

Quarterly Financial Report
Period ended June 30, 2017

First quarter of fiscal 2017-2018
Published August 29, 2017

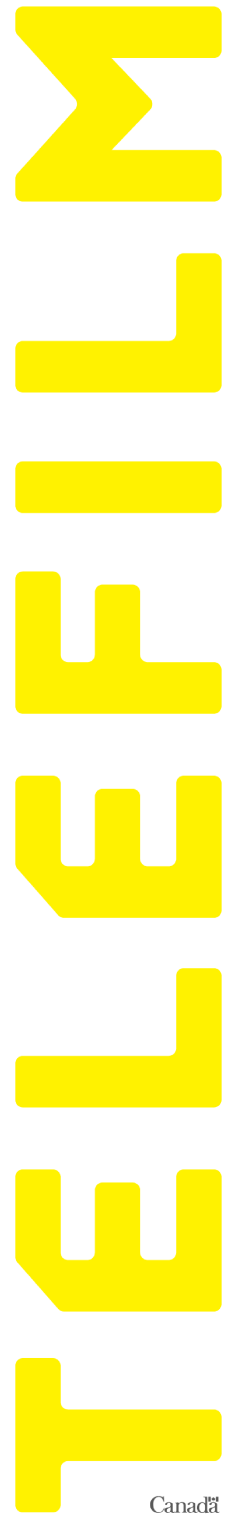




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1. TELEFILM

Telefilm Canada is a Crown corporation reporting to Parliament through the Department of Canadian Heritage. Telefilm's vision is Canadian productions, on all consumption platforms, in Canada and abroad.

Our mission

Telefilm's mission is 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 commercial, cultural and industrial success.

What we do

Telefilm has a team of some 180 employees dedicated to the success of the Canadian audiovisual industry. On behalf of the Government of Canada, in our capacity as a Crown Corporation, we support dynamic companies and creators, providing financial support to Canadian film projects as well as promoting and exporting Canadian content at festivals, markets and events - regionally, nationally and around the world.

In addition, the Corporation is implementing its strategic plan, *Inspired by Talent. Viewed Everywhere*¹, which sets out six priorities:

- Industry recognition: promoting the value of Canadian content;
- Marketing practices: encouraging innovation to reach audiences;
- Market intelligence: deciding with meaningful metrics;
- Industry funding: diversifying sources;
- Ecosystems of companies: delivering together; and
- Organizational excellence: performing in a changing environment.

Finally, we administer the funding programs of the Canada Media Fund (CMF) and are responsible for making recommendations to the Minister of Canadian Heritage on whether projects can be recognized as audiovisual treaty coproductions. Headquartered in Montreal, we serve our clients through four offices located in Vancouver, Toronto, Montreal and Halifax.

2. QUARTERLY FINANCIAL REPORT

This quarterly financial report complies with all requirements of the Standard on *Quarterly Financial Reports for Crown Corporations*² established by the Treasury Board Secretariat and with the *Canadian Public Sector Accounting Standards (CPSAS)*. 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.

1 : <https://telefilm.ca/en/about-telefilm-canada/strategic-plan>
2 : www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=18789§ion=text



3. IMPORTANT CHANGES

Programs

During the quarter, the Corporation made additions to its **International Marketing Program - Participation at International Festivals and Events**, through the presence at five new international festivals, two new coproduction markets and four new short film festivals. In addition, the Corporation continues to open the horizons of Canadian audiovisual production by broadening the eligibility criteria of the **Development Program** in order to achieve a representative and diversified portfolio by 2020. The changes are in line with our corporate priorities: greater support for emerging talent, documentary filmmakers and women with a desire to include more Indigenous communities and official-language minority communities. Modifications were made to the contracts for the **Feature Film Production Program and the Documentary Production Program** so that works are encoded for digital platforms and subtitled or dubbed in the other official language. Finally, the Corporation expanded its **Export Assistance Program** in order to make eligible all feature film productions it has financed with a budget less than or equal to \$2.5 million.

Activities

The Corporation funded 12 productions during the quarter, including a documentary, for approximately \$10 million. As part of its 50th birthday and the 70th anniversary of the Cannes Film Festival, the Corporation presented its new international brand identity. Moreover, six Canadian producers were showcased during a networking activity for the Producers Network, one of the most important networking platforms for producers at Cannes. For the first time, the Corporation provided support for the Frontières and Doc Day networking activities as well as for the screening of three virtual reality movies. Finally, the Corporation is pleased to have shone the spotlight on remarkable Canadian coproduction success stories that have garnered tremendous acclaim in recent years through a video montage that was shown at the Canada Pavilion.

For a second straight year, a Canada Pavilion served as a meeting point for networking activities at the Annecy International Animated Film Festival and Market (MIFA), in France. Furthermore, together with the Canadian Embassy in Beijing, Canada organized a first Canada-China coproduction workshop during the 7th edition of the Beijing International Film Festival.

Canada was represented by 600 Canadians at the South by Southwest Festival in Austin, in Texas. This festival brings together emerging talent from cinema, music and new technologies. For the first time, the Corporation, in conjunction with the Canada Media Fund, set up the Canada Lounge, a meeting place for Canadian participants and their international partners. Since music is very prominent at the Festival, Piknic Electronik used this international showcase with the Corporation's support to present the first Canadian Piknic, a musical evening hosted by three world-renowned disc jockeys. For the first time, a showcase of New Canadian Cinema (under the *Canada Now* brand) was inaugurated at the Curzon Soho in London, UK. It will be followed by a nation-wide tour of cinemas starting in July.

The Corporation played host for the first time to Five in Focus, a networking day for emerging talent. This activity, held in collaboration with Women in View, allowed five emerging female directors, selected by a panel of outstanding women in the industry, to meet leading film industry stakeholders.

The Corporation continued to celebrate the 150th anniversary of Canada's Confederation with Movie Nights in Canada, by showing *Lovesick* in Winnipeg and *Maliglutit* in Iqaluit.

Personnel

The Corporation would like to recognize the excellence of its Executive Director, Carolle Brabant, who is one of the recipients of the PAYS award (Please Adjust Your Set) given by Women in Film & Television Vancouver, honouring an individual that has made a major contribution to promote gender equality in film, television or screen-based media. Moreover, there were no staff changes with regard to the Corporation's Management Committee during the quarter.



4. GOVERNANCE AND MEMBERS OF THE BOARD

Governance of the Corporation is carried out through activities of the Board and its three subcommittees as well as by the Management Committee, chaired by the Executive Director, and its subcommittees. The Board met two times during the quarter, while the Audit and Finance Committee held one meeting. The Management Committee, for its part, met nine times.

5. RISK MANAGEMENT

The Corporation manages risk through two committees: the Audit and Finance Committee and the Risk Management Committee. An assessment of risks as well as risk components, impacts and mitigation measures are conducted semi-annually.

6. UNADJUSTED DIFFERENCES

Management strives to produce relevant financial information in compliance with CPSAS and within the deadline established by the Receiver General for Canada, namely five business days after the end of the quarter. Accordingly, certain cut-off procedures applicable to the accounts payable and receivable cycles as well as certain adjustments concerning employee future benefits liability, were not carried out at June 30, 2017. Management deems the importance of these adjustments to be immaterial.

7. ANALYSIS OF QUARTERLY RESULTS AND FINANCIAL POSITION

Please note that all the amounts shown in the analysis tables are in thousands of dollars.

Assistance Expenses

The assistance expenses for the quarter ended June 30, 2017, declined by \$3.3 million, or 19%, in comparison with the same period last year. This variance is mainly attributable to the Production Program.

For the three-month period ended June 30, 2017

	Budget		Actual		Variance			
	Annual	Period	2017- 2018	2016- 2017	Budget		Actual	
					\$	%	\$	%
Production programs	63,322	10,030	9,824	13,019	206	2	(3,195)	(25) ①
Theatrical documentary program	2,000	100	75	98	25	25	(23)	(23)
Development program	7,825	-	-	196	-	-	(196)	(100) ②
Administration of recommendations for audiovisual coproduction	492	128	123	127	5	4	(4)	(3)
Micro-budget production program	4,000	-	-	-	-	-	-	-
Contribution to the Council of Europe's cultural fund, Eurimages	1,500	-	-	-	-	-	-	-
	<u>79,139</u>	<u>10,258</u>	<u>10,022</u>	<u>13,440</u>	<u>236</u>	<u>2</u>	<u>(3,418)</u>	<u>(25)</u>
International promotional activities	5,185	1,900	2,098	1,509	(198)	(10)	589	39 ③
Promotion program and national promotional activities	8,136	1,500	1,508	1,382	(8)	(1)	126	9
Marketing program	10,780	500	214	801	286	57	(587)	(73) ④
International marketing program	1,150	100	62	112	38	38	(50)	(45) ⑤
Export assistance program	800	50	28	-	22	44	28	-
Innovation Program	2,000	-	-	-	-	-	-	-
	<u>28,051</u>	<u>4,050</u>	<u>3,910</u>	<u>3,804</u>	<u>140</u>	<u>3</u>	<u>106</u>	<u>3</u>
	107,190	14,308	13,932	17,244	376	3	(3,312)	(19)

- ① The **Production Programs** shows a drop of 25%, or nearly \$3.2 million, in comparison with the same quarter last year. Despite a similar number of projects this year, a smaller amount was allocated to projects whose funding exceeds \$1 million.
- ② The **Development Program** opened in July on Dialogue, the new platform, thereby no contract was signed this quarter, unlike last year when the program opened in May.
- ③ There was a budgetary overrun of expenditures related to **international promotional activities** in comparison with the same period last year. The budget overrun stems from costs that were incurred more quickly than expected. Moreover, the increase over the previous fiscal year comes not only from the timing difference of these expenses, but also from the funding of new events, such as Canada Now, which will radiate in several countries.
- ④ **Marketing Program** expenses, for their part, show a lag with respect to both the budget and the comparative period of last year. This situation stems from the fact that some major feature films that had their theatrical release during the quarter did not require funding for their marketing activities.
- ⑤ The drop in **International Marketing Program** expenditures compared with the first quarter of the previous fiscal year is due mainly to a substantial decrease in Canadian participation at the Cannes Film Festival last year, since a smaller number of films were selected.

7. ANALYSIS OF QUARTERLY RESULTS AND FINANCIAL POSITION (CONT.)

Operating and Administrative Expenses

Operating and administrative expenses remained similar to the budgeted amount and to that of the same period last year.

For the three-month period ended June 30, 2017

	Budget		Actual		Variance			
	Annual	Period	2017- 2018	2016- 2017	Budget		Actual	
					\$	%	\$	%
Salaries and employee benefits	18,382	4,788	4,550	4,197	238	5	353	8
Information technology	1,690	1,040	1,008	1,025	32	3	(17)	(2)
Rent, taxes, heating and electricity	1,855	451	455	447	(4)	(1)	8	2
Professional services	1,823	430	272	490	158	37	(218)	(44) ¹
Travel and hospitality	546	148	142	123	6	4	19	15
Office expenses	568	138	138	175	-	-	(37)	(21) ²
Amortization of tangible capital assets	760	136	136	105	-	-	31	30 ³
Advertising and publications	330	71	58	86	13	18	(28)	(33) ⁴
	25,954	7,202	6,759	6,648	443	6	111	2

- ¹ **Professional fees** are lower than those recorded in the comparative period, due to information technology consultant services and Canadian talent promotion campaign planning expenses that were incurred last year.
- ² **Office expenses** show a decline compared with the same period last year. This situation is related to maintenance cost savings following the change in telephone system and a decrease in training expenses.
- ³ **Amortization** expenditures are higher in comparison with the same period last year, new assets of the information system redesign project started their amortization period.
- ⁴ Expenses for **advertising and publications** are lower in comparison with the same quarter last year, in part because the Corporation is reviewing its media treatment analysis services. In addition, some expenses incurred during the first quarter of the previous fiscal year were non-recurring.

7. ANALYSIS OF QUARTERLY RESULTS AND FINANCIAL POSITION (CONT.)

Government Funding and Revenues

The Corporation's different funding sources are similar to budgetary expectations and the comparative quarter of 2016-2017.

For the three-month period ended June 30, 2017

	Budget		Actual		Variance			
	Annual	Period	2017- 2018	2016- 2017	Budget		Actual	
					\$	%	\$	%
Parliamentary appropriation	100,454	22,101	21,304	22,258	(797)	(4)	(954)	(4)
Management fees from the Canada Media Fund	9,553	2,388	2,418	2,408	30	1	10	-
Investment revenues and recoveries	10,000	510	547	707	37	7	(160)	(23) ¹
Contributions to promotional support activities	1,200	548	541	333	(7)	(1)	208	62 ²
Talent Fund	2,165	-	25	4	25	-	21	525
Interest	100	25	22	25	(3)	(12)	(3)	(12)
	123,472	25,572	24,857	25,735	(715)	(3)	(878)	(3)

¹ **Investment revenues and recoveries** are \$0,2 million lower than the comparative quarter last year. This revenue source is related to the success of films that the Corporation has financed. The number of remittances, as well as the average amount per remittance, are lower compared with the previous fiscal year. However, the first quarter cannot be considered an indicator of the fiscal year-end result.

² **Contributions relating to promotional support activities**, for their part, are higher than the comparative period, mainly because of sponsorships connected to Movie Nights Across Canada events.

7. ANALYSIS OF QUARTERLY RESULTS AND FINANCIAL POSITION (CONT.)

Financial position

	Actual		Variance		
	June 30 2017	March 31, 2017	\$	%	
Financial assets					
Due from Consolidated Revenue Fund	61,470	61,709	(239)	-	
Cash - Talent Fund	1,963	649	1,314	202	1
Accounts receivable	2,748	2,977	(229)	(8)	
Receivable from the Canada Media Fund	2,477	3,262	(785)	(24)	2
Loan	240	240	-	-	
	68,898	68,837	61	-	
Liabilities					
Accounts payable and accrued liabilities	2,071	3,234	(1,163)	(36)	3
Deferred revenues - Talent Fund	1,357	-	1,357	-	4
Financial assistance program obligations	39,405	45,172	(5,767)	(13)	5
Liabilities for employee future benefits	765	783	(18)	(2)	
Net financial assets	25,300	19,648	5,652	29	
Non-financial assets					
Tangible capital assets	5,191	4,662	529	11	6
Prepaid expenses	260	2,275	(2,015)	(89)	7
Accumulated surplus	30,751	26,585	4,166	16	

1 The **Talent Fund's cash** position rose, due mainly to receipt of the Bell Media contribution.

2 The amount **receivable from the Canada Media Fund** shows a decline, due mainly to costs tied to the information system redesign (ISR) project invoiced at March 31, 2017, and to the 13% Harmonized Sales Tax applicable on the administration of program services included at March 31.

3 The decrease in **accounts payable** is mainly due to the thorough end-of-year cut-off procedures that cannot be carried out during a quarterly period, particularly related to administrative expenses, as described in Section 6 of this quarterly report.

4 The contribution from Bell Media is subject to external restrictions and, as such, is recorded on the Statement of Operations only when it is used for the stated purpose. Accordingly, **deferred revenues** rose following the receipt of the Bell Media contribution that has still not been used.

5 The decrease in **financial assistance program obligations** derives from the fact that a portion of the balance at March 31, 2017, was disbursed during the first quarter and was not compensated by new obligations.

6 The increase in **tangible capital assets** stems from capital costs related to work currently under way on the ISR project.

7 **Prepaid expenses** declined significantly, owing to the fact that almost all prepaid expenses from the previous fiscal year were expensed in the quarter.



8. RECONCILIATION OF COST OF OPERATIONS 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, the parliamentary appropriation being calculated using a modified cash basis accounting method.

<i>In thousands of Canadian dollars</i>	June 30 2017	June 30 2016
Cost of operations	20,691	23,892
Adjustment affecting the use of parliamentary appropriation :		
Assistance expenses adjustment where parliamentary appropriation eligibility criterias have been met	5,114	3,371
Assistance expenses funded by the Talent Fund	(93)	(739)
Contributions to promotional support activities	(541)	(333)
Prepaid expenses	(2,015)	(1,847)
Contractual claims	(5)	(5)
Operating expenses funded by the CMF	(2,418)	(2,408)
Acquisitions of property and equipment	665	444
Salary recovery for payment in arrears transition	8	-
Amortization	(136)	(105)
Employee future benefits	34	(12)
Use of Parliamentary appropriation at June 30	21,304	22,258
Parliamentary appropriation available for subsequents quarters	79,150	73,196
Parliamentary appropriation authorized	100,454	95,454

The amount of the Parliamentary appropriation comes from the 2017-2018 Main Estimates.

9. QUARTERLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2017**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, FCPA, FCA, MBA
Executive Director



Denis Pion
Director - Administration and Corporate Services

Montréal, Canada
August 29, 2017



Statement of Operations

For the three-month period ended June 30, 2017

<i>In thousands of Canadian dollars</i>	Schedule	June 30 Budget	June 30, 2017	June 30, 2016
Assistance expenses				
Development of the Canadian audiovisual industry				
Production programs		10,030	9,824	13,019
Theatrical documentary program		100	75	98
Development program		-	-	196
Administration of recommendations for audiovisual treaty coproduction		128	123	127
		10,258	10,022	13,440
Promotional support in Canada and abroad				
International promotional activities		1,900	2,098	1,509
Promotion program and national promotional activities		1,500	1,508	1,382
Marketing program		500	214	801
International marketing program		100	62	112
Export assistance program		50	28	-
		4,050	3,910	3,804
		14,308	13,932	17,244
Operating and administrative expenses	A	7,202	6,759	6,648
Cost of operations		21,510	20,691	23,892
Revenues				
Management fees from the Canada Media Fund		2,388	2,418	2,408
Investment revenues and recoveries		510	547	707
Contributions to promotional support activities		548	541	333
Talent Fund		-	25	4
Interest		25	22	25
		3,471	3,553	3,477
Net cost of operations before government funding		18,039	17,138	20,415
Government funding				
Parliamentary appropriation		22,101	21,304	22,258
Surplus		4,062	4,166	1,843
Accumulated surplus, beginning of period		26,585	26,585	26,108
Accumulated surplus, end of period		30,647	30,751	27,951

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


Statement of Financial Position

<i>In thousands of Canadian dollars</i>	June 30 2017	March 31, 2017
Financial assets		
Due from Consolidated Revenue Fund	61,470	61,709
Cash - Talent Fund	1,963	649
Accounts receivable	2,748	2,977
Receivable from the Canada Media Fund	2,477	3,262
Loan	240	240
	68,898	68,837
Liabilities		
Accounts payable and accrued liabilities	2,071	3,234
Deferred revenues - Talent Fund	1,357	-
Financial assistance program obligations	39,405	45,172
Liabilities for employee future benefits	765	783
	43,598	49,189
Net financial assets	25,300	19,648
Non-financial assets		
Tangible capital assets	5,191	4,662
Prepaid expenses	260	2,275
	5,451	6,937
Accumulated surplus	30,751	26,585

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


Statement of Changes in Net Financial Assets

For the three-month period ended June 30, 2017

<i>In thousands of Canadian dollars</i>	June 30 Budget	June 30 2017	March 31, 2017
Surplus	4,062	4,166	477
Tangible capital asset transactions			
Amortization	136	136	486
Acquisitions	(640)	(665)	(2,798)
Other transactions			
Acquisitions of prepaid expenses	-	(151)	(2,275)
Use of prepaid expenses	2,200	2,166	2,365
Increase in net financial assets	5,758	5,652	(1,745)
Net financial assets, beginning of year	19,648	19,648	21,393
Net financial assets, end of period	25,406	25,300	19,648

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



Statement of Cash Flows

For the three-month period ended June 30, 2017

<i>In thousands of Canadian dollars</i>	June 30 2017	June 30 2016
Operating activities		
Surplus	4,166	1,843
Items not affecting cash:		
Decrease in liabilities for employee future benefits	(18)	(12)
Amortization of tangible capital assets	136	105
	4,284	1,936
Changes in non-cash financial items:		
Decrease (increase) in accounts receivable	229	(309)
Decrease in receivable from the Canada Media Fund	785	847
Increase (decrease) in accounts payable and accrued liabilities	(1,163)	373
Increase in deferred revenues - Talent Fund	1,357	1,345
Decrease of financial assistance program obligations	(5,767)	(2,387)
Decrease in prepaid expenses	2,015	1,847
	1,740	3,652
Capital activities		
Cash outflows to acquire tangible capital assets	(468)	(293)
Change in accounts payable and accrued liabilities for capital projects	(197)	(151)
	(665)	(444)
Increase in due from Consolidated Revenue Fund and cash - Talent Fund	1,075	3,208
Due from Consolidated Revenue Fund and cash - Talent Fund, beginning of year	62,358	58,135
Due from Consolidated Revenue Fund and cash - Talent Fund, end of period	63,433	61,343

The accompanying notes and the 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 as at March 31, 2016. The significant accounting policies used in these quarterly financial statements are similar to those used in the annual financial statements of March 31, 2016.

2. Comparative figures

Certain 2016-2017 figures have been reclassified to conform to the presentation adopted for 2017-2018.

Schedule A - Other Information

A - Operating and administrative expenses

<i>In thousands of Canadian dollars</i>	June 30, Budget	June 30, 2017	June 30, 2016
Salaries and employee benefits	4,788	4,550	4,197
Information technology	1,040	1,008	1,025
Rent, taxes, heating and electricity	451	455	447
Professional services	430	272	490
Travel and hospitality	148	142	123
Office expenses	138	138	175
Amortization of tangible capital assets	136	136	105
Advertising and publications	71	58	86
	7,202	6,759	6,648