Quarterly Financial Report

Period ended June 30, 2012

First quarter of fiscal 2012-2013

Published August 28, 2012

TELEFILM

Canada

TELEFILM CANADA

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1. TELEFILM

Telefilm is a Crown corporation reporting to Parliament through the Minister of Canadian Heritage. Telefilm's mission is directly inspired by its mandate to foster and promote the development of the Canadian audiovisual industry by playing a leadership role through financial support and initiatives that contribute to the industry's cultural, industrial and commercial success. The Corporation offers its services through its Vancouver, Toronto, Montreal and Halifax offices.

Funding

Telefilm financially supports the development and production (including treaty coproductions) of feature films that have potential for success in Canada and abroad.

Promotion

Telefilm acts to stimulate audience demand for Canadian screen-based content at home and abroad, notably by:

- supporting the marketing and promotion of Canadian feature films, Canadian talent, and Canada's audiovisual industry and participates in industry events such as festivals and markets that help Canadian audiovisual companies showcase and sell their productions;

- forging partnerships to help the industry promote its productions and talent around the world and promotes diversity and emerging creators from official language minorities and Aboriginal communities.

Administering programs

In addition to administering its own programs and initiatives, Telefilm administers program funds for the Canada Media Fund (CMF) through a services agreement.

2. QUARTERLY FINANCIAL REPORT

This quarterly financial report complies with all requirements of the Standard on Quarterly Financial Reports for Crown Corporations established by the Treasury Board Secretariat with the accounting principles applicable to the public sector. There is no requirement for an audit or review of the financial statements included in this quarterly financial report, and as such, the report has not been reviewed or audited by external auditors.

3. IMPORTANT CHANGES

Programs

In April the Corporation launched its new Promotion Program which encompasses a wider range of events and initiatives while being simpler to administer. In June the Corporation also inaugurated its new Micro-budget Production Program intended for emerging Canadian talent. Management also pursued consultation with industry regarding redesign of production programs. In addition, Telefilm revealed the members of the pan-Canadian honorary committee for its new Talent Fund. Their role will be to raise the visibility of the private donation fund among potential donors. To this effect the Canadian Radio-television and Telecommunications Commission (CRTC) officially recognized the Talent Fund as a certified independent production fund. Finally, the Corporation made budgetary savings following the examination of expenses announced in the federal budget in March. The expected savings for fiscal 2012-2013 are in the order of 1.7 million dollars for funding programs and 1 million dollars for administrative expenses.

TELEFILM CANADA

Activities

As part of its investment activities, the Corporation supported 11 new productions for an amount of close to 7.7 million dollars. On the international scene, the Corporation promoted Canadian creators and enterprises in partnership with the Canadian Consulate General in Shanghai, fostering the development of international partnerships in terms of coproduction and attracting new audiences. Supporting these initiatives, the Canadian audiovisual industry demonstrated exceptional presence by showing 20 films in association with the Shanghai International Film Festival. Along the same lines, ten Canadian films will be presented at the 47th Karlovy Vary International Film Festival in the Czech Republic, confirming the quality of Canadian works and Telefilm's promotional efforts. Furthermore, the Cannes Film Festival and the Cannes Film Market showcased Canadian productions, presenting four films in official selection, a short film in the *Director's Fortnight*, and 25 short films through *Canada: Not Short on Talent*.

In addition, Telefilm presented the 2011 *Golden Box Office Award* and its *Guichet d'or* to the directors and writers of the films *Barney's Version* and *Starbuck*, which had the highest grossing domestic box office sales among Canadian films, taking in 3.2 and 3.5 million dollars respectively.

The Corporation wishes to be a source of reference, producing key information on the industry and to that effect announced it is creating a research partnership with HEC Montréal. Two joint research projects have been selected to launch this partnership: Canadian brand in film, and Canadians' film consumption habits.

Personnel

Executive Director Carolle Brabant was honoured by Canadian Women in Communications (CWC). Ms. Brabant won the CWC 2012 Excellence in Leadership Award recognizing nationwide leadership excellence and commitment to women's advancement and equality in the communications and technology industries.

There has been no change in board or management committee members during the quarter. The Corporation announced the appointment of Lauren Davis to the position of Regional Director, Feature Film – Western Region. This appointment demonstrates Telefilm's continued commitment to serve all regions of the country. Finally, in connection with the budgetary savings mentioned, the Corporation has put forward administrative efficiency strategies for new programs and eliminated certain positions.

4. GOVERNANCE AND INTERNAL AUDIT

The Corporation's governance is carried out through the activities of the board and its committees as well as by the management committee chaired by the executive director and its subcommittees. The board and the nominating, evaluation and governance committee each held two meetings during the quarter while the audit and finance committee held one meeting. The management committee, chaired by the Executive Director, met almost every week.

The Corporation has commissioned an outside firm to carry out internal auditing work for which accountability is made to the Corporation's audit and finance committee. The mandates of fiscal 2011-2012 have been completed and their conclusions presented to the audit and finance committee in March. An internal audit plan for the year was adopted and two mandates have been undertaken during the quarter concerning eTelefilm and information security and protection of personal information. The eTelefilm mandate's objectives involve, among other things, ensuring the integrity of information entered and evaluating the process of application changes. The second mandate's objectives concern reviewing policies and procedures put in place to protect personal information.

5. RISK MANAGEMENT

The Corporation applies integrated risk management, the process and identification of which are described in our 2011-2012 Annual Report. The Risk Management Committee meets on a quarterly basis to review risk assessment, insofar, it ensures that effective strategies are in place to mitigate potential impact on clientele and employees of the budgetary savings announced in March in the federal budget. The Corporation relies in particular on the creation of the Talent Fund, the creation of financial partners and simplification of administrative processes to reduce these impacts. Management also ensures it will be in regular contact on the changes with industry and its employees in order to respond to the concerns identified.

6. UNADJUSTED DIFFERENCES

Management strives to produce relevant financial information in compliance with Canadian Public Sector Accounting Standards (CPSAS) and within the closing timeframe established by the Receiver General of Canada, namely five business days after the end of the quarter. Accordingly, Management uses means and methods that allow it to identify the required adjustments. For efficiency purposes, certain cut-off procedures applicable to the accounts payable and receivable cycles, the capitalization of expenditure components in the fixed assets and certain adjustments concerning liabilities for employee future benefits were not carried out at June 30, 2012. Given that the importance of these adjustments to make to the amounts, classification or presentation is deemed immaterial by Management, the financial statements provide a fair representation in all their significant aspects.

7. ANALYSIS OF QUARTERLY RESULTS AND OF FINANCIAL POSITION

Identifying the variances to be explained stems from established thresholds in collaboration with the Corporation's audit and finance committee.

Assistance Expenses

For the three-month period ended June 30, 2012

	Budget	**Actual** ($M)		Variance			
				Budget		Last quarter	
	2012-2013	**2012-2013**	2011-2012	$	%	$	%
Production	8.3	**7.7**	7.0	0.6	7	0.7	10
Development	0.2	**0.1**	1.2	0.1	50	-1.1	-92
	8.5	**7.8**	8.2	0.7	8	-0.4	-5
Marketing	3.3	**3.4**	2.5	-0.1	-3	0.9	36
International events	1.2	**1.1**	1.2	0.1	8	-0.1	-8
Promotion	1.2	**0.4**	0.2	0.8	67	0.2	100
	5.7	**4.9**	3.9	0.8	14	1.0	26
	14.2	**12.7**	12.1	1.5	11	0.6	5

Production assistance expenses show an increase vis-a-vis the comparative quarter. This increase stems essentially from funding productions from the selective stream, having supported four additional projects, some of which were to be finalized in March.

Expenses for the development assistance show significant variances in relation to the budget as well as in terms of the expenses of the comparative quarter. During the last year the Corporation undertook a complete redesign of its development assistance programs and the new simplified program was launched in late April. The new program eliminated application deadlines for French-language projects, which explains both the budgetary surplus and the 1.1 million dollars decrease in expenses vis-a-vis the comparative quarter. Management anticipates these variances will be reabsorbed gradually during the fiscal year.

Distribution and marketing assistance exceeded the expenses of the comparative quarter by 0.9 million dollars. This increase stems notably from the circumstantial increase of the number of projects supported through the performance envelopes stream.

Promotional expenses relating to Canadian content and talent are less than the initial budgetary expectations. The Corporation proceeded similarly with development assistance programs by redesigning the guidelines applicable to promotional activities. The new promotion program was accessible in May. This context of change explains the temporary budgetary surplus of 0.8 million dollars. Management expects an increase in funding requests in the upcoming quarters. Finally, the increase in promotional expenses in terms of the comparative quarter stems from a circumstantial variance of the funding of specifically recurring events.

TELEFILM CANADA

Operating and Administrative Expenses

For the three-month period ended June 30, 2012

	Budget	**Actual** ($M)		Variance			
	2012-2013	**2012-2013**	2011-2012	Budget $	Budget %	Last quarter $	Last quarter %
Salaries & wages	5.3	**5.1**	5.0	0.2	4	0.1	2
Information technology	0.6	**0.6**	0.6	-	-	-	-
Rent	0.5	**0.6**	0.5	-0.1	-20	0.1	20
Professional services	0.5	**0.3**	0.4	0.2	40	-0.1	-25
Amortization	n/a	**0.3**	0.3	n/a	n/a	-	-
Travel	0.2	**0.1**	0.1	0.1	50	-	-
Office expenses	0.2	**0.1**	0.1	0.1	50	-	-
Advertising & publications	-	**-**	-	-	-	-	-
	7.3	**7.1**	7.0	0.5	7	0.1	1

Professional fees show a temporary budgetary variance that stems mainly from the expenses anticipated for certain current activities, of which the work in progress has not yet been invoiced, specifically for internal audit services and application development and computer maintenance. In addition, professional fees for the quarter are decreasing in relation to the comparative data. The decrease in fees relative to producing our annual report and a decrease in fees resulting from a strategic initiative involving promoting Canadian works justify the bulk of the decrease.

Amortization is a non-monetary expense and therefore is not covered in the budget. Furthermore, the travel budget item shows a favourable budgetary variance. The deferral of certain travel expenses and savings on international travel explain the bulk of this temporary budgetary surplus. Finally, office expenses, which include training and professional development activities, are less than the budgetary expectations. The temporary surplus is explained by the delays in setting up structured training activities.

TELEFILM CANADA

Revenues and Government Funding

For the three-month period ended June 30, 2012

	Budget	**Actual** ($M)		Variance			
				Budget		Last quarter	
	2012-2013	**2012-2013**	2011-2012	$	%	$	%
Parliamentary appropriation	23.0	**18.7**	18.8	-4.3	-19	-0.1	-1
Management fees from the CMF	2.6	**2.6**	2.5	-	-	0.1	4
Investment revenues and recoveries	0.5	**0.7**	0.9	0.2	40	-0.2	-22
Interest and other revenues	n/a	-	-	n/a	n/a	-	-
	26.1	**22.0**	22.2	-4.1	-16	-0.2	-1

The Parliamentary appropriation used shows a reduction in comparison to our budgetary expectation that is based on hypotheses of disbursements connected with new funding agreements covering the fiscal year, payments of our prior obligations stemming from our programs, and our administrative expenses. The budgetary surplus from our program expenses and the deferral of disbursements connected to our program obligations in the previous fiscal year explain the temporary deficit of 4.3 million dollars.

In the first quarter, the investment revenues and recoveries generated variances, both in terms of the budget and comparative revenues. These revenues generally come from our investments in production, recoveries from distributors and recoveries of advances on projects in development. The Corporation does not control sales. As a result, it is difficult to forecast revenue and recovery levels. The decrease in recoveries of advances from projects financed in feature film development accounts for the decline in these revenues in the first quarter.

Financial Position

	Actual ($M)		Variance	
	June 30, 2012	March 31, 2012	$	%
Financial assets				
Cash	**43.5**	41.1	2.4	6
Accounts receivable	**2.6**	4.0	-1.4	-35
Receivable CMF	**2.6**	2.6	-	-
	48.7	47.7	1.0	2
Financial liabilities				
Accounts payables	**1.2**	1.6	-0.4	-25
Assistance programs obligations	**31.0**	33.9	-2.9	-9
Employee future benefits	**2.2**	2.2	-	-
Net financial assets	**14.3**	10.0	4.3	43
Non-financial assets				
Capital assets	**2.0**	2.3	-0.3	-13
Prepaid expenses	**0.1**	1.9	-1.8	-95
Accumulated surplus	**16.4**	14.2	2.2	15

Financial assets

Our most important financial asset, cash, has not varied significantly during the quarter. The accounts receivable, made up mainly of taxes and income from investments and recoveries receivables, have decreased significantly. The decrease comes from taxes receivable that show smaller amounts to recover, consistent with the decrease in activities from the first quarter in relation to the activities of the last few months of the 2011-2012 fiscal year. Furthermore, the revenue and recoveries receivable have decreased following significant collections.

Financial liabilities

The decrease in accounts payable is explained mainly by a decline in accounts payable and accrued liabilities in comparison with those of March 31, 2012. To that effect at the end of the year Management applies cut-off procedures that cannot be carried out during the year.

Non-financial assets

Another fluctuation derives from the decrease in the net value of capital assets related to current amortization. Finally, the prepaid expenses have decreased significantly since March 31. In fact, almost all prepaid expenses from the previous year have been recorded as expenses in the first quarter of the fiscal year.

8. RECONCILIATION OF COST OF OPERATION AND PARLIAMENTARY APPROPRIATION

The Corporation receives most of its funding through an annual Parliamentary appropriation. Items recognized in the Statement of Operations and the Statement of Financial Position may have been funded through a Parliamentary appropriation approved in either a previous or the current fiscal year. Some of the items in the reconciliation calculation cannot be linked directly to the financial statements.

($M)	June 30, 2012	June 30, 2011
Cost of operations	**19.8**	19.0
Adjustments affecting cost of operations:		
Amortization	**(0.3)**	(0.3)
Adjustments affecting the use of Parliamentary appropriation:		
Adjustment related to eligibility criteria of assistance expenses	**2.9**	3.5
Operating expenses funded by the CMF	**(2.6)**	(2.5)
Prepaid administrative expenses at March 31	**(1.2)**	(1.0)
Prepaid administrative expenses at June 30	**0.1**	0.1
	(0.8)	0.1
Use of Parliamentary appropriation at June 30	**18.7**	18.8
Parliamentary appropriation available for subsequent quarters	**84.3**	86.9
Parliamentary appropriation authorized	**103.0**	105.7

The amount of the Parliamentary appropriation comes from the 2012-2013 Main Estimates reduced by the savings announced in the federal government's budget in March.

TELEFILM CANADA

9. QUARTERLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2012

Statement of Management Responsibility

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations, change in net financial assets and cash flows of the Corporation, as at the date of and for the periods presented in the quarterly financial statements.

Carolle Brabant, CPA, CA, MBA
Executive Director

Denis Pion,
Director – Administration and Corporate Services

Montreal, Canada

August 28, 2012

TELEFILM CANADA

Statement of Operations

For the three-month period ended June 30, 2012

In thousands of dollars	Schedule	June 30, Budget	June 30, 2012	Restated - Note 2 June 30, 2011
Assistance expenses				
Development of the Canadian audiovisual industry				
Production assistance		8,270	7,700	6,951
Development assistance		200	109	1,232
		8,470	7,809	8,183
Promotional support in Canada and abroad				
Distribution and marketing assistance		3,258	3,357	2,432
Participation in international events		1,250	1,102	1,226
Promotion		1,250	432	218
		5,758	4,891	3,876
		14,228	12,700	12,059
Operating and administrative expenses	A	7,328	7,102	6,954
Cost of operations		21,556	19,802	19,013
Revenues				
Management fees from the Canada Media Fund		2,640	2,630	2,521
Investment revenues and recoveries		500	695	852
Interest and other revenues		-	33	26
		3,140	3,358	3,399
Net cost of operations before government funding		18,416	16,444	15,614
Government funding				
Parliamentary appropriation		23,023	18,709	18,807
Surplus		4,607	2,265	3,193
Accumulated surplus, beginning of period			14,221	11,125
Accumulated surplus, end of period			16,486	14,318

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

Statement of Financial Position

In thousands of dollars	June 30, 2012	March 31, 2012
Financial assets		
Due from Consolidated Revenue Fund	43,517	41,088
Accounts receivable	2,578	4,010
Receivable from the Canada Media Fund	2,635	2,636
	48,730	47,734
Financial liabilities		
Accounts payable and accrued liabilities	1,231	1,572
Financial assistance programs obligations	30,966	33,894
Liabilities for employee future benefits	2,185	2,186
	34,382	37,652
Net financial assets	14,348	10,082
Non-financial assets		
Tangible capital assets	1,995	2,264
Prepaid expenses	143	1,875
	2,138	4,139
Accumulated surplus	16,486	14,221

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

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Statement of Change in Net Financial Assets

For the three-month period ended June 30, 2012

In thousands of dollars	June 30, 2012	March 31, 2012
Surplus	2,265	3,096
Tangible capital asset transactions		
Amortization	269	1,092
Acquisition	-	(93)
Other transactions		
Acquisition of prepaid expenses	-	(1,875)
Use of prepaid expenses	1,732	1,797
Increase in net financial assets	4,266	4,017
Net financial assets, beginning of period	10,082	6,065
Net financial assets, end of period	14,348	10,082

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

TELEFILM CANADA

Statement of Cash Flows

For the three-month period ended June 30, 2012

In thousand of dollars	June 30, 2012	Restated - Note 2 June 30, 2011
Operating transactions		
Surplus	2,265	3,193
Items not affecting cash:		
Decrease in financial assistance programs obligations	(2,928)	(3,469)
Decrease in liabilities for employee future benefits	(1)	(4)
Amortization of tangible capital assets	269	274
	(395)	(6)
Changes in non-cash financial items:		
Decrease in accounts receivable	1,432	1,298
Decrease in receivable from the Canada Media Fund	1	507
Decrease in accounts payable and accrued liabilities	(341)	(53)
Decrease in prepaid expenses	1,732	1,651
Increase in Due from Consolidated Revenue Fund	2,429	3,397
Due from Consolidated Revenue Fund, beginning of period	41,088	37,239
Due from Consolidated Revenue Fund, end of period	43,517	40,636

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

Notes to the Quarterly Financial Statements

1. Basis of financial statements presentation

These unaudited quarterly financial statements have been prepared by the Corporation's management in accordance with Canadian Public Sector Accounting Standards (CPSAS) pursuant to the *Standard on Quarterly Financial Reports for Crown Corporations* issued by the Treasury Board of Canada. They must be read in conjunction with the most recent annual audited financial statements of March 31, 2012. The accounting and calculation methods used in these quarterly financial statements are identical to those used in the attached annual financial statements of March 31, 2012. The financial data in the financial statements is expressed in thousands of Canadian dollars.

Audited financial statements.pdf

2. Adoption of Public Sector Accounting Standards

On March 31, 2012 the Corporation retroactively adopted the revised chapter PS 3410 "Government Transfers". Under CPSAS, the Corporation must recognize government transfers as expenses in the year in which the transfer is authorized and the applicant meets the eligibility criteria. As a result, on June 30, 2011, the Corporation recognized, by anticipation, financial liabilities as financial assistance program obligations, reducing the accumulated surplus in the amount of $30,611. Some comparative data of June 30, 2011 have thus been restated to take this into account. The Corporation prepared reconciliations so as to understand the effects of this restatement.

a) Statement of operations reconciliation

The following table shows the effect of the application of chapter PS 3410 on the comparative results of the period ending June 30, 2011.

	June 30, 2011
Deficit	(276)
Financial assistance programs obligations	3,469
Surplus	3,193

b) Statement of financial position reconciliation

The following table shows the effect of the application of chapter PS 3410 on the comparative results of the period ending June 30, 2011.

	June 30, 2011
Accumulated surplus	44,929
Financial assistance programs obligations	(30,611)
Accumulated surplus	14,318

3. Comparative figures

Certain 2011-2012 figures have been reclassified to conform to the presentation adopted for 2012-2013.

TELEFILM CANADA

Schedule A – Other Information

A - Operating and administrative expenses

In thousand of dollars	June 30, Budget	June 30, 2012	June 30, 2011
Salaries and employee benefits	5,270	5,117	4,936
Information technology	639	622	598
Rent, taxes, heating and electricity	508	537	520
Professional services	534	272	359
Amortization of tangible capital assets	-	269	274
Travel and hospitality	194	125	116
Office expenses	161	123	120
Advertising and publications	22	37	31
	7,328	**7,102**	6,954