

Quarterly Financial Report
Period ended June 30, 2016

First quarter of fiscal 2016-2017
Published August 29, 2016

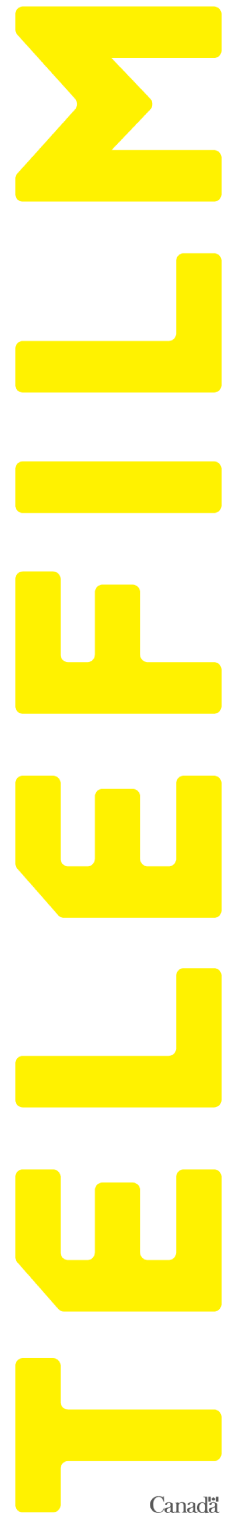




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1. TELEFILM

Telefilm Canada is a Crown corporation reporting to Parliament through the Department of Canadian Heritage. Telefilm's vision is audiences everywhere demanding Canadian screen-based content - accessible anywhere, anytime and on any platform.

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 creative talents by providing financial assistance to Canadian film projects and by highlighting the value of Canadian audiovisual industry talent at regional, national and international festivals, markets and events.

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 regarding certification of audiovisual treaty coproductions. Our head office is located in Montreal and we serve clients through our four offices 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.

3. IMPORTANT CHANGES

Programs

Only a few changes occurred to the Corporation's programs during the first quarter of 2016-2017. The process for application of the Micro-Budget Production Program is now fully digitalized in the new Appian platform and the Development Program opened for application on May 18, 2016.

1 : www.telefilm.ca/en/telefilm/corporate-publications/corporate-plan
2 : www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=18789§ion=text



3. IMPORTANT CHANGES (CONT.)

Activities

During the quarter, the Corporation funded 18 productions for a total investment of more than \$13.1 million. Internationally, four films represented Canada at the 69th Festival de Cannes. Xavier Dolan's *Juste la fin du monde* was selected in official competition. The film winning the official competition's Grand Prix and the Ecumenical Jury prize. Also at Cannes, *Two Lovers and a Bear* and *Mean Dreams* each had their world premiere screening at the Directors' Fortnight, and the short film *Oh What a Wonderful Feeling* was screened during Critics' Week.

Canada's animation sector enjoyed unprecedented exposure at the Annecy International Animation Film Market (MIFA) given that, for the first time, a Canada Pavilion served as a meeting hub and helped to enhance the value of the "Canada" brand. This initiative led jointly with the Canada Media Fund (CMF) and seven provincial partners (media development agencies and industry associations) to showcase the quality and diversity of projects from 45 Canadian production companies.

Canada was well represented at the 19th Shanghai International Film Festival, where 17 Canadian films were screened, including *Avril et le monde truqué*, a coproduction with France and Belgium presented in official competition. In addition, Canada was the country of honour at Sunny Side of the Doc 2016, an international market dedicated to linear and interactive documentaries held in La Rochelle, France. The Corporation, the CMF and several other provincial partners joined forces to organize a trade mission under the Canada Pavilion and support a number of promotional activities showcasing Canadian productions.

Personnel

During the quarter, the Corporation nominated Marielle Poupelin to assume the role of Director, International Promotion on an interim basis.

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 once during the quarter, while the Audit and Finance Committee met twice. The Management Committee, for its part, met 10 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, incidence 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, 2016. Management deems 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

Overall, first quarter assistance expenses correlate strongly with the budget, but were more than \$9 million, or 111%, higher than they were for the first quarter last year. This variance is due mainly to the Production Program.

For the three-month period ended June 30, 2016

	Budget		Actual		Variance				
	Annual	Period	2016- 2017	2015- 2016	Budget		Actual		
					\$	%	\$	%	
Production	62,342	13,125	13,117	4,252	8	-	8,865	208	①
Development	7,625	150	196	79	(46)	(31)	117	148	②
Recommendations for coproduction	509	133	127	130	6	5	(3)	(2)	
	70,476	13,408	13,440	4,461	(32)	-	8,979	201	
International events	4,202	1,500	1,509	1,084	(9)	(1)	425	39	③
Promotion	6,886	1,250	1,382	441	(132)	(11)	941	213	④
Marketing	11,780	1,000	913	2,198	87	9	(1,285)	(58)	⑤
	22,868	3,750	3,804	3,723	(54)	(1)	81	2	
	93,344	17,158	17,244	8,184	(86)	(1)	9,060	111	

- ① Under the Production Program, 4 major projects signed during the first quarter, and on which shooting began early in the fiscal year, obtained funding. The invested amounts per project ranged from \$2.3 million to \$4 million. The first quarter of 2015-2016, for its part, showed an unusually low level of activity.
- ② As for the Development Program, the variance in comparison to the first quarter of 2015-2016 is explained by the Program opening for applications at the beginning of the second quarter in the previous fiscal year, due to the fact that major changes had been made to the Program's guidelines. This was not the case in the current fiscal year.
- ③ During the first quarter of 2016-2017, Telefilm added two new events to the portfolio of events in which it participates: Sunny Side of the Doc (La Rochelle) and the International Animation Film Market (Annecy).
- ④ The Promotion Program has undertaken multiple actions to improve efficiency at the Corporation in the last fiscal year, particularly with regards to the organizations that benefit from recurring financing. As a result, letters confirming the amount of funding available for those organizations were sent out earlier this fiscal year. Furthermore, due to the streamlining of processes resulting from the information systems redesign, a number of organizations that made multiple applications last year can make only one application this fiscal year. Thus, many project fundings allocated in the second quarter of last year were allocated to projects during the first quarter of this year.
- ⑤ The Marketing Program expenses shows a significant decrease compared with the same quarter last year due to the fact that several major projects were signed at the very end of the previous fiscal year.

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

Operating and Administrative Expenses

During the first quarter, operating and administrative expenses were, in aggregate, as planned in the budget and at the same level as the first quarter of the previous fiscal year.

For the three-month period ended June 30, 2016

	Budget		Actual		Variance			
	Annual	Period	2016- 2017	2015- 2016	Budget		Actual	
					\$	%	\$	%
Salaries & wages	18,660	4,840	4,197	4,402	643	13	(205)	(5) ①
Information technology	1,660	879	1,025	627	(146)	(17)	398	63 ②
Professional services	1,770	391	490	348	(99)	(25)	142	41 ③
Rent	1,819	453	447	447	6	1	-	-
Office expenses	595	171	175	160	(4)	(2)	15	9
Travel	578	144	123	103	21	15	20	19
Advertising & publications	259	65	86	28	(21)	(32)	58	207 ④
Amortization	650	114	105	81	9	8	24	30
	25,991	7,057	6,648	6,196	409	6	452	7

- ① With respect to salaries and wages, the first quarter shows a significant budgetary saving of \$0.6 million, or 13%. This saving stems from staff positions that remained vacant during the period as well as from an over-evaluation of benefits-related rate.
- ② The information technology component shows an amount higher than both the budget and spending for the comparative quarter of the previous fiscal year. These variances are due mainly to earlier payment for cloud computing services and software licences. These variances are expected to rectify themselves by the end of fiscal year.
- ③ The variances on professional fees, budgetary as well as with the comparative quarter, are explained by unanticipated and non-recurring costs of IT consultants during the first quarter. Furthermore, the rise in comparison to the first quarter of last year stems from non-recurring costs for studies conducted by the Corporation, notably on the way Canadians choose their audiovisual content. The Corporation expects these variances to adjust themselves by the end of fiscal year.
- ④ Expenses for advertising and publications were higher in comparison with the same quarter last year due to a timing difference.

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

Government Funding and Revenues

Generally speaking, the Corporation's revenues were as expected in the budget. In terms of the comparison with the first quarter of the previous fiscal year, the most significant difference has to do with the use of the parliamentary appropriation.

For the three-month period ended June 30, 2016

	Budget		Actual		Variance			
	Annual	Period	2016- 2017	2015- 2016	Budget		Actual	
					\$	%	\$	%
Parliamentary appropriation	95,454	21,986	22,258	20,469	272	1	1,789	9
Management fees from the CMF	11,461	2,515	2,408	2,436	(107)	(4)	(28)	(1)
Investment revenues and recoveries	10,000	510	707	966	197	39	(259)	(27) ¹
Contributions to promotional support activities	817	300	333	258	33	11	75	29 ²
Interest and other revenues	100	25	25	27	-	-	(2)	(7)
Talent Fund	2,165	-	4	52	4	-	(48)	(92)
	119,997	25,336	25,735	24,208	399	2	1,527	6

¹ Investment revenues and recoveries are in a favourable position with respect to the budget, but are lower in comparison with the same period in the previous fiscal year. By their very nature, these revenues are tied to the performance of films funded by the Corporation and are thus difficult to predict. In the first quarter of 2015-2016, the film *The Captive* rendered a significant amount, more than \$500,000, while in the current quarter, *Hyena Road* was the only to render a remittance higher than \$100,000.

² The increase in contributions to promotional support activities is due to revenues generated by two new international events in which the Corporation participated; Sunny Side of the Doc and the International Animation Film Market.

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

Financial position

The Corporation's financial position is strong, as shown by the level of its net assets. These increased during the period, owing to the combined effect of an increase in the amount due from the Consolidated Revenue Fund and an overall decrease in liabilities.

	Actual		Variance		
	June 30 2016	March 31, 2016	\$	%	
Financial assets					
Due from Consolidated Revenue Fund	59,855	57,150	2,705	5	
Cash - Talent Fund	1,488	985	503	51	①
Accounts receivable	2,627	2,318	309	13	②
Receivable from CMF	2,456	3,303	(847)	(26)	③
Loan	655	655	-	-	
	67,081	64,411	2,670	4	
Liabilities					
Accounts payable	3,037	2,664	373	14	④
Deferred revenues - Talent Fund	1,347	2	1,345	67,250	⑤
Financial assistance programs obligations	37,209	39,596	(2,387)	(6)	
Liabilities for employee future benefits	744	756	(12)	(2)	
Net financial assets	24,744	21,393	3,351	16	
Non-financial assets					
Tangible capital assets	2,689	2,350	339	14	⑥
Prepaid expenses	518	2,365	(1,847)	(78)	⑦
Accumulated surplus	27,951	26,108	1,843	7	

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

② Accounts receivable increased, owing mainly to the higher level of taxes receivable as at June 30, following a rise in investment projects in comparison with March 2016.

③ The amount receivable from the Canada Media Fund declined due to costs tied to the information system redesign as at March 31, 2016, and to the 13% Harmonized Sales Tax applicable on the delivery of program services included at March 31.

④ Accounts payable increased, due mainly to requests for payment tied to our funding programs; this situation contrasts with that as at March 31, given that, at the close of the fiscal year, all outstanding payment requests are paid.

⑤ As per the accounting standards, the revenues from the Bell Media and Corus Entertainment agreements are subject to external restrictions and as such, are recorded on the Statement of Operations only when they are used for the stated purpose. Accordingly, deferred revenues rose due to receipt of the Bell Media contribution.

⑥ The increase in tangible capital assets stems from capital costs related to work currently underway on the information system redesign.

⑦ Prepaid expenses declined significantly, owing to the fact that almost all prepaid expenses from the previous fiscal year were recorded in the quarterly results.



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 2016	June 30 2015
Cost of operations	23,892	14,380
Adjustment affecting the use of parliamentary appropriation :		
Assistance expenses adjustment where parliamentary appropriation eligibility criterias have been met	3,371	9,852
Assistance expenses funded by the Talent Fund	(739)	-
Contributions to promotional support activities	(333)	(258)
Prepaid expenses	(1,847)	(1,248)
Contractual claims	(5)	(5)
Operating expenses funded by the CMF	(2,408)	(2,436)
Acquisitions of property and equipment	444	249
Transition payment	-	6
Amortization	(105)	(81)
Employee future benefits	(12)	10
Use of Parliamentary appropriation at June 30	22,258	20,469
Parliamentary appropriation available for subsequent quarters	73,196	74,985
Parliamentary appropriation authorized	95,454	95,454

The amount of the Parliamentary appropriation comes from the 2016-2017 Main Estimates.

9. QUARTERLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2016**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, 2016



Statement of Operations

For the three-month period ended June 30, 2016

<i>In thousands of Canadian dollars</i>	Schedule	June 30, Budget	June 30, 2016	June 30, 2015
Assistance expenses				
Development of the Canadian audiovisual industry				
Production assistance		13,125	13,117	4,252
Development assistance		150	196	79
Administration of recommendations for audiovisual treaty coproduction		133	127	130
		13,408	13,440	4,461
Promotional support in Canada and abroad				
Participation in international events		1,500	1,509	1,084
Promotion		1,250	1,382	441
Distribution and marketing assistance		1,000	913	2,198
		3,750	3,804	3,723
		17,158	17,244	8,184
Operating and administrative expenses	A	7,057	6,648	6,196
Cost of operations		24,215	23,892	14,380
Revenues				
Management fees from the Canada Media Fund				
		2,515	2,408	2,436
Investment revenues and recoveries				
		510	707	966
Contributions to promotional support activities				
		300	333	258
Interest and other revenues				
		25	25	27
Talent Fund				
		-	4	52
		3,350	3,477	3,739
Net cost of operations before government funding		20,865	20,415	10,641
Government funding				
Parliamentary appropriation		21,986	22,258	20,469
Surplus		1,121	1,843	9,828
Accumulated surplus, beginning of period				
		26,108	26,108	25,173
Accumulated surplus, end of period				
		27,229	27,951	35,001

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, 2016	March 31, 2016
Financial assets		
Due from Consolidated Revenue Fund	59,855	57,150
Cash - Talent Fund	1,488	985
Accounts receivable	2,627	2,318
Receivable from the Canada Media Fund	2,456	3,303
Loan	655	655
	67,081	64,411
Liabilities		
Accounts payable and accrued liabilities	3,037	2,664
Deferred revenues - Talent Fund	1,347	2
Financial assistance programs obligations	37,209	39,596
Liabilities for employee future benefits	744	756
	42,337	43,018
Net financial assets	24,744	21,393
Non-financial assets		
Tangible capital assets	2,689	2,350
Prepaid expenses	518	2,365
	3,207	4,715
Accumulated surplus	27,951	26,108

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, 2016

<i>In thousands of Canadian dollars</i>	June 30, Budget	June 30, 2016	March 31, 2016
Surplus	1,121	1,843	935
Tangible capital asset transactions			
Amortization	114	105	371
Acquisitions	(750)	(444)	(671)
Write-down of tangible capital assets	-	-	531
Other transactions			
Acquisitions of prepaid expenses	-	(142)	(2,365)
Use of prepaid expenses	780	1,989	1,893
Increase in net financial assets	1,265	3,351	694
Net financial assets, beginning of year	21,393	21,393	20,699
Net financial assets, end of period	22,658	24,744	21,393

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, 2016

<i>In thousands of Canadian dollars</i>	June 30, 2016	June 30, 2015
Operating activities		
Surplus	1,843	9,828
Items not affecting cash:		
Decrease in liabilities for employee future benefits	(12)	(56)
Amortization of tangible capital assets	105	81
	1,936	9,853
Changes in non-cash financial items:		
Decrease (increase) in accounts receivable	(309)	1,554
Decrease in receivable from the Canada Media Fund	847	912
Increase (decrease) in accounts payable and accrued liabilities	373	(327)
Increase in deferred revenues - Talent Fund	1,345	-
Decrease of financial assistance programs obligations	(2,387)	(9,894)
Decrease in prepaid expenses	1,847	1,248
	3,652	3,346
Capital activities		
Acquisitions	(444)	(249)
Increase in due from Consolidated Revenue Fund and cash - Talent Fund	3,208	3,097
Due from Consolidated Revenue Fund and cash - Talent Fund, beginning of year	58,135	48,148
Due from Consolidated Revenue Fund and cash - Talent Fund, end of period	61,343	51,245

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 2015-2016 figures have been reclassified to conform to the presentation adopted for 2016-2017.

Schedule A - Other Information

A - Operating and administrative expenses

<i>In thousands of Canadian dollars</i>	June 30, Budget	June 30, 2016	June 30, 2015
Salaries and employee benefits	4,840	4,197	4,402
Information technology	879	1,025	627
Professional services	391	490	348
Rent, taxes, heating and electricity	453	447	447
Office expenses	171	175	160
Travel and hospitality	144	123	103
Advertising and publications	65	86	28
Amortization of tangible capital assets	114	105	81
	7,057	6,648	6,196