delivery of programs as well as employees offering shared services. They correspond to expenses relating to human resources, data processing and material resources departments. These fees consist mainly of wages, professional fees, rent and information technology costs.

Other costs

Other costs are derived from operating expenses, other than wages and amortization, and are generated by management, administration and delivery of programs, as well as the shared services departments.

SCHEDULES – OTHER INFORMATION
Year ended March 31, 2008

00130

G – CONTRIBUTIONS FROM THE DEPARTMENT OF CANADIAN HERITAGE

IN THOUSANDS OF DOLLARS

	2008	2007
Canada New Media Fund	11,500	14,000
Professional training schools	2,519	2,516
Other contributions	25	135
	14,044	16,651

REPORT ON
GOVERNANCE

MEMBERS OF THE BOARD

MICHEL ROY

Chair of the Board
Bolton-Ouest (Quebec)

Chair of the Board since October 12, 2007. Michel Roy is a man of culture, an administrator and a creator who has served in the public service and private sector. His career has taken him to Quebec City, Montréal, Paris and Chicago. He holds a master's degree in public administration. Michel Roy worked in television production in the 1960s and created more than 60 programs for Radio-Canada. He then entered Quebec's civil service, where he held the positions of deputy minister of Tourism (1989 to 1991), deputy minister of Communications (1991 to 1994) and delegate of the Quebec government in Chicago (1994 to 1996). Following this, he was a management consultant in the private sector. Recently, he produced two jazz albums. He now focuses on writing.



FELIX (FIL) FRASER

Vice-Chair of the Board
Edmonton (Alberta)

Board member since October 21, 2003. Currently Adjunct Professor of Communications Studies at Athabasca University, Fil Fraser was previously President and Chief Executive Officer of Vision TV. He founded the Banff Television Festival, was the Chief Commissioner of the Alberta Human Rights Commission, and managed his own audiovisual production company for 10 years. Known for his commitment to human rights, multiculturalism and diversity, he has published widely on these subjects.



SUZANNE SHEAVES

Member
Halifax (Nova Scotia)

Board member from January 12, 2005 to June 29, 2007. Suzanne Sheaves has a solid track record in the business and investment sector. She is currently First Vice-President and Investment Advisor at CIBC Wood Gundy, where she conducts business through the Suzanne Sheaves Group.



ELISE ORENSTEIN

Member

Toronto, Ontario

Board member since December 19, 2006. Elise Orenstein is a Toronto lawyer. Elise obtained a B.A. (Honours) from McGill University, a M. Phil. from Oxford University and a LL.B from Osgoode Hall Law School. She was called to the Bar of Ontario in 1983 and has been a senior partner in two major Toronto law firms. Elise has practiced in the area of corporate and commercial law with special emphasis on intellectual property law. She has represented public and private corporations as well as clients in a broad range of industries, particularly convergent media, knowledge management and entertainment. Ms. Orenstein has served on the board of several privately held companies. As a volunteer, she has served on the boards of various arts organizations and as Chair of the Artists' Health Centre Foundation. In addition to her independent legal practice, she currently sits on the advisory boards of the Artists' Health Centre Foundation (AHCf) and the Dancer Transition Resource Centre.

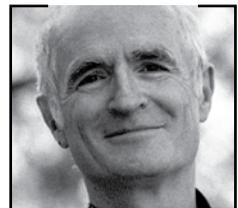


TOM PERLMUTTER

Ex-officio member

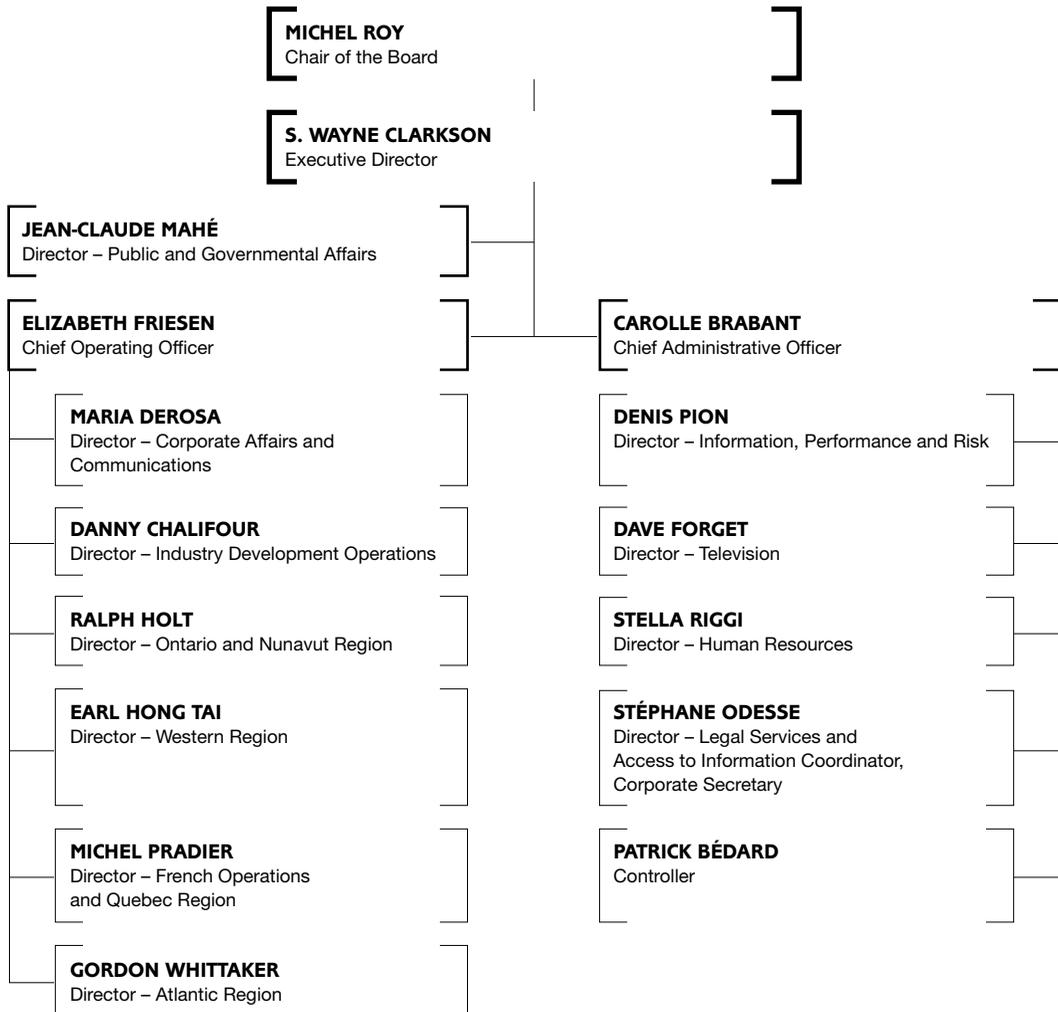
**Government Film Commissioner and National Film Board (NFB) Chair
Montreal, Quebec**

Board member since June 11, 2007. Throughout his career as a filmmaker, writer and producer, Tom Perlmutter has been a fervent advocate of groundbreaking and socially engaged independent cinema. Before joining the NFB in 2001 as Director General, English Program, Mr. Perlmutter enjoyed a prestigious career in the Canadian film industry as the founding head of documentaries at Barna-Alper Productions, and partner in Primitive Entertainment. Mr. Perlmutter previously partnered with one of Canada's most noted documentarians, John Walker, on several award-winning documentaries. Prior to this, he was director of creative development for CineNova Productions and executive director of Alliance for Children and Television from 1993 to 1995. He has also worked as a writer and journalist, with a number of articles and publications to his credit.



MANAGEMENT

As at March 31, 2008



TELEFILM CANADA'S BOARD

Telefilm's Board is statutorily composed of a Chair and six members. The Board works with senior management to define the Corporation's strategic directions and ensures that all efforts are made to achieve the stated objectives. The Board also sees to it that management practices and management and audit systems meet the Corporation's needs and produce reliable results.

With Ms. Sheaves' departure from the Board in June 2007, the Corporation was unable to achieve a quorum until the appointment of Michel Roy in October 2007. This situation delayed the implementation of several good-governance initiatives, including a review of the mandates of each committee of the Board.

OBJECTIVES IN THE PUBLIC INTEREST

Telefilm is of real benefit to Canada and to Canadians. The Corporation encourages Canadian creators to create high-quality works for Canadians and for the world at large, thereby helping to raise our country's international profile. Telefilm contributes to the creation of thousands of highly skilled jobs that also energize the next generation.

STEWARDSHIP OF THE CORPORATION

Each year, senior management submits Telefilm's corporate plan to the Board for approval. Throughout the year, the administrators and the senior management team meet to discuss the major strategic issues facing the Corporation.

The Board and senior management work together and share responsibilities. To this end, in 2006, members adopted a statement of the Board's mandate, which details its responsibilities.

The Board and the Executive Director together develop the Corporation's core objectives, with the Executive Director being accountable for the achievement of these objectives. Telefilm's three core objectives are to build Canadian audiences, to contribute to the industry's development and to be a modern administrator.

INDEPENDENCE

At Telefilm, the Chair and the Executive Director are two separate positions. Board members and members of senior management meet several times a year. Several committees were created by the Board, these being the Audit and Finance Committee, Evaluation Committee, Selection Committee, Cultural and Linguistic Diversity Committee and Governance Committee.

AUDIT AND FINANCE COMMITTEE

The Audit and Finance Committee's objective is to help Board members fulfill their responsibilities, which are to review and approve Telefilm's information, its reporting systems, its internal control systems, its external and internal auditors' reports as well as the scope of internal auditing.

EVALUATION COMMITTEE

Each year, the Board evaluates the Executive Director's objectives and performance. To this end, a committee to evaluate the performance of the Executive Director was created. At present, the Board is not subject to a performance evaluation, whether of the Board as a whole or of individual Board members. This situation should change during the coming fiscal year, when a formal evaluation procedure will be introduced.

SELECTION COMMITTEE

The Committee is responsible for preparing recommendations regarding candidates for the Board of Directors and the position of Executive Director.

CULTURAL AND LINGUISTIC DIVERSITY COMMITTEE

The Cultural and Linguistic Diversity Committee's objective is to see to it that, in keeping with the *Canadian Multiculturalism Act*, Canadian cultural diversity is reflected in, and expresses itself through, audiovisual products supported by Telefilm and that Canadian audiences have access to works arising from different communities across the country.

Due to vacancies on the Board, the above-mentioned committees were inactive in 2007-2008. Furthermore, their mandates will be reviewed in 2008-2009.

TRAINING

Members of the Board have the opportunity to participate in training courses from time to time on a variety of pertinent topics, including governance. These courses are offered in response to specific needs that the administrators have identified.

ETHICAL CONDUCT

A few years ago, the Board adopted a *Conflict of Interest and Post-Employment Code of Conduct* for employees and executives. Each year, all employees of the Crown Corporation must declare that they are in compliance with the Code.

As for members of the Board, apart from the rules to which they are subject as public office holders, they are also subject to Section 5 of the *Telefilm Canada Act*, which states that "no person who has, directly or indirectly and individually or as a shareholder, partner or otherwise, any pecuniary interest in the audiovisual industry is eligible to be appointed or to hold office as a member of the Corporation." Furthermore, if an administrator were

to have a material interest in a contract with the Corporation not covered by Section 5, he or she would be subject to the Corporation's Bylaw 1, which contains a declaration-of-interest mechanism.

TELEFILM AND THE STANDING COMMITTEE ON CANADIAN HERITAGE

The new Chair of the Board, accompanied by Telefilm representatives, appeared before the Standing Committee on Canadian Heritage on January 31, 2008 for his Order-in-Council appointment to the position of Chair of the Board of Telefilm Canada. Committee members examined Michel Roy's qualifications and competence and found him competent to perform the duties of the position.

COMMUNICATIONS AND CONSULTATIONS

The Corporation has a communications plan with its different clients and partners, the purpose of which is to elicit ongoing contribution and feedback from industry stakeholders. In addition, Telefilm regularly conducts surveys on client satisfaction and evaluations of its funds and programs, including consultations with its partners and clients.