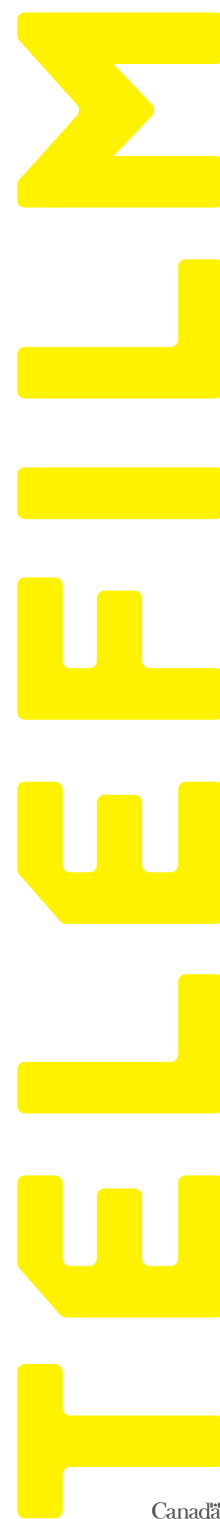


Quarterly Financial Report
Period ended June 30, 2018

First quarter of fiscal 2018-2019
Published August 29, 2018*



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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

First and foremost, we are a team of some 180 enthusiasts of Canadian media content dedicated to the commercial, cultural and industrial success of Canada's audiovisual industry. As a Government of Canada Crown corporation, in the Canadian Heritage portfolio, 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.

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 Montréal, we serve our clients throughout Canada from our four offices located in Vancouver, Toronto, Montréal and Halifax.

Telefilm defined its future orientations with the launch of its new strategic plan, *See bigger*¹, which will guide the organization for the next three fiscal years. The new vision put forward in the strategic plan outlines four key areas of action:

- Innovate: Foster innovation;
- Strengthen: Strengthen the position of Canadian talent on the international market;
- Export: Stimulate export of Canadian content;
- Excel: Continue to improve the organization's overall performance.

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 : <https://telefilm.ca/wp-content/uploads/strategic-plan-telefilm-2018-2020.pdf>



3. IMPORTANT CHANGES

Programs

During the quarter, the Corporation launched the **Theatrical Distribution Assistance Program**. The program aims to increase programming of Canadian films in theatres across Canada. This program supports Canadian commercial exhibitors' promotional expenses related to Canadian films.

Moreover, Telefilm Canada and the Talent Fund announced the first 45 projects selected under the new **Talent to Watch** program (formerly the Micro-Budget Production Program). In total, 38 feature films and seven narrative web projects from coast to coast were chosen. The calibre of the projects selected reflect the great diversity of voices from coast to coast were chosen, with a distinct portfolio that boasts parity between men and women creators, diversity of language and culture, and our first-ever project from the Yukon.

Activities

Over the quarter, the Corporation financed 10 productions for a total of approximately \$5 million. At MIPTV, the Corporation and the Canada Media Fund (CMF) worked more closely than ever. This year, the two organizations adopted a fully integrated approach to present Canadian creations at various events in this important market, including the opening of the first edition of the Cannes International Series Festival (CANNESERIES). CANNESERIES featured series from around the world and two Canadian creators presented their web series in short format.

With 18 films presented, including three in official competition (one documentary and two feature films), Canada made an impressive showing at the Shanghai International Film Festival (SIFF), which was held from June 16 to 25, 2018. Two Canadian films won honours: *A Translator* (Best Director for Rodrigo and Sebastien Barriuso) and *Tadoussac* (Best Actress for Isabelle Blais).

Furthermore, Canada was strongly represented at the 53rd edition of the Karlovy Vary International Film Festival (KVIFF). Three Canadian films were selected for the Festival's official competition: a feature film, *La disparition des lucioles* by Sébastien Pilote, and two documentaries, *Cielo* by Alison McAlpine and *A Little Wisdom* by Yuqi Kang. In Annecy, as part of the Festival and International Animation Market, Nora Twomey's *The Breadwinner* and Cam Christiansen's documentary *Wall* were the two Canadian feature films shown in competition this year. *The Breadwinner* won three prizes, including the Jury Award and the Audience Award. Finally, for the first time ever, Telefilm participated in the Edinburgh International Film Festival (EIFF). Canada was the country of honour, ensuring a high profile for Canadian talent.

On a different note, the Corporation hosted a Eurimages Board of Management meeting for the first time. Delegates from 37 European countries attended the meeting, which took place in Montréal at the end of June. A member since 2016-2017, Canada is the only non-European member.

Personnel

During the quarter, the Minister of Canadian Heritage announced the appointment of Christa Dickenson as Executive Director. Her mandate will begin on July 30, for a five-year term. The Corporation would like to thank Jean-Claude Mahé who served as Acting Executive Director since March 2018. Finally, the Corporation announced the appointment of Steve Bates as Interim Regional Feature Film Executive - West Region.



4. GOVERNANCE AND MEMBERS OF THE BOARD

Governance of the Corporation is carried out through activities of the Board and its three subcommittees:

- Audit and Finance Committee;
- Nominating, Evaluation and Governance Committee;
- Strategic Planning and Communications Committee.

Governance is also ensured by the Management Committee, chaired by the Executive Director, and its subcommittees:

- Operational Committee;
- Human Resources Committee;
- Risk Management Committee;
- Appeals Committee.

During the quarter, the Board and the Strategic Planning and Communications Committee met twice, while the Audit and Finance Committee and the Nominating, Evaluation and Governance Committee met one time, and the Management Commitment met 11 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 is 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, 2018. 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. Variances requiring an explanation are based on thresholds set by the Audit and Finance Committee.

Assistance Expenses

Overall, assistance expenses show a decline compared with the same period last year, stemming mainly from the production programs.

For the three-month period ended June 30, 2018

	Budget		Actual		Variance			
	Annual	Period	2018- 2019	2017- 2018	Budget		Actual	
					\$	%	\$	%
Production programs	62,749	5,000	4,625	9,824	375	8	(5,199)	(53) ①
Theatrical documentary program	2,000	500	472	75	28	6	397	529 ②
Administration of recommendations for audiovisual coproduction	537	139	99	123	40	29	(24)	(20)
Indigenous Screen Office	-	-	1	-	(1)	-	1	-
Development program	7,625	-	-	-	-	-	-	-
Talent to Watch program	6,250	-	-	-	-	-	-	-
Contribution to the Council of Europe's cultural fund, Eurimages	1,500	-	-	-	-	-	-	-
Innovation program - Production	1,000	-	-	-	-	-	-	-
	<u>81,661</u>	<u>5,639</u>	<u>5,197</u>	<u>10,022</u>	<u>442</u>	<u>8</u>	<u>(4,825)</u>	<u>(48)</u>
International promotional activities	5,135	2,021	2,080	2,098	(59)	(3)	(18)	(1)
Promotion program and national promotional activities	7,936	1,500	1,423	1,508	77	5	(85)	(6)
Marketing program	8,503	400	353	214	47	12	139	65 ③
International marketing program	1,000	60	14	62	46	77	(48)	(77)
Innovation program - Promotion	1,000	-	-	-	-	-	-	-
Export assistance program	800	-	-	28	-	-	(28)	(100)
Theatrical exhibition program	600	-	-	-	-	-	-	-
	<u>24,974</u>	<u>3,981</u>	<u>3,870</u>	<u>3,910</u>	<u>111</u>	<u>3</u>	<u>(40)</u>	<u>(1)</u>
	<u>106,635</u>	<u>9,620</u>	<u>9,067</u>	<u>13,932</u>	<u>553</u>	<u>6</u>	<u>(4,865)</u>	<u>(35)</u>

①	Production programs	Current period ↘ than previous	\$5,199	Decrease in the number of projects as a result of vacant positions. The delay should be eliminated in the coming quarters.
②	Theatrical documentary program	Current period ↗ than previous	\$397	Last year's level of expenditures was abnormally low due to the late opening of the program in the Dialogue platform.
③	Marketing program	Current period ↗ than previous	\$139	The previous fiscal year's expenses was lower than the usual level because some major films did not require Telefilm's funding.

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

Operating and Administrative Expenses

During the first quarter of 2018-2019, operating and administrative expenses were at the anticipated level, but \$1 million higher than the first quarter of last year.

For the three-month period ended June 30, 2018

	Budget		Actual		Variance			
	Annual	Period	2018- 2019	2017- 2018	Budget		Actual	
					\$	%	\$	%
Salaries and employee benefits	19,232	5,021	4,896	4,550	125	2	346	8
Information technology	1,690	1,190	1,185	1,008	5	-	177	18
Professional services	1,917	502	595	272	(93)	(19)	323	119
Rent, taxes, heating and electricity	1,865	519	523	455	(4)	(1)	68	15
Amortization of tangible capital assets	830	208	199	136	9	4	63	46
Office expenses	573	148	176	138	(28)	(19)	38	28
Travel and hospitality	619	173	150	142	23	13	8	6
Advertising and publications	218	69	61	58	8	12	3	5
	26,944	7,830	7,785	6,759	45	1	1,026	15

1	Information technology	Current period ↗ than previous	\$177	Payment in the first quarter of this fiscal year for application and server software licences that were paid in the second quarter of the previous fiscal year.
2	Professional services	Current period ↗ than budget	\$93	Costs above budget due to the maintenance of computer systems resulting from the relaunch of programs.
		Current period ↗ than previous	\$323	Increase in IT consulting costs due to maintenance, unlike the first quarter of the previous fiscal year, where development costs were recorded as an asset, in work in progress.
3	Rent, taxes, heating and electricity	Current period ↗ than previous	\$68	Inherent increase in the operating costs of the premises.
4	Amortization of tangible capital assets	Current period ↗ than previous	\$63	Amortization related to the capitalization from the \$3.3 million in assets at March 31st for the Dialogue platform.
5	Office expenses	Current period ↗ than budget	\$28	Timing difference related to training and professional development that took place earlier than anticipated.
		Current period ↗ than previous	\$38	

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

Government Funding and Revenues

For the first quarter of fiscal 2018-2019, the Corporation's financing is comparable to both the budget and the same period last year.

For the three-month period ended June 30, 2018

	Budget		Actual		Variance			
	Annual	Period	2018- 2019	2017- 2018	Budget		Actual	
					\$	%	\$	%
Parliamentary appropriation	101,867	21,879	21,386	21,304	(493)	(2)	82	-
Management fees from the Canada Media Fund	10,207	2,552	2,603	2,418	51	2	185	8
Investment revenues and recoveries	10,000	540	557	547	17	3	10	2
Contributions to promotional support activities	950	275	287	541	12	4	(254)	(47) ¹
Talent Fund	2,165	125	126	25	1	1	101	404 ²
Interest	100	25	17	22	(8)	(32)	(5)	(23)
	125,289	25,396	24,976	24,857	(420)	(2)	119	-

¹	Contributions to promotional support activities	Current period ↘ than previous	\$254	Decrease in sponsorship revenues directly related to activities that took place as part of Canada's 150th anniversary celebrations.
²	Talent Fund	Current period ↗ than previous	\$101	During the quarter, the Talent Fund held a fundraising activity, featuring the film <i>Indian Horse</i> .

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

Financial position

	Actual		Variance		
	June 30, 2018	June 30, 2017	\$	%	
Financial assets					
Due from Consolidated Revenue Fund	67,522	61,470	6,052	10	1
Cash - Talent Fund	2,572	1,963	609	31	2
Accounts receivable	1,930	2,748	(818)	(30)	3
Receivable from the Canada Media Fund	2,647	2,477	170	7	
Loan	240	240	-	-	
	<u>74,911</u>	<u>68,898</u>	<u>6,013</u>	<u>9</u>	
Liabilities					
Accounts payable and accrued liabilities	2,207	2,071	136	7	
Deferred revenues - Talent Fund	1,365	1,357	8	1	
Deferred revenues - Indigenous Screen Office	195	-	195	-	
Financial assistance program obligations	46,379	39,405	6,974	18	4
Liabilities for employee future benefits	749	765	(16)	(2)	
	<u>24,016</u>	<u>25,300</u>	<u>(1,284)</u>	<u>(5)</u>	
Net financial assets					
Non-financial assets					
Tangible capital assets	5,923	5,191	732	14	5
Prepaid expenses	275	260	15	6	
	<u>30,214</u>	<u>30,751</u>	<u>(537)</u>	<u>(2)</u>	

- 1 **Due from Consolidated Revenue Fund** ↗ \$6,052 The variance is mainly attributable to a higher cash position at the beginning of this fiscal year.
- 2 **Cash - Talent Fund** ↗ \$609 Several contracts signed in the previous fiscal year for which the payments have not yet been made.
- 3 **Accounts receivable** ↘ \$818 Decrease in taxes receivable directly attributable to a lower level of investments at June 2018 compared to 2017.
- 4 **Financial assistance program obligations** ↗ \$6,974 Higher level in contractual commitments at the beginning of 2018-2019 fiscal year and for which amounts remain to be disbursed.
- 5 **Tangible capital assets** ↗ \$732 The increase is mainly due to the capitalization of costs related to Dialogue, net of amortization.



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, since the Parliamentary appropriation is calculated using a modified cash basis accounting method.

<i>In thousands of Canadian dollars</i>	June 30, 2018	June 30, 2017
Cost of operations	16,852	20,691
Adjustment affecting the use of Parliamentary appropriation :		
Assistance expenses adjustment where Parliamentary appropriation eligibility criteria have been met	9,134	5,114
Assistance expenses funded by the Talent Fund	(349)	(93)
Contributions to promotional support activities	(287)	(541)
Prepaid expenses	(1,314)	(2,015)
Contractual claims	-	(5)
Operating expenses funded by the CMF	(2,603)	(2,418)
Acquisitions of property and equipment	154	665
Salary recovery for payment in arrears transition	(16)	8
Amortization	(199)	(136)
Indigenous Screen Office	(1)	-
Employee future benefits	15	34
Use of Parliamentary appropriation at June 30	21,386	21,304
Parliamentary appropriation available for subsequent quarters	80,481	79,150
Parliamentary appropriation authorized	101,867	100,454

The amount of the Parliamentary appropriation comes from the 2018-2019 Main Estimates and Supplementary Estimates (A).

9. QUARTERLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2018**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.



Christa Dickenson
Executive Director



Denis Pion
Director - Administration and Corporate Services

Montréal, Canada
September 14, 2018



Statement of Operations

For the three-month period ended June 30, 2018

<i>In thousands of Canadian dollars</i>	Schedule	June 30, Budget	June 30, 2018	June 30, 2017
Assistance expenses				
Development of the Canadian audiovisual industry				
Production programs		5,000	4,625	9,824
Theatrical documentary program		500	472	75
Administration of recommendations for audiovisual treaty coproduction		139	99	123
Indigenous Screen Office		-	1	-
		5,639	5,197	10,022
Promotional support in Canada and abroad				
International promotional activities		2,021	2,080	2,098
Promotion program and national promotional activities		1,500	1,423	1,508
Marketing program		400	353	214
International marketing program		60	14	62
Export assistance program		-	-	28
		3,981	3,870	3,910
		9,620	9,067	13,932
Operating and administrative expenses	A	7,830	7,785	6,759
Cost of operations		17,450	16,852	20,691
Revenues				
Management fees from the Canada Media Fund		2,552	2,603	2,418
Investment revenues and recoveries		540	557	547
Contributions to promotional support activities		275	287	541
Talent Fund		125	126	25
Interest		25	17	22
		3,517	3,590	3,553
Net cost of operations before government funding		13,933	13,262	17,138
Government funding				
Parliamentary appropriation		21,879	21,386	21,304
Surplus		7,946	8,124	4,166
Accumulated surplus, beginning of period		22,090	22,090	26,585
Accumulated surplus, end of period		30,036	30,214	30,751

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


Statement of Financial Position

<i>In thousands of Canadian dollars</i>	June 30, 2018	March 31, 2018
Financial assets		
Due from Consolidated Revenue Fund	67,522	66,421
Cash - Talent Fund	2,572	1,465
Accounts receivable	1,930	2,469
Receivable from the Canada Media Fund	2,647	2,952
Loan	240	240
	74,911	73,547
Liabilities		
Accounts payable and accrued liabilities	2,207	2,949
Deferred revenues - Talent Fund	1,365	9
Deferred revenues - Indigenous Screen Office	195	-
Financial assistance program obligations	46,379	55,292
Liabilities for employee future benefits	749	764
	50,895	59,014
Net financial assets	24,016	14,533
Non-financial assets		
Tangible capital assets	5,923	5,968
Prepaid expenses	275	1,589
	6,198	7,557
Accumulated surplus	30,214	22,090

The accompanying note 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, 2018

<i>In thousands of Canadian dollars</i>	June 30, Budget	June 30, 2018	March 31, 2018
Surplus (deficit)	7,946	8,124	(4,495)
Tangible capital asset transactions			
Amortization	208	199	747
Acquisitions	(363)	(154)	(2,124)
Write-down of tangible capital assets	-	-	71
Other transactions			
Acquisitions of prepaid expenses	-	(155)	(1,589)
Use of prepaid expenses	1,400	1,469	2,275
Increase (decrease) in net financial assets	9,191	9,483	(5,115)
Net financial assets, beginning of year	14,533	14,533	19,648
Net financial assets, end of period	23,724	24,016	14,533

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



Statement of Cash Flows

For the three-month period ended June 30, 2018

<i>In thousands of Canadian dollars</i>	June 30, 2018	June 30, 2017
Operating activities		
Surplus	8,124	4,166
Items not affecting cash:		
Decrease in liabilities for employee future benefits	(15)	(18)
Amortization of tangible capital assets	199	136
	8,308	4,284
Changes in non-cash financial items:		
Decrease in accounts receivable	539	229
Decrease in receivable from the Canada Media Fund	305	785
Decrease in accounts payable and accrued liabilities	(616)	(926)
Increase in deferred revenues - Talent Fund	1,356	1,357
Increase in deferred revenues - Indigenous Screen Office	195	-
Decrease of financial assistance program obligations	(8,913)	(5,767)
Decrease in prepaid expenses	1,314	2,015
	2,488	1,977
Capital activities		
Cash outflows to acquire tangible capital assets	(280)	(902)
Increase in due from Consolidated Revenue Fund and cash - Talent Fund	2,208	1,075
Due from Consolidated Revenue Fund and cash - Talent Fund, beginning of year	67,886	62,358
Due from Consolidated Revenue Fund and cash - Talent Fund, end of period	70,094	63,433
Additional information presented in operating activities		
Change in accounts payable and accrued liabilities for capital projects	126	237

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



Note 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, 2018. The significant accounting policies used in these quarterly financial statements are similar to those used in the annual financial statements of March 31, 2018.

Schedule A - Other Information

A - Operating and administrative expenses

<i>In thousands of Canadian dollars</i>	June 30, Budget	June 30, 2018	June 30, 2017
Salaries and employee benefits	5,021	4,896	4,550
Information technology	1,190	1,185	1,008
Professional services	502	595	272
Rent, taxes, heating and electricity	519	523	455
Amortization of tangible capital assets	208	199	136
Office expenses	148	176	138
Travel and hospitality	173	150	142
Advertising and publications	69	61	58
	7,830	7,785	6,759