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TELEFILM CANADA:
A VITAL PARTNER TO THE INDUSTRY
AT HOME AND ABROAD
TELEVISION • CINEMA • MULTIMEDIA

A cultural agency of the Canadian government, Telefilm Canada is dedicated to the development and promotion of the Canadian television, film and new media industry.

Telefilm Canada is a cultural investor. Its mission is to provide financial assistance and strategic leverage to the industry in producing high-quality works that reflect Canadian society, including its linguistic duality and cultural diversity, while ensuring their widest possible distribution in Canada and abroad.

MORE THAN 30 YEARS OF EXPERTISE
SERVING THE CANADIAN INDUSTRY

Annual Budget: Close to \$200 Million

Established in 1967 as a Crown corporation, Telefilm Canada has contributed to the current success of the Canadian film and television industry. While continuing to invest in these sectors and refining its support for feature films, the Corporation is also focusing on multimedia, the newest 21st-century communications medium, where Canadian talent is increasingly making its mark.

The Corporation enjoys an annual budget of close to \$200 million, which enables it to act as a key financing, strategic and promotional partner on the national and international scenes.

Diversified Support: From Scriptwriting to International Sales

Telefilm administers 17 funds and programs including the Equity Investment Program (EIP) of the Canadian Television Fund (CTF), a public-private partnership; the Feature Film Fund; and the Multimedia Fund.

Each year it contributes to the development and production of some 600 feature films, made-for-TV movies, drama series, documentaries, children's programs, variety shows and multimedia products of outstanding cultural value.

To ensure that these products reach large audiences, Telefilm participates in other industry activities such as distribution, export, versioning, marketing and promotion at Canadian and foreign festivals and markets.

Telefilm's financial support is varied. Most often provided as an investment, it also comes in the form of advances, loans, loan guarantees and grants. Telefilm shares product risks and revenues with the industry. Recouped amounts are reinvested in production and distribution activities.

A Strong National and International Presence

Telefilm has four Canadian offices that provide their clients with a wide range of services. These offices are located in Montréal, the Corporation's head office; Toronto (serving Ontario); Vancouver (serving British Columbia, Alberta, Manitoba, Saskatchewan, Nunavut, the Northwest Territories and the Yukon); and Halifax (serving Nova Scotia, New Brunswick, Newfoundland and Labrador, and Prince Edward Island), stimulating creativity on a national scale.

The Corporation also operates an office in Paris, which provides valuable expertise for implementing international strategies that open new markets for Canadian production.

Telefilm works with production, distribution and broadcasting companies and other Canadian and foreign government organizations in the audiovisual sector to enable the Canadian industry to grow in an environment propitious to the creation of original, high-quality products with audience appeal.

1998-99 AT A GLANCE

Telefilm Canada: An Active Presence in National Policy Matters

- Creation of the Multimedia Fund by the Minister of Canadian Heritage; appointment of the Corporation as administrator.
- Participation in Canadian Radio-television and Telecommunications Commission (CRTC) hearings on the future of Canadian television.
- Participation in CRTC hearings on new media.
- Revamping of the Canadian Television Fund (CTF), for which Telefilm administers the Equity Investment Program (EIP).
- Participation in the Feature Film Policy Review.

Telefilm Focuses on the New Millennium

Telefilm's **1997-2000 Business Plan, *Towards the New Millennium***, published in November 1997, defines the Corporation's medium and long-term goals and strategies. Notable accomplishments in fiscal 1998-99 include the following:

- a significant increase in the volume of production created by Canadians for Canadians. Telefilm provided assistance for 588 production and development projects, representing record activity of \$550 million, up from 506 projects with total budgets of \$500 million the previous year;
- enhanced support for regional production through decentralized services, more regular industry consultation and a larger share of Telefilm's investments (28% of commitments), resulting in better representation of the experience and dreams of Canada's different communities;
- intensified international partnership activity, particularly in the areas of co-productions and film, television and multimedia markets and festivals, which benefited SMBs and large companies nationwide;
- improved client services achieved through efficient administrative practices, initiatives to increase industry visibility at home and abroad, more effective use of CTF resources, an acceleration of the decision-making process and a commitment to accountability and transparency.

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BOARD MEMBERS

as of March 31, 1999

Laurier L. LaPierre, O.C.

Chairman
Ottawa, Ontario

Laétitia Cyr

Vice-Chairperson
Moncton, New Brunswick

Jeanine C. Beaubien, O.C.

Member
Montréal, Quebec

Bluma Appel

Member
Toronto, Ontario

Ron S. Bremner

Member
Calgary, Alberta

Elvira Sánchez de Malicki

Member
Etobicoke, Ontario

Sandra Macdonald

Member ex officio
Government Film Commissioner
Montréal, Quebec

SENIOR MANAGEMENT

as of March 31, 1999

François Macerola

Executive Director

Peter Katadotis

Director, Canadian Operations

Danny Chalifour

Director, Finance
and Administration

Deborah Drisdell

Director, International Relations

Suzan Ayscough

Director, Communications
and Public Affairs

Stella Riggi *

Director, Human Resources

Guy DeRepentigny

Director, Policy, Planning
and Research

John Pelletier

General Counsel and
Corporate Secretary

* Joined Telefilm Canada on May 25, 1999

LETTER TO THE MINISTER

Montréal, June 28, 1999

The Honourable Sheila Copps

Minister of Canadian Heritage

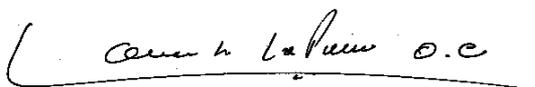
Ottawa, Canada

Dear Madam:

In accordance with the provisions of Section 23 of the *Canadian Film Development Corporation Act*, 1967, I have the honour to present to you, on behalf of the Board of Directors, the 31st Annual Report of the Canadian Film Development Corporation (now called Telefilm Canada) as well as the financial statements for the year ended March 31, 1999.

Yours very truly,

The Chairman,

A handwritten signature in black ink, reading "Laurier L. LaPierre O.C.", with a horizontal line underneath.

Laurier L. LaPierre, O.C.

MANAGEMENT

François Macerola
Executive Director

OPERATIONS

Peter Katadotis
Director, Canadian Operations

Montréal Office

Joëlle Levie
Director, Operations
Quebec

Pierre Even
Director, Business Unit –
Feature Film

Normand Thauvette
Director, Business Unit –
Television and Multimedia

Toronto Office

Bill House
Director, Operations
Ontario

John Fulton
Director, Business Unit –
Feature Film and Multimedia

Karen Franklin
Director, Business Unit –
Television

Vancouver Office

Elizabeth Friesen
Director, Operations
Western Region

John Dippong
Director, Business Unit –
Feature Film

Lauren Davis
Director, Business Unit –
Television

Halifax Office

Ralph Holt
Director, Operations
Atlantic Region

FINANCE AND ADMINISTRATION

Danny Chalifour
Director, Finance and Administration

Lisa Scardocchio
Controller

Carolle Brabant
Director, Systems, Technology
and Contract Management

INTERNATIONAL RELATIONS

Deborah Drisdell
Director, International Relations

Jean Lefebvre
Director, Festivals Bureau

Sheila de La Varenne
Deputy Director – European Office

COMMUNICATIONS AND PUBLIC AFFAIRS

Suzan Ayscough
Director, Communications
and Public Affairs

HUMAN RESOURCES

Stella Riggi
Director, Human Resources

POLICY, PLANNING AND RESEARCH

Guy DeRepentigny
Director, Policy, Planning
and Research

GENERAL COUNSEL AND BOARD

John Pelletier
General Counsel and
Corporate Secretary

On March 21, 1999, Canada's celebrated director Norman Jewison received the greatest honour Hollywood has to offer when his work was recognized with the Irving G. Thalberg Award. This Oscar for lifetime achievement puts Mr. Jewison in a select group of cinematic luminaries, and deservedly so, for there are few other filmmakers who can paint such evocative pictures of the human experience. Indeed, the ability to put faces to the human condition is what makes directors such as Norman Jewison, Denys Arcand, Atom Egoyan, Anne Wheeler, David Cronenberg, Thom Fitzgerald, François Girard, Léa Pool, Sturla Gunnarsson and Patricia Rozema part of the great Canadian storytelling tradition. A tradition in which audiences willingly surrender to the pleasures of the screen.

Vision. Passion. Conviction. These are just some of the words used to describe Canada's audiovisual industry. For Canadians, our film, television and new media products are amongst the world's most important. They make us laugh, they make us cry, they move us, they speak to us, they entertain us. And they make us grow, because they challenge us and open doors onto ourselves and others.

Cinema and television have several meanings. No longer simply entertainment, they reflect the imagination of a people and attempt to capture glimpses of humanity, using pictures, sounds and stories. That is why we must treasure our artists, encourage them, promote them and create new opportunities of expression for them, with the same sense of vision, passion and conviction.

Canadian culture is expressed in many different ways. Canada's remarkable cultural diversity—our Aboriginal peoples; our founding peoples, both English- and French-speaking; and more than 100 ethnic groups from which we trace our roots—is one example of Canada's rich heritage. But despite this diversity, the capacity to create our own images and stories has been, and continues to be, a challenge for Canada.

Yes, creating distinctively Canadian features and television for a small market like Canada has been a daunting task. But with strong support from the federal government, including Telefilm Canada, a truly Canadian industry now exists and thrives. Creating more and better Canadian stories for all Canadians: that's what it's all about. Audience research has consistently shown that Canadians will watch high-quality Canadian programming when it is made available to them.

1998-99: A Vintage Year

Our television industry has created highly successful series such as *Due South*, *Omertà*, *Emily of New Moon*, *Traders*, *Wind at My Back*, *Réseaux*, *Dooley Gardens*, *Boîte à chansons d'aujourd'hui*, *The Adventures of Shirley Holmes* and *Incredible Story Studio*, which Canadians are watching more than ever before. What is more, the increase in the number of productions



Laurier L. LaPierre, O.C.

was particularly significant in the category of children's programs, which continue to be exceptionally popular around the world. Documentaries including *L'Erreur boréale*, *Moi, j'me fais mon cinéma*, *Life and Times of Liona Boyd: Romancing the Guitar*, *Gabrielle Roy*, *Tickling the Dragon's Tail* and *Riopelle sans titre 1999*, collage offer a unique perspective on issues of interest not only to Canadians but to peoples around the world. We are also blessed with many superbly talented Aboriginal artists who have brought us deeply personal works in all genres and in many languages, such as *Northern Tales*, *Amarok's Song Series*, *The Everywhere Spirit* and *Big Treasure Chest for Future Kids*.

Canada is well represented on the feature film front. Some of the year's highlights include *The Red Violin*, *Emporte-moi*, *Dirty*, *Such a Long Journey*, *Un 32 août sur Terre* and *eXistenZ*, which have garnered domestic and international recognition and numerous awards. We are delighted with the tremendous box office results of *Les Boys II* and *C't'à ton tour*, *Laura Cadieux*. And there's more: *Le Dernier Souffle*, *The Falling*, *Cube*, *Souvenirs intimes*, *Quand je serai parti... vous vivrez encore* and *The Five Senses*, to name but a few. These features would not have been made without the combined talent of Canadian filmmakers, who have stories worth telling, and public assistance from Telefilm Canada, which is the primary agency investing in the development, production and distribution of Canadian feature films.

We are also working hard to achieve the same results with new media. The government is assisting the development of a strong multimedia industry with the \$30-million Multimedia Fund administered by Telefilm Canada. This seed has already borne fruit in such innovative CD-ROMs as *Mia: The Search for Grandma's Remedy*, *Terre des Inuit*, *Cabot: The Discovery of a New World*, *Glenn Gould: The New Listener* and the *Génération W* web site.

But let me be clear: making room for our own voices and spaces is not about denying our creators

freedom of expression or our consumers freedom of choice. Instead, the existence of a vigorous Canadian cultural industry requires instruments that provide Canadians with access to a wide variety of Canadian feature films, television programs and new media products—the truest reflection of our cultural values and collective memory.

Canadian Television Fund: The Big Picture Behind the Small Screen

I am also proud to sit on the Board of the Canadian Television Fund, of which Telefilm administers the Equity Investment Program. The Fund continues to evolve, while keeping Canadians in touch with their own distinctive culture. Congratulations to CTF Chairperson Richard Stursberg, Garry Toth, Executive Director of the Licence Fee Program, François Macerola, Executive Director of Telefilm Canada, and Peter Katadotis, Telefilm's Director of Canadian Operations, for their commitment to streamlining procedures and making the two Programs of the Fund truly complementary. With this clear objective in mind, much has been accomplished, including the implementation of the CTF's distinctly Canadian guidelines. Now that the Fund has re-established itself as a cornerstone funding program, we can work towards its long-term renewal in 2001.

MIPCOM Pays Tribute to Our Industry

A large talent pool as well as efficient and extensive infrastructures are part and parcel of a thriving industry. On October 6, 1998, Cannes' MIPCOM offered dramatic proof of the Canadian industry's international reputation. The Reed Midem Organization, the body responsible for MIPCOM, MILIA and MIP-TV (among others), dedicated a special day to Canada, which resulted in unprecedented international press coverage. During a luncheon organized by the City of Cannes and Reed Midem in honour of the Canadian delegation, the CEO of Reed Midem, Xavier Roy, hailed "the remarkable dynamism" of the Canadian industry, describing Canada as "an inexhaustible source of talent" and "a world leader in the realm of co-production."

Board of Directors: A Full Complement

I am very pleased to say that all seats on the Board of Directors have been filled since August 1998. Three new members were appointed this year: Bluma Appel, a business entrepreneur with years of commitment in the arts; Elvira Sánchez de Malicki, who brings over 25 years of experience in broadcasting, law, the arts and community work; and Ronald S. Bremner, who began his broadcasting career in 1972 and is currently President and CEO of the Calgary Flames Hockey Club. All three are already making a significant contribution to the Corporation.

Team Telefilm Canada

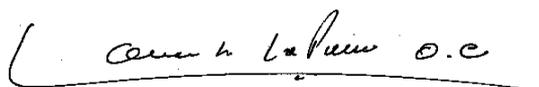
On a personal note, this is my first message as the Chairman of Telefilm Canada. Looking to the next couple of years, I am extremely enthusiastic and optimistic for the future of Telefilm. With the Multimedia Fund, the new feature film policies to be adopted and the refocusing of our television support, I strongly believe that the Corporation will become an increasingly important cultural institution. Why? Because we need more Canadian products, and greater Canadian access to them. Telefilm's role will be to contribute to the creation and distribution of stories and images that truly belong to us. As well, Telefilm Canada will support the industry by highlighting its accomplishments and needs.

Spotlight on Cultural Diversity

As we enter the third millennium, international dialogue and co-operation have become an urgent priority in order to safeguard both cultural sovereignty and diversity in the face of globalization. In June 1998, the Honourable Sheila Copps, Minister of Canadian Heritage, convened an international meeting on cultural policy in Ottawa. Out of this initiative came the International Network on Cultural Policy, formed by 26 nations to look at how content creators can tell their countries' stories.

With all the stories being told on Canadian screens in English, French and Aboriginal languages, Canada is certainly championing cultural diversity. The year of *La Francophonie* will be a golden opportunity to spotlight Canadian audiovisual production in French. Telefilm Canada plans to further French-language production outside the main centre of Montréal by various means. These include contributing to the development of business relations between broadcasters and French-speaking producers outside Quebec, and promoting co-production between francophones all across Canada. At the same time, to encourage the distribution and export of French-language productions, Telefilm will establish closer links with the French-speaking community throughout the world.

In closing, I would like to salute François Macerola, senior management and all the employees of the Corporation who have continued to demonstrate their professionalism and positive outlook. I realize that there have been major changes in the organization and that the team has met many challenges, but Telefilm has shown that it can re-examine itself and move in new directions when called for. I thank them for their support and their dedication to the Corporation.



Laurier L. LaPierre, O.C.



Bluma Appel
(Toronto)

“During my career, I have been a member on approximately 40 boards and I can say without a doubt that there is none better than Telefilm Canada’s.

I have been interested in developing a thriving Canadian film industry since the 1970s, and quite appropriately, I feel like a proud mother each time I see one of the productions that we have supported. However, the Canadian industry must expand outward and bring new people in—we must nurture the first seedlings to become a real force in the market. Finally, I would like to salute the Chairman of our Board, Mr. Laurier L. LaPierre, whose vast experience in Canadian broadcasting I find to be a vital asset to our Corporation.”



Jeanine C. Beaubien
(Montréal)

“I have spent my entire career in the cultural industries. As an administrator or working in theatre, I have always been committed to supporting high-quality works that open up

new vistas. And I find this in Telefilm Canada. We must encourage the production of original projects that will reach wide audiences. French- and English-speaking viewers must have access to works in both official languages and from all regions of the country. I am also particularly interested in young audiences. We must continue to offer them films, television programs and multimedia products that stimulate their creativity, make learning fun and help them grow.”



Ronald S. Bremner
(Calgary)

“In my capacity as a member of the Board of Telefilm Canada, my goal is to assist, to the best of my ability, in developing and promoting a world-class Canadian television, film and

multimedia industry. I believe it is essential that this enterprise be founded on high-quality productions reflecting the cultural and regional differences of Canada. Additionally, it is imperative to me that our entire approach to creating this exciting entity be carried out within the framework of sound business principles and fair practices in an atmosphere of competitiveness and fiscal responsibility.”



Laétitia Cyr
(Moncton)

“I am an Acadian, and I have spent much of my career in the broadcasting business. I am delighted to be able to bring my experience to the Board of Telefilm Canada, where my particular

concern is with the needs of French-speaking Canadians outside of Quebec. I hope to contribute to the improved distribution and marketing of feature films so as to make them more accessible to moviegoers in these areas. Naturally, I have a special interest in the growth of Atlantic production, and promoting Atlantic talents is high on my list of priorities.”



Elvira Sánchez de Malicki
(Etobicoke)

“Serving on the Telefilm Canada Board is a stimulating challenge and a privilege. I am very pleased to be working with a dynamic and enlightened group whose members are open-minded,

enthusiastic about their duties and sincerely concerned with the well-being of the industry. My long tradition of working with and my passion for our multicultural Canada has enabled me to bring that perspective to the table, and I have encountered tremendous support both at the Board and management levels in finding ways to achieve a more equitable representation of Canada’s demographic reality on our screens. Among the other matters I am currently addressing is the development of third-language production, and I am gratified that a task force has been set up to study this issue.”



Sandra Macdonald
(Montréal)

“As Government Film Commissioner, I serve on the Board of Telefilm Canada *ex officio*, in the same way that the Executive Director of Telefilm

Canada serves on the Board of the National Film Board. This reciprocity helps ensure that the Government of Canada’s support for production, whether via public or private producers, takes into account the diverse realities of the Canadian production and distribution environment.”

For Telefilm Canada, and the Canadian audiovisual industry, fiscal 1998-99 was a pivotal year.

We streamlined our television guidelines, reviewed our feature film policies and laid the groundwork necessary for the development of a robust multimedia industry. And in keeping with our mandate, we have been equally mindful of regional perspectives and the international pursuits of Canadian companies.

Guided by the Corporation's 1997-2000 Business Plan, *Towards the New Millennium*, all members of the Telefilm team focused on the same goals, which can be summed up as follows: to make Telefilm an increasingly effective instrument for development and ensure that the Canadian industry enters the 21st century with confidence and optimism. Indeed, the year's results are extremely encouraging, as evidenced in this, our final annual report of the century.

Partnership with the Industry: Productive Consultations

In recent years, we have consolidated our partnership with the industry, notably by being more attentive to professionals in all regions. We have decentralized our operations to enable each office to offer a range of appropriate services to its clientele, and we have defined regional business plans, which are currently being implemented. The regional consultative committees organized in conjunction with the industry are very useful in this regard and will be reconvened in the new fiscal year.

Repositioning the Canadian Television Fund: Mission Accomplished

An exceptional upsurge in funding applications in April 1998 led to serious difficulties for the Canadian Television Fund. Consequently, the administrators, including Telefilm Canada, further united their energies to perfect the Fund's operational methods. With the support of Richard Stursberg, the new CTF Chair, we set to work with a single goal: to re-establish the Fund's good name. This involved revising the project eligibility criteria and harmonizing the rules of the Fund's two complementary programs: the Equity Investment Program administered by Telefilm and the CTF's Licence Fee Program. The result has been administrative rapprochement, and we can now say "Mission accomplished!" There are still some rough edges to smooth, of course, and a few considerations to be refined, but we are not far from a true success story. All of which bodes well for the renewal of the Fund in the year 2001.

Telefilm Canada's relationship with the CTF has changed our practices in a number of ways. We have lost some flexibility but gained in transparency and efficiency. The change has placed great demands on Telefilm staff, as the number of files to process has grown considerably and services must be delivered at a rapid rate. Moreover, we have learned to work with two boards of directors: Telefilm's and the CTF's. While operating as part of a new entity focused solely on financing cultural products, we have been steadfast in fulfilling our mandate as a cultural investor with regional goals, industrial development objectives,

recoupment initiatives and an international vision. Telefilm Canada's good faith, its will to work in partnership and its professionalism have been acknowledged.

Support for SMBs: Concrete Initiatives

At the 1999 Banff Television Festival, we announced several initiatives aimed at increasing support for small and mid-size businesses working in television and feature film in all regions of the country. Funds for development, international marketing and the Production Revenue Sharing Program are now reserved exclusively for SMBs, and the cost of space rental in Telefilm booths at certain markets has been reduced. Other measures will be instituted in the near future.

Cinema: Ambitions That Demand New Initiatives

Feature films have become a priority issue thanks to the determination of the Minister of Canadian Heritage, the Honourable Sheila Copps, to emphasize the importance of this unique means of cultural expression. The growth of Canadian cinema has long been high on Telefilm Canada's list of priorities. In January 1996, I voiced my concerns with respect to feature films in an open letter to the Montréal daily *La Presse*, describing the situation as a tough fight, with unevenly matched forces, and affirming the need for adequate, stable funding for Canadian films. Today, I continue to believe, as I wrote then, that "the first condition for our cinema to assert itself remains the steady, continuous production of strong, original works that look like us, are deeply rooted in our reality and transcend the anecdotal to attain the universal."

During the year, we took part in the meetings of the Feature Film Advisory Committee, and we share the Committee's desire to see the government act swiftly and effectively in favour of the film industry. We further revised our production and distribution policies to better focus our programs on project quality and encourage more dynamic marketing.

We worked in close collaboration with the industry's professional associations and with producers, distributors, directors, writers and technicians, all of whom demonstrated contagious enthusiasm and the will to succeed.

We will soon be issuing Telefilm Canada's official position paper on feature films entitled "Investing in Culture: Towards a Policy on Canadian Feature Film". Our hope is that this document will serve to rally the energies of the entire film community.

Multimedia: Critical Support for the Growth of a Promising Industry

The creation of the Multimedia Fund at the 1998 Banff Television Festival was excellent news for the new media industry. This fund took over from a pilot program administered by Telefilm. In short order, we defined the Fund's guidelines, established a minimal administrative structure



and formed an advisory committee to assist us in developing and updating our policies. The Fund has allowed us to finance the production, development and marketing of a record number of projects, confirming that it responds to a vital need.

Now, after more than a year of operation, it is time to consolidate the Fund. Among other things, we must review the financial instruments that we have favoured so far. Reimbursable loans encourage applicants to submit strong projects and diversify their financial partners. But our clients, small and mid-size companies in particular, are urging us to take more risks, as we did for television and cinema, arguing that the multimedia industry is first and foremost a cultural one. The Minister of Canadian Heritage has agreed to a review of the Fund's financial instruments, to be completed in the coming months. The Multimedia Advisory Committee is playing an active role in this process.

Administration: Distinctly Improved Services to the Industry

Telefilm's administration has undergone significant change. Several sectors of activity, production and distribution among others, have been consolidated. We have reinforced our international and communications activities to provide the industry with the best possible development and promotion tools. Accordingly, international festivals have been incorporated into the International Relations Department and Canadian festivals into Canadian Operations. All of Telefilm's sectors and offices work in close interaction, and this synergy results in our unique expertise and increased efficiency.

We have introduced a risk management system that enables us to process more files more quickly. And an activity-based costing system will allow us to further rationalize our operations, the ongoing objective being to maintain administrative expenses below 9% of our commitments.

Performance measures serve as a complement to our 1997-2000 Business Plan and the five-year plan that will be issued shortly. We have adopted 23 measures that will allow us to gauge the extent to which we achieve the Corporation's goals, and make enlightened decisions. In light of the cost of implementing these measures and the considerable workload already borne by the staff, we have opted for gradual implementation over four fiscal years, beginning in 1998-99.

François Macerola

Training: A Challenge for the Next Decade

“Training is one of our major challenges. We must enable Canada's up-and-coming talent and established professionals to acquire the skills they need to successfully position themselves in a rapidly evolving global environment. As a result, Telefilm enthusiastically partners with the foremost Canadian training schools and supports numerous professional development forums and workshops. In addition, a pilot program with the Media and Visual Art Department of the Banff Centre for the Arts provides us with the opportunity to invest in leading-edge, high-risk multimedia development while benefiting from a vast international network of related contacts and resources.”

We are seeking to increase our revenues in order to provide the industry with more resources in what we feel are priority sectors. We will also be reviewing certain financial instruments such as the Loan Guarantee Program, and we will be rethinking our dubbing and subtitling assistance programs. We will continue our commitment to find new ways to bring additional funding into the system.

It is impossible to address the future without mention of the Year 2000 computer issue. Telefilm has taken exemplary action in this regard, and its Y2K Contingency Plan, which deals with the need to issue cheques, sign contractual agreements and ensure operational budget tracking, has been repeatedly hailed as a model by the government authorities concerned. Once again, our team has demonstrated its professionalism and its determination to serve the industry well.

Teamwork

In closing, I would like to thank all members of the Telefilm team for their extraordinary work in a year that has been incredibly demanding with respect to both programs and administration. My special thanks go to Peter Katadotis and his team for their role in the successful revamping of the Canadian Television Fund. In all of our questioning and initiatives, we have benefited from the generous and enlightened support of Telefilm's Chairman, Laurier L. LaPierre, O.C., and the Board of Directors as a whole. We are very grateful to them.

To the film, television and multimedia industry, I offer my sincere congratulations for the progress achieved and the many success stories of 1998-99.

François Macerola



**Peter Katadotis, Director,
Canadian Operations**

“ This fiscal year has been one of the most demanding and most productive we have ever known.

Our teams in Montréal, Toronto, Vancouver and Halifax implemented regional business plans based on the Corporation’s goals and the specific needs of their respective clients. They were active in establishing the policies of the new Multimedia Fund and streamlining the guidelines of the Canadian Television Fund, both of which are invaluable instruments for growing the industry. Our regional teams also contributed to the national debate on the priority issue of feature films and to defining new policies with respect to small- and mid-size companies. In production, development, distribution, dubbing and marketing, we signed contracts with the industry for more than \$155 million. And working with our Canadian and foreign financing partners, we enabled the industry to offer audiences a wider range of high-quality Canadian theatrical, television and multimedia products. ”



**Danny Chalifour,
Director, Finance
and Administration**

“ Telefilm Canada has developed a culture of transparency. From our business plan to the budgeting process and performance measures, we are

aiming for increased accountability to the government, the industry and the Canadian public. In light of ongoing financial restrictions, rationalizing expenditures remains high on our agenda. We also face other administrative and financial challenges: increasing revenues in order to invest more in the industry; revising certain financial instruments to improve response to corporate needs, especially those of small and mid-size businesses; maintaining administrative expenses below 9%; and the continued modernization of our management system. ”



**Deborah Drisdell,
Director, International Relations**

“ More and more, Canadian companies are working from an international perspective and taking advantage of our expertise in this area. Through our department, which now includes

the International Festivals Bureau, the Corporation promotes greater visibility for Canadian products and fosters international alliances, providing particular support for small- and mid-size companies. Co-production is increasingly proving to be an excellent source of financial leverage, resulting in exceptional products with worldwide appeal. This year, due in part to changes to the CTF’s application deadlines, we certified an unprecedented number of co-productions with combined budgets representing record production activity in excess of \$850 million, compared to \$250 million three years ago. Consistent with our mandate to encourage the international development of SMBs, our main challenges now are to strengthen the industry’s strategic positioning in Europe; facilitate entry into new markets, especially those in Asian and Spanish-speaking countries; and provide targeted support for the multimedia sector. ”



**Suzan Ayscough,
Director, Communications
and Public Affairs**

“The future of the film, television and multimedia industry depends on the recognition of its cultural and economic weight.

Telefilm has fully embraced the Internet as a third communications option after electronic and print media. However, we haven't lost sight of print and have actually produced additional publications in response to client need and increased production volume. The new co-production guide is very popular as are the new multimedia and documentary catalogues. We have organized an increased number of events—many as joint efforts with the private sector—to showcase Canadian talent. And while we have transferred the administration of foreign festivals to the newly consolidated International Relations Department, and the *Canadian Showcase* program to Canadian Operations, we will continue to work in concert with these departments to ensure the highest visibility for Canadian productions both at home and abroad. Finally, we continue evolving with regard to our corporate objective of decentralization by working more with the other Telefilm offices to develop regional communications plans designed for the needs of clients in those areas.”



**Stella Riggi,
Director, Human Resources**

“I joined Telefilm at the end of May 1999, after pending 11 years with national consulting firm. To foster the growth of the Canadian industry in this age of the global marketplace, Telefilm

will place increased emphasis on know-how and performance. By working closely with all the Corporation's offices, I intend to devote my energies to creating an environment that is conducive to the employees' personal and professional development. The policies to be implemented by Human Resources will encourage training, versatility and team spirit. We will support employees in every office in their efforts to continually improve the quality of their client relations. Our department will thus play a part in achieving the Corporation's goals as defined in the five-year business plan.”



**Guy DeRepentigny,
Director, Policy, Planning
and Research**

“Telefilm maintains an ongoing industry consultation process. This is true as much with respect to our funds and programs

as to the Corporation's business plan. We sit on the CTF's board of directors and participate in policy decisions and planning. We played an active role in the Feature Film Policy Review instituted by the Minister of Canadian Heritage, the Honourable Sheila Copps, and we have representatives on the Multimedia Fund Advisory Committee. These initiatives guarantee true partnership. Moreover, Telefilm takes part in all industry-related forums, be it CRTC hearings, the Standing Committee on Culture and Communications, or other national and international venues. This gives us a clear perspective on market evolution and enables us to develop effective tools for change.”



**John Pelletier, General Counsel
and Corporate Secretary**

“Telefilm Canada has over the course of the last fiscal year updated and reamlined its corporate governance practices. For instance, Telefilm Board Members will in the future monitor the results

of a number of performance indicators. The Board Members have also adopted a new corporate Bylaw 1 which modernizes the Corporation's Board procedures and practices. Continual improvements to this process will be studied over the coming years. The General Counsel's office, in addition to its roles as legal advisor, Secretary to the Board and arbiter of internal conflict of interest situations, has taken on the duties of overseeing *Access to Information Act* requests. Elsewhere, growing use of the Internet, by both the Corporation's clients and staff, has and will make it necessary for Telefilm to adopt up-to-date guidelines and practices to manage its use of this instantaneous means of communication. These will probably include both an internal and more general code of Internet conduct for Telefilm Canada employees.”



**Ralph Holt,
Director, Operations,
Atlantic Region**

“The continued growth of the Atlantic Film Festival and the creation of the Atlantic Digital Media Festival illustrate the potential of our regional industry.

Despite increasingly fierce competition for funding sources, producers from the four provinces succeeded in putting together a wide range of projects with assistance from the CTF's Equity Investment Program and an impressive array of broadcasters. *Emily of New Moon* and *The Divine Ryans*; *Foodessence* and *Passeport musique*; *Misery Harbour*, a co-production; *The True Meaning of Crumbfest*, our first children's series emanating from Prince Edward Island; and the CD-ROM *A Trip to Time with Inspector McTree* all bear witness to Atlantic know-how. *Beefcake*, from the maker of *The Hanging Garden*, was shown at the Sundance Festival, and we are delighted by the continued growth of French-language production in Acadia, which includes the feature film *Full Blast*. Ancillary product sales from *Theodore Tugboat* represent a considerable source of revenue for the Corporation, which was the series' principal investor during its five years of production. Our office worked with the Okalakatiget Society of Nain, in Labrador, to develop *Hebron Relocation*, the Atlantic region's first Aboriginal project. New financing agencies were created in New Brunswick and Newfoundland, and we are now working with representatives of all four provinces to stimulate industry growth and provide enhanced services. For next year, we will be giving priority to the following: a review of multimedia assistance, currently underused here; continued support for new talent; assistance for project development; facilitation of product marketing; improved communications with the industry; and the development of Canadian and international partnerships. //



**Joëlle Levie,
Director, Operations, Quebec**

“Once again, the Quebec industry has demonstrated its professionalism and maturity. The number of applications submitted to Telefilm, as well as the box-office and television successes, are signs

of a thriving and creative industry. For the Canadian Television Fund, television drama remains a priority, capturing large, loyal audiences with series such as *Omertà*, *Réseaux* and *Juliette Pomerleau* and made-for-TV movies including *Caserne 24*, *Diva* and *Km/h*. Documentary production has been vigorous, turning out social portraits, such as *Riopelle sans titre 1999*, *collage* and *Des marelles et des petites filles*, and dealing with international current affairs, as in *Visionnaires* and *Le Temps des barbares*. Series such as *Macaroni tout garni*, *Cornemuse*, *Bibi et Zoé* and *Lapoisie et Jobard* delight young audiences and speak to the talent of their creators. Quebec cinema is starting to find its place on the big screen. Features like *Les Boys II* and *C't'à ton tour*, *Laura Cadieux* confirmed that box office success is not just for our foreign competitors. The multimedia industry is taking full advantage of the Multimedia Fund and coming up with such products as *Mia: The Search for Grandma's Remedy*, *Zach and the Sacred City* and *Insectia – The Game*. Some of our major challenges for next year include establishing closer ties with the industry; developing new financial and strategic alliances; ensuring that our policies clearly reflect Canadian and foreign market realities; providing support for up-and-coming talents; meeting the industry's training needs; and improving the domestic and international marketing of Quebec products. //



Bill House,
Director, Operations, Ontario

“The Ontario industry continues to innovate and impress with a wide variety of television, film and multimedia projects. The drama series *Power Play* debuted well on CTV and has

been picked up stateside for network broadcast on UPN. *Traders* retained devoted viewership on Global and again snagged numerous Gemini awards. Sunny Yi's controversial documentary *Thai Girls* aired on CBC's prestigious *Witness* strand, and the aviation series *Flightpath* drew audiences on Discovery and sold well in the U.S. and Germany. Two new children's series went to air on YTV, *Panda Bear Daycare* and *Ruffus the Dog*. On the feature front, the Toronto office financed seven films, among them Jeremy Podeswa's *The Five Senses*, applauded at the Directors' Fortnight in Cannes. Other achievements include the release of Don McKellar's *Last Night*; David Cronenberg's *eXistenZ*, winner of a Silver Bear at the Berlin Festival; and François Girard's *The Red Violin*, which is enjoying international acclaim and impressive box-office results. We also welcomed new clients seeking support for multimedia projects that have generated considerable excitement. In all areas, we concentrated our investment and development dollars on top-quality projects, some of which are in French and Aboriginal languages, and from companies of all sizes. Industrial support focused on initiatives to improve producing skills and market intelligence such as Hot Docs' *Master Class*. The merger of Alliance and Atlantis was noteworthy as an indicator of industry consolidation and success. Our 1999-2000 priorities are to develop viable, high-quality productions with audience appeal, facilitate international market opportunities, respond to the needs of Ontario's new media players, and develop ways to support the growth and stability of SMBs. //



Elizabeth Friesen,
Director, Operations,
Western Region

“Production companies in the West continue to expand and diversify in order to meet the challenges inherent in succeeding in an international

marketplace for film, television and new media. For television, we supported widely diverse projects including *Cold Squad* and *Da Vinci's Inquest*, which averaged 812,000 viewers; *Incredible Story Studio II*, sold to Disney Channel; and multiple-prize winners *Champions of the Wild* and *A Place Called Chiapas*. Eleven directors made their first films thanks to the *Kick Start* and *Drama Prize* programs; six features were made, including Scott Smith's *Rollercoaster*, and Anne Wheeler's *Better Than Chocolate* was screened in the Panorama section at Berlin, winning the Ecumenical Jury's Special Prize. Western producers also undertook 22 multimedia projects. *Glenn Gould: The New Listener* won the International Emma Award for Art and Culture, and *Einstein's Dreams* was proclaimed a Hot Site by *USA Today*. Our new relationship with the Banff Multimedia Centre will stimulate multimedia production and co-production. In Aboriginal production, the West continues to lead the way with works such as *Stories From the Seventh Fire*. Two new companies accessed the Feature Film Distribution Fund, and we encouraged co-production by assisting companies from all four provinces to participate in international festivals and markets. We are proud of the results of the *Asia-Pacific Initiative* program, which opens the door to new alliances and opportunities for the entire Canadian industry. Our office supports a dozen festivals and events, as well as professional development forums for all types of production. In the coming year, we will be putting our energy into growing the industry, especially the SMBs. //

Telefilm's parliamentary appropriation has decreased significantly over the past decade as a result of federal government measures undertaken to restore the country's fiscal health and reduce the national deficit. Over the last few years, however, a series of contribution agreements signed with the Department of Canadian Heritage has gradually enabled the Corporation to augment its industry assistance. Fiscal 1998-99, which marks the last year of anticipated cuts at Telefilm, witnessed record-high funding activities.

Returns on Telefilm's investments continued to decline, down from \$35 million in 1997-98 to \$28.7 million. This reflects the lower investment level of the early and mid-90s and the gradual closure of the Commercial Production Fund, which generated exceptionally high returns.

Due to the nature of the industry that it supports and to government financing requirements, Telefilm operates with two distinct financial systems. One is based on disbursements (cash payments from the Corporation's fiscal-year budget). The other is based on Telefilm commitments (resulting from contracts signed between the Corporation and audiovisual sector companies). Depending on production schedules, disbursements related to Telefilm commitments may be spread over more than one fiscal year.

1998-99 Disbursements: \$179.4 Million

Telefilm's budget for 1998-99 was \$199.3 million, and comprised the following:

- a parliamentary appropriation of \$78.5 million, down \$2.6 million from the previous year;
- a \$64.3 million contribution from the Department of Canadian Heritage: \$57.2 million for the Equity Investment Program of the Canadian Television Fund; \$5.8 million for the Multimedia Fund; and \$1.3 million earmarked for four training schools;
- \$48.6 million in returns on investments, including \$28.7 million from this fiscal year and the balance in previous-year returns;
- \$7.9 million from repayment of loans.

Disbursements amounted to \$179.4 million, of which \$146.1 million was related to current-year commitments and \$33.3 million to commitments carried over from previous years.

The unused portion of the 1998-99 budget, \$19.9 million, has been carried over to the 1999-2000 budget. This amount consists of funds from the Corporation's former Interim Financing Fund that have been reserved for new initiatives for small- and mid-size companies, a portion of revenues recorded at the end of the fiscal year, and uncommitted sums from various programs.

Commitments: \$172.4 Million

In 1998-99, Telefilm's commitments resulting from contracts signed during the fiscal year (including related administrative expenses) amounted to \$172.4 million, up 4.3% from the previous year. This increase is chiefly attributable to the creation of the Multimedia Fund, which enabled Telefilm to inject an additional \$5.8 million into the multimedia industry.

Of these commitments, \$134 million was allocated to the production and development of Canadian television programs, feature films and multimedia products, while \$22.6 million went to distribution, versioning, national and international marketing, and industry promotion activities. The related administrative expenses totalled \$15.8 million.

Administrative Expenses

Administrative expenses represented 9.1% of commitments, compared to 8.7% in 1997-98. This slight increase is due to the development of new evaluation tools such as performance measures, the activity-based costing program and the revamping of the Canadian Television Fund. The exceedingly tight deadlines for receiving and analyzing CTF applications for 1999-2000 required the hiring of temporary personnel from January to March 1999. Telefilm also took the necessary steps to ensure that its information and technology systems are fully Y2K compliant.

For the same reasons, disbursement-related administrative expenses rose in 1998-99, amounting to 8.8% of the year's total disbursements, compared to 7.8% in 1997-98.

In preparing its budget for 1999-2000, Telefilm set itself a goal to maintain administrative expenses at less than 9% of its commitments.

N.B.

The Fund and Program tables appearing in this annual report refer to Telefilm's fiscal-year commitments, resulting from contracts signed by the Corporation.

The figures have been rounded off for easier reading; the totals, however, reflect complete figures.

COMMITMENTS

	COMMITMENTS FOR NEW PROJECTS	AMENDMENTS TO COMMITMENTS FROM PREVIOUS YEARS*	TOTAL
	In millions of dollars	In millions of dollars	In millions of dollars
CTF – Equity Investment Program			
Production	100.9	0.4	101.2
Development	3.4	0.3	3.7
Total	104.3	0.6	104.9
Feature Film Fund			
Production	18.8	0.2	19.0
Development	1.3	0.4	1.7
Total	20.1	0.6	20.7
Production Revenue Sharing Program	2.2	-0.6	1.6
Commercial Production Fund	0.0	-0.1	-0.1
Multimedia Fund	6.3	0.1	6.4
Official Co-productions (mini-treaties)	1.5	0.1	1.6
Versioning Assistance Fund	2.2	0.0	2.2
Feature Film Distribution Fund	11.5	0.0	11.4
Other Financing Assistance			
Regular Fund – Production and development	0.4	0.0	0.4
National marketing	0.9	-0.1	0.8
International marketing	0.7	0.0	0.7
Participation in markets	0.7	0.0	0.7
Participation in foreign festivals	0.5	0.0	0.5
Grants to Canadian festivals	1.4	0.5	1.9
Industrial and professional development	0.7	0.4	1.1
Professional development – Training schools	0.8	0.3	1.2
Other forms of assistance	0.6	0.0	0.6
Total	6.7	1.2	7.9
Administrative Expenses	–	–	15.8
Total	154.7	1.9	172.4

* Includes increases and decreases in commitments from previous years.

Note: Results of additions do not always correspond to totals due to rounding.

AMENDMENT TO THE CO-PRODUCTION
AGREEMENT WITH GERMANY,
SEPTEMBER 18, 1998,
IN HALIFAX

*Josette Couture, Deputy
Director, International
Cooperation, Canadian
Heritage, Dr. Max Dehmel,
Ministerialrat, Bundesamt für
Wirtschaft, Deborah Drisdell,
Telefilm's Director,
International Relations,
Wolfram Tichy, producer,
TiMe Medienvertriebs
(Munich) and
François Macerola,
Executive Director
of Telefilm*



SPECIAL CANADA DAY
AT MIPCOM, IN CANNES
OCTOBER 6, 1998

*Xavier Roy, President of the
REED MIDEM Organisation,
the Honourable
Catherine Trautmann,
France's Minister of Culture
and Communications,
Laurier L. LaPierre, O.C.,
Chairman of the Board
of Telefilm*

*François Macerola speaking
at the Canada : A Partner of
International Calibre confer-
ence, which was part of a
series of seminars held at
the Palais des Festivals*



*The Honourable Jacques Roy,
Canadian Ambassador to
France, François Macerola,
Executive Director of Telefilm,
Laurier L. LaPierre, O.C.,
Chairman of the Board of
Telefilm and Madame Roy*



THE RED VIOLIN SCREENING AT THE
CANADIAN MUSEUM OF CIVILIZATION, IN HULL
DECEMBER 8, 1998

*Elvira Sánchez de Malicki,
Member of the Board
of Telefilm, the Honourable
Sheila Copps, Minister of
Canadian Heritage,
Deborah Drisdell, Telefilm's
Director, International
Relations and Niv Fichman,
producer of the film*



*Monique Mercure, actress,
Jeanine C. Beaubien,
Member of the Board of
Telefilm, Laétitia Cyr,
Vice-Chairperson of the
Board of Telefilm and
Dorothée Berryman, actress*

*Laurier L. LaPierre, O.C.,
Chairman of the Board of
Telefilm, the Honourable
Marcel Massé, P.C., M.P.,
President of the Treasury Board
and Minister responsible for
Infrastructure, Madame Aline
Chrétien and François Girard,
director of the film*



LAUNCH OF THE FIRST EDITION OF THE CO-PRODUCTION GUIDE AT THE 1999 MIP-TV TELEFILM'S STAND, IN CANNES

Micheline Raymond, Vice-President, Acquisitions, Development and Distribution, Communications Claude Héroux International, François Macerola, Joanne Forgues, Vice-President, Productions Prisma inc., Guy Crevier, President and CEO, Motion International, Louise Baillargeon, President and Executive Director of the Association des producteurs de films et de télévision du Québec



W. Patterson Ferns, President and CEO of the Banff Television Festival and François Macerola



Telefilm's Dorothea Bourret, Receptionist and Lise Corriveau, Officer, International Market

TELEFILM CANADA'S STAND AT THE 1999 ELECTRONIC ENTERTAINMENT EXPO (E3) IN LOS ANGELES



Telefilm's 2500 square foot umbrella stand which hosts 18 Canadian companies

ANNUAL ACADEMY OF CANADIAN CINEMA AND TELEVISION GOLF TOURNAMENT LED BY HONORARY CHAIRMAN FRANÇOIS MACEROLA, JUNE 3, 1999



Laëtitia Cyr, Vice-Chairperson of the Board of Telefilm, Francis Fox, President, Quebec and Eastern Canada, Rogers Cantel Inc., François Macerola



André Provencher, President, TVA International



Andréanne Bournival, President, Quebec Division, Academy of Canadian Cinema and Television, André Larin, President and General Manager, Entertainment and Documentary, Motion International

Highlights



December 1917

d. Scott Simpson

Chronicle Pictures

Uniting tragedy, history, and romance, this drama tells the story of a young nurse as she confronts the horror of the Halifax Explosion in 1917. Nominated for a Gemini Award, December 1917 premiered on the Global Television Network.

Anne of Green Gables: The Continuing Story

d. Stefan Scaini

Sullivan Entertainment

The latest installment in one of Canadian television's most popular series is scheduled to air in January 2000. It has already been sold to some 13 countries and territories, including Australia, Cyprus, Finland, Lithuania, New Zealand, Poland, Denmark, Taiwan, the U.K., the Middle East, Slovenia, Hungary and Israel.

HIGHLIGHTS

POLICIES - TELEVISION AND FILM

Canadian Television Fund: Revamped for Industry, Broadcaster and Audience Benefit

Created in 1996 by the Department of Canadian Heritage and the Canadian cable industry, the Canadian Television Fund comprises two complementary programs: the Equity Investment Program (EIP) administered by Telefilm Canada and the Licence Fee Program (LFP) administered by the CTF. In April 1998, after two years of collaboration, both programs faced serious administrative difficulties due to a sharp upsurge in the number of production applications. The Board of Directors intervened swiftly with financial measures to ensure the completion of priority projects. The summer and fall months were largely devoted to streamlining the Fund's guidelines for 1999-2000 and harmonizing the two programs.

criteria and their relative weight. In essence, the criteria are those traditionally used by Telefilm, and they reflect the Corporation's Business Plan priorities: development of small- and mid-size businesses, official-language minority production, regional production, recoupment potential and target audiences. The EIP has not lost sight of the importance of international co-productions and will continue to invest in this area at a level commensurate with prior-year commitments.

For 1999-2000, EIP contribution caps have been revised to enable the Fund to finance the greatest possible number of projects while meeting broadcaster priorities.

In response to industry concerns about the timing of EIP decisions for broadcasters needing answers to prepare their fall schedules, a single February 15 deadline was set for 1999-2000 television applications. By the end of April, EIP financing offers were conveyed to the industry, the applications were then assessed by the LFP, and the CTF's decisions were announced in May. The process went smoothly, and the results will appear in the annual reports of Telefilm Canada and the Canadian Television Fund, in the fall of 2000.

Feature Film Policy Review

The industry speaks out!

“ Canadian filmmakers have many more stories to tell, and they have the skills and the experience to create feature films that the world will want to watch. Significant changes are necessary if our creative talent is to weave new tales and mesmerize cinema and television audiences at home and around the world—as it has for decades. ”

Report of the Feature Film Advisory Committee

The Road to Success:

Report of the Feature Film Advisory Committee

Submitted in March 1999 to the Minister of Canadian Heritage, the Honourable Sheila Copps, by whom it was commissioned as part of the Feature Film Policy Review, the Report of the Feature Film Advisory



The 1999-2000 guidelines were announced to the industry in December 1998, and information workshops were held in 10 cities in January 1999. The CTF introduced common guidelines and a single application form for both programs, signalling a fully harmonized Fund.

On the whole, the new CTF guidelines favour distinctly Canadian, culturally significant programming. For the first time, they are based on four essential requirements related to Canadian content: story, team, copyright ownership, and shooting and setting locations. These requirements reflect Telefilm's traditional focus.

The two programs share common goals: to prioritize support of prime-time drama; to leverage their dollars against higher licence fees and other sources of private financing, and to ensure that the timing of their joint financing decisions is in line with the industry's production cycles.

For the EIP, the focus is on more transparent partnership with the industry. The EIP has adopted a single evaluation grid for all types of production, which clearly indicates the Fund's project evaluation



Diva II/Cover Girl II

d. Bruno Carrière,

Jean-Claude Lord

Les Productions Sovimage

More than one and a quarter million viewers tuned in each week to follow the intriguing, outrageous and always fascinating characters featured in this series about the world of high fashion. Thirteen episodes have been sold to CBC Television, while the complete series has been sold to TV5.



Committee signals its ambitions with a powerful title: *The Road to Success*. The 13 members of the Committee all work in feature film production, distribution or exhibition; represent all regions of the country; and also possess considerable international expertise.

Their report draws upon a hundred or so briefs and proposals, as well as regional consultations. It cites the cultural importance of Canadian cinema and its many national and international success stories, and the economic role of the audiovisual production sector—some 30,000 direct jobs and an annual injection of \$2.8 billion into the Canadian economy. The report also points out the less than ideal conditions in which the Canadian film industry operates, and the need for increased production and promotion resources. It sets the following objectives for the year 2004:

- an increase in Canadian films' share of screen time from 2% to 10%;
- an increase in the number of Canadian feature films produced each year;
- an increase in Canadian films' share of box-office revenues;
- an increase in the quality of the Canadian films produced;
- an increase in the average budget of Canadian films;
- an increase in support by the public sector for Canadian feature films;
- an increase in investment by the private sector in Canadian feature films;
- and an increase in the strength and quality of Canadian distribution and marketing efforts.

The Committee recommends the creation of a new feature film financing fund and suggests an active role for Telefilm Canada, with its network of domestic and international offices and experience in feature film funding. The Committee further recommends the revamping of the production services tax credit; enhanced partnerships with national cultural institutions, such as the

CBC/Radio-Canada and the National Film Board of Canada; increased involvement from public and private broadcasters; the strengthening of the Canadian distribution sector; and the creation of new instruments to encourage private investment, including a venture capital fund for small- and mid-size businesses.

Telefilm Canada Supports the Feature Film Advisory Committee

The Corporation calls for new funding and proposes a business financing initiative and an industry marketing bureau

A news release issued by Telefilm in May 1999 cited the proposals made by the Corporation in respect of the Feature Film Policy Review. "Telefilm Canada fully endorses the report's conclusions with respect to the need for increased resources and improvements to the production, distribution and promotion of feature films so as to increase their screen time and audience numbers, particularly in our domestic market," said François Macerola, Executive Director of the Corporation.

"We have obtained phenomenal results in the television sector, which enjoys massive investments and regulatory measures that encourage Canadian ownership and content. Telefilm Canada and the Canadian Television Fund currently invest some \$35 million in the production of feature films each year, and Telefilm provides approximately \$15 million in additional support for their distribution, marketing and national and international promotion. That adds up to far less resources for features than for television. Support for these two sectors must be better balanced, particularly since movies, contrary to television, are subject to the laws of a fiercely competitive market. We must secure the means to realize our ambitions.

An Appeal to the Minister of Canadian Heritage for New Funds for Feature Films

"Telefilm is reiterating its support for the industry's request for an additional \$50 million to enable

Touched

d. Mort Ransen
Ranfilm Productions Inc.
The latest film from the director of the award-winning Margaret's Museum, Touched stars Lynn Redgrave as a middle-aged woman whose insular life is suddenly rattled by the arrival of a sexy young stranger.

Full Circle: The Untold Story of the Dionne Quintuplets

d. Maya Gallus
Insight Production Company Ltd.
Born during the Great Depression, the world's most famous quints became a phenomenal money-making industry. As this program recounts, however, their adult lives were marked by poverty and ill health. Full Circle was awarded a Gold Plaque for Best Documentary at Canpro 1999.



Jenny and the Queen of Light

d. E. Jane Thompson
Queen of Light Productions
Inc./Breakthrough
Entertainment Inc./
Metaphor Enterprises
This heartwarming tale about the celebration of Hanukkah premiered on the Global Television Network in December 1998. To date, the program has been sold to the Fox Family network in the United States and Discovery International in Spain, and distributed to the United Kingdom and Europe through international distributor Minotaur.

Canadian cinema to attain the critical mass needed for real growth, and we are appealing to the Honourable Minister to respond to this recommendation as quickly as possible. Ms. Copps has clearly indicated a desire for change, and has shown great vision and courage by creating the Canadian Television Fund and the Multimedia Fund. For these reasons, I am confident that she will have good news to announce in the fall.

Telefilm Canada Proposes New Solutions

"We want to partner with the Canadian financial and audiovisual sectors to establish a business corporation. This initiative will provide Canadian audiovisual production and distribution companies with financial and other services and products tailored to their specific needs.

"Regarding feature film distribution and promotion, we believe that setting up a marketing office would best highlight Canada's industry and its products on both domestic and international markets. The extensive experience of the theatrical exhibitors, whom we tend to ignore, should also be put to greater use. And we need to re-examine the role of Canada's public and private broadcasters in the production, distribution and marketing of Canadian movies. That role must be expanded, as we pointed out at the Canadian Radio-television and Telecommunications Commission (CRTC) hearings on the future of Canadian television."

Creating a Canadian Model

The real challenge, according to François Macerola, is to create an original Canadian model. "We certainly need new resources," he said, "but we also need the imagination to create a Canadian model, one that is effective and reflects our priorities. Creating our own model means preserving the special character that makes Canadian cinema unique, and helping it

The Divine Ryans

d. Stephen Reynolds
Imagex Ltd.
Set in St. John's, Newfoundland in 1966, this Canadian-German co-production tells the story of nine-year-old Draper Ryan, a hockey-loving boy struggling to free himself from the stubborn grasp of his eccentric family. The Divine Ryans will be released in the fall of 1999.



to develop and mature. This also implies a wide range of films that lends a voice to both eminent filmmakers and bold new talent, and which has many sources of inspiration. Everything leads me to believe that this can be achieved, because we have already done it successfully for television and because originality is a hallmark of Canada's industry. Canadian film enjoys an excellent reputation, but the best is yet to come."

PRODUCTION AND DEVELOPMENT:**Record Numbers****Support for 588 new projects****Total budgets of \$550 million**

In 1998-99, Telefilm Canada allocated \$134 million—a record amount—to the development and production of 588 new feature film, television and multimedia projects. Investments in television and film were up, reflecting vigorous industry activity. In addition, the creation of the Multimedia Fund enabled the Corporation to increase its contribution to products with high levels of Canadian content.

This contribution breaks down as follows:

- Equity Investment Program (EIP) of the Canadian Television Fund: \$104.9 million;
- Feature Film Fund: \$20.7 million;
- Multimedia Fund: \$4.9 million (this fund also includes amounts for marketing);
- Production Revenue Sharing Program: \$1.6 million;
- Co-production mini-treaties with France: \$1.6 million;
- Regular Fund: \$378,000.

The Corporation supported 588 projects: 276 in production and 312 in development. This compares with 506 projects the previous year.

These projects represent production activity totalling more than half a billion dollars, which translates into some 17,000 direct and indirect jobs nationwide.

Telefilm participated in those projects having the highest Canadian content and cultural significance, the greatest likelihood of broad audience reach, and the best potential for returning the Corporation's investment.

Linguistic Breakdown

The Corporation provided equitable support for production in both official languages: 65.1% to projects in English and 34.2% to projects in French. In keeping with the mandate of the Equity Investment Program, a \$1-million envelope was devoted to Aboriginal-language production. The projects supported this year speak in 16 different Aboriginal languages and include a first international co-production: *Les Filles de Shimun* made with France.

Regional Breakdown

Creative talents from all regions help to express Canadian culture in film, television and multimedia productions. Telefilm allocated 72% of its resources to projects from Montréal and Toronto, while 28% went to projects from Western and Atlantic Canada and Quebec and Ontario cities other than Montréal and Toronto. The Western region reaped 19% of overall Telefilm participation and the Atlantic region, 8.3%.

Over the past three years, the portion of Telefilm resources devoted to regional production has risen steadily: in 1996-97 it was 26% and in 1997-98, 27%.



Development

The development and scriptwriting of high-quality projects are Telefilm priorities. During fiscal 1998-99, development assistance rose to \$8.4 million, up from \$7 million the year before. This increase is in part attributable to the new Multimedia Fund.

It should be noted that, because of the Corporation's diminished revenues, the Commercial



Mentors

Anaid Productions Inc./
Minds Eye Pictures
The pilot episode of this series, which brings history to life for young viewers, has won several awards, including a 1998 AMPIA Award for Best Dramatic Production, Best Director and Best Editor, and a Silver Award from the 1998 WorldFest-Houston International Film Festival.

Production Fund was shut down this year and the resources of the Production Revenue Sharing Program (PRSP) reduced. The list of companies having received PRSP support is available on Telefilm's web site.

Reaching viewers and users

Canadian films, television programs and multimedia products must reach the largest possible audiences at home and abroad.

National and International Marketing

Through the Canadian Production Marketing Assistance Fund, the Corporation contributed \$1.5 million to domestic and international marketing projects. Close to \$800,000 went to national marketing for market tests, advertising and promotion related to feature film releases, and various other initiatives. International marketing was supported with \$700,000 to promote Canadian features abroad: promotional campaigns, advertising in trade publications and marketing activities at venues such as MIPCOM, NATPE and MIP-TV.

It should be pointed out that the Multimedia Fund includes a marketing component and that the Feature Film Distribution Fund provides assistance for feature film marketing within Canada.

Dubbing

Dubbing ensures wider circulation of films and television programs in both official languages. It gives Canadian audiences greater access to Canadian works in the language of their choice. This year, 34 films and television programs were dubbed into one or other official language, for a total of \$2.2 million; 72% was allocated for dubbing into French and 28% for dubbing into English. Of the total amount, 94% was devoted to productions for television, with 6% going to productions for movie theatres.

The True Meaning of Crumbfest

d. Ed Lee and Laura Shephard
Cellar Door
Productions/Catalyst
Entertainment
This heartwarming children's special about the mystery of Crumbfest, a magical event that coincides with Christmas, has been sold to 14 countries and territories to date, including the U.S., the U.K., Latin America and the Middle East. As a result of its success, the special is being turned into a series of 13 half-hour episodes.

TELEFILM CANADA:

A LONGSTANDING COMMITMENT TO CANADIAN CINEMA

Founded in 1967 as the Canadian Film Development Corporation, Telefilm has been the principal partner of Canada's film industry for more than 30 years. In 1986, the creation of the Feature Film Fund provided new impetus for Canadian cinema. And in 1996, the launch of the Canadian Television Fund, with its \$15-million envelope for feature films, enabled Telefilm to increase its support for Canadian filmmaking talent.

In this way, Telefilm has contributed to the creation of 750 features, many of which—such as works by Claude Jutra, David Cronenberg, Jean Pierre Lefebvre, Bill Fruet, Don Shebib, Claude Fournier, Gilles Carle, Phillip Borsos, Mireille Dansereau, Don Owen, André Forcier, Denys Arcand, Anne Wheeler, Francis Mankiewicz, Micheline Lanctôt, Allan King, Michel Brault, Atom Egoyan, Jean-Claude Lauzon, Patricia Rozema, Léa Pool, Bill McGillivray, Lynne Stopkewich, Guy Maddin, Bruce McDonald, Don McKellar, Mina Shum, Robert Lepage, Thom Fitzgerald, Denis Villeneuve and Manon Briand—are shining examples of Canadian cinema. Each year, the Corporation provides assistance for works by first-time feature directors, thus fostering the next generation of distinguished filmmakers. Proportionate to the country's population, Canadian cinema is among the best represented in international festivals and markets.

Over the years, Telefilm has developed unique expertise in film financing, markets and international relations, which is reflected in high-quality, original, diversified productions with ample Canadian content that appeal to audiences at home and abroad.

Feature Films 1998-99: Telefilm Allocates \$34.2 Million for 45 Features

Feature films enjoy a place of honour at Telefilm. In fiscal 1998-99, the Corporation provided support for the production of 45 features with combined budgets of \$177.3 million. Telefilm's financial contribution—\$34.2 million—was allocated chiefly through the Canadian Television Fund and the Feature Film Fund, with additional amounts coming from the Regular Fund, the Corporation's Production Revenue Sharing Program and mini-treaties with France. Altogether, the Corporation devoted 64% of these resources to productions in English and 36% to productions in French.

Eight of these films are co-productions involving one or more of the following countries: France, Switzerland, the United Kingdom, Hungary, Germany, Poland and Norway. Five are majority Canadian co-productions.

Telefilm support went to widely diverse projects. Comedies, intimate stories, historical, futuristic and fantasy films, morality tales, social dramas, road movies and experimental works: Canadian features are rooted in fertile ground. They deal with people of all ages and all social conditions and introduce Canadian characters of all origins. Their inspiration comes from the worldview and imagination of Canadian creators, yet their interest and style are universal. They appeal to audiences around the world with words, images, characters and stories that are truly Canadian.

The Corporation also contributed to films with widely varying budgets. The following is a breakdown by production cost, including the foreign share of co-productions in which Canada was a minority partner:

- \$25 million and up: 3 projects – *eXistenZ*, *Taste of Sunshine* and *La Veuve de Saint-Pierre*;
- \$10 – 25 million: 1 project – *15 Moments*;
- \$5 – 10 million: 2 projects – *Ladies Room*, *Misery Harbour*;
- \$2 – 5 million: 17 projects;
- \$1 – 2 million: 3 projects;
- \$1 million or less: 18 projects.

The six projects with budgets exceeding \$5 million are all co-productions. Four projects had budgets of less than \$100,000; these films were financed through Telefilm's Regular Fund, which serves to encourage experimental works and first features, generally produced outside the major centres.

Excluding the foreign share of co-productions in which Canada was a minority partner, the average budget of the feature films assisted by Telefilm this year was \$2.9 million.

Telefilm Canada is also an important partner for Canadian producers in the area of scriptwriting and project development for feature films. Telefilm assisted 85 such projects this year, covering 39% of their combined budgets. Among them are tomorrow's hits, both in theatrical release and on television!

Further information appears in the sections devoted to the CTF's Equity Investment Program and Telefilm Canada's Feature Film Fund.

COMMUNICATIONS AND PUBLIC AFFAIRS

In 1998-99, Telefilm's Communications and Public Affairs department helped to enhance the visibility of Canada's film, television and multimedia industry at home and abroad. To promote Canadian talent, it orchestrated information and promotional activities, produced a variety of publications, organized events and expanded the Corporation's web site.



The department was active in revamping the Canadian Television Fund, working in collaboration with the CTF Board of Directors, Telefilm's board, senior management and regional offices; and the CTF's Toronto-based Licence Fee Program team. This required frequent communication with the industry and the media to ensure that the Fund's orientations for 1999-2000 and the operational changes to the two programs were effectively conveyed. Telefilm was guided by two objectives in this process: to make its operations more transparent and to establish a more effective partnership with the LFP so as to augment industry, broadcaster and audience benefit from CTF resources.

Communications and Public Affairs also provided support for the Corporation's national and international promotional strategies for feature films. The screenings organized by Telefilm for members of the Canadian Parliament and foreign dignitaries, for instance, have proved to be an excellent tool for raising awareness of Canadian cinema, fostering contact between government decision-makers and the industry's business and creative players. Indeed, in light of the success of these screenings, which included *The Red Violin* by François Girard, the industry has begun organizing its own Ottawa screenings, with Telefilm assistance. The Corporation applauds this initiative, and will ensure that these events serve the cause of Canadian cinema and reflect a linguistic and regional balance.

Markets and festivals are excellent showcases for Canadian production. The department promotes the industry in these venues by spotlighting the participating companies and productions. Media briefings, advertising, welcome messages, in-depth articles and interviews with Telefilm management all serve to enhance the positioning of Canadian production in such competitive environments. As part of consolidating the Corporation's interventions abroad, the administration of the International Festivals Bureau has been transferred to the International Relations Department; however, Communications and Public Affairs will continue to handle all international communications activities.

Telefilm facilitates the implementation of regional communications strategies that produce more dynamic relationships with the industry in every area of the country. Two consultants, one in Vancouver and the other in Halifax, help to decentralize Telefilm's communications services. A third consultant in Toronto will complete this initiative in the coming year.

Telefilm will be putting special emphasis on the remarkably active multimedia industry in fiscal 1999-2000. The growth of this industry should be abundantly promoted both nationally and internationally.

A list of publications produced by or with the assistance of the Communications and Public Affairs Department appears at the end of the Highlights section.

An Indispensable Address: www.telefilm.gc.ca

Telefilm's web site opens the door to the Canadian film, television and multimedia industry. The number of visitors rose by 33% this year, and the number of users is also on the rise; more than half of both are from other countries.

The Corporation's site covers the organization, festivals, international affairs, financing, Canadian productions, the industry and the latest news from Telefilm. It provides access to the Canadian Television Fund site, with direct links to CTF guidelines and news



Jericho: Walls of Silence

d. Glynis Whiting
Aria Productions Inc./
Whiting Communications Ltd.
For more than a decade, authorities at Jericho High School for the Deaf had evidence that abuse was occurring in their midst, but did nothing to stop it. This documentary looks at one student who spoke out against his ordeal and uncovered a system's dark secrets. The program premiered on CBC Television in March 1999.

Milgaard

d. Stephen Williams
Barna-Alper
Productions/Marble Island
Pictures/Bar Harbour Films
Milgaard tells the dramatic true story of a man who spent 23 years in jail for a murder he did not commit. The program has been sold to Belgium, Bolivia, German-speaking Europe, the Netherlands, Italy, Spain, Paraguay, Latin America, the Caribbean and the Middle East.

releases. Also on-site is an up-to-date list of calls for festival entries and another identifying Canadian films shown in international festivals. The Industry Directory provides links to the sites of some 100 major players in the Canadian audiovisual sector. Most of the documents listed in the Publications section of this annual report are available on the Telefilm site.

Coming soon: more links between the Telefilm site and Canadian and foreign sites of related interest; searchable catalogues (by director, producer, etc.); and a graphical user interface to allow for direct entry of data into site-based application forms. www.telefilm.gc.ca aims for user-friendly efficiency!



The Genius of Lenny Breau

d. John Martin
Buffalo Gal Pictures
Inc./Sleeping Giant
Productions Ltd.
This documentary about the legendary Canadian guitarist won the Silver Screen Award at the 1999 U.S. International Film and Video Festival in Elmhurst, Illinois, and was also nominated for a Rockie Award at the 20th Banff Television Festival. The program premiered on BRAVO! in April 1999, garnering above-average ratings for its time slot.

Canadian Festivals: Springboards for Canadian Productions

Telefilm Canada supported 29 Canadian festivals in 1998-99 through the *Canada Showcase* program. This program assists major national events—the Montreal World Film Festival, the Toronto International Film Festival, the Vancouver International Film Festival and the Banff Television Festival—and 25 regional or specialized festivals, which showcase documentaries, shorts, arts programming, animation, production for children, Aboriginal production, new technologies, independent production, experimental works and more.

All of these festivals serve as springboards for Canadian production, and provide Canadians in all regions with enhanced access to Canadian and international productions.

The Corporation allocated \$1.9 million to these events. Five festivals were added to the program this year, four of which serve children. *Canada Showcase* now includes seven festivals dedicated to promoting Canadian and foreign films to youth audiences. All of these events are aimed at enlarging the cultural and social horizons of young people through the presentation of high-quality films. They take place

in Rimouski, Montréal, Saskatoon, Winnipeg, Toronto and Vancouver.

Three festivals offer programming in the official minority language of the province where they are held, allowing audiences to see films to which they otherwise would not have access. They are Freeze Frame, a bilingual festival held in Winnipeg; the Festival international du cinéma francophone en Acadie, held in Moncton and in Dieppe; and Cinémental, held in Winnipeg and St. Boniface.

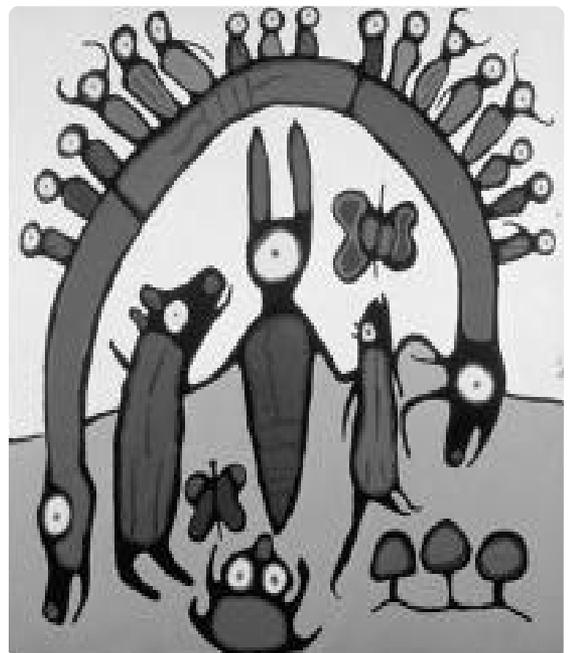
Canadian festivals are increasingly pivotal to the business plans of Telefilm's regional offices. Accordingly, the *Canada Showcase* program was transferred to the Canadian Operations department in May 1999. Communications and Public Affairs will continue to work with that department to ensure the highest visibility for Canadian productions.

Telefilm Canada Awards at Canadian Festivals

Telefilm awarded 17 prizes totalling \$169,000 in 10 Canadian film, television and video festivals. In addition, a \$5,000 grant was awarded to a participant in the *Course Destination Monde* competition, in its final season on Radio-Canada.

In recognition of the 50th anniversary of the Universal Declaration of Human Rights, Telefilm created two special awards at the 1998 Banff Television Festival. The award for the best Canadian television production in English or French dealing with human rights issues went to *Sleep Room/Pavillon de l'oubli* by Anne Wheeler; the award for the best Aboriginal television production in English, French or an Aboriginal language dealing with human rights issues went to *Native Veterans: A Warrior Story* by Joe Beardy.

Seven of the 17 Telefilm Canada Awards recognize new Canadian talent in shorts and medium- and feature-length creations. Those presented at the Vancouver and Halifax festivals honour production excellence from Western and Atlantic Canada.



Stories From the Seventh Fire

d. Greg Coyes,
Tantoo Cardinal
Storytellers Productions Inc.
Writer-director-producer Greg Coyes was honoured for his work on this children's program at the 1999 Banff Television Festival. He received the Telefilm Canada/Television Northern Canada Award for Best Canadian English-language/French-language Television program produced by an Aboriginal person.



The Corporation further encourages Aboriginal production with two prizes awarded annually at Banff.

Established in 1996, the Telefilm Canada Awards traditionally have been contributions to the development or production of future works eligible for funding from the Corporation. Telefilm will assess this formula in 1999-2000 to ensure that the awards are of maximum benefit to the industry.

INTERNATIONAL RELATIONS

As a Crown Corporation, Telefilm is mandated to promote Canadian culture abroad and assist in developing solid international partnerships. This mandate was a priority in 1998-99.

Through its International Relations department, the Corporation offers the industry up-to-date expertise and a wide range of services relating to co-productions and international markets and festivals. Its Paris office contributes to strengthening ties with the European community. The department also supports industry initiatives aimed at developing new markets, notably in Asia and Spanish-speaking countries. With the co-operation of Telefilm's Canadian offices, it has made the Corporation's international development instruments accessible to companies in all regions.

To broaden the impact and perspective of its activities, the International Relations department is now responsible for international festivals, formerly part of the Communications department.

The results of industry consultation on the Paris office were positive. The industry considers it important to have a base in Europe, where most of its foreign partners are located. Further to industry recommendations, the Corporation will continue to participate in major European debates at such venues as the Strasbourg Forum and the audiovisual policy conference in Brussels.

The Paris office took part in a number of European events this year, including the Festival d'Annecy, where

Telefilm and TV France International celebrated 10 fruitful years of France-Canada animation ventures, and the Rendez-vous international des scénaristes, attended by several Canadian scriptwriters.

An immersion workshop was organized in London for 25 Canadian documentary professionals, and a similar event is scheduled to take place in Paris in November.

International Co-productions: Instruments for Developing Quality Five New Co-production Agreements

Five new co-production agreements were signed in 1998-99—with Cuba, Finland, Norway, the Philippines and Singapore—and the agreements with Spain and Germany were expanded to include television and multimedia.

To date, 46 agreements have been signed with 54 countries. Co-production is a means to achieve quality, as seen in such recent works as *The Red Violin*, *Emporte-moi*, *eXistenZ*, *Insectia* and *The Worst Witch*. Through a variety of initiatives, such as the Mixed Commissions held with Germany and Spain this year, Telefilm ensures that agreements are updated as needed to reflect industry evolution. Half of the agreements now apply to multimedia, in addition to television and film. The minimum financial participation for minority partners is tending downwards, from 30% to 20%, so as to increase financing flexibility.

Telefilm is recognized for the pertinence of its international policies in a global market environment. The Corporation works in conjunction with its foreign partners to develop new policies to foster international alliances, and increasingly is focusing on multilateral agreements such as the European Media II and Eurimages. Telefilm also favours the signing of a multi-cultural co-operation agreement between Canada and the European Community, and is studying the possibility of joining the Ibero-America program, which includes Portugal and 11 Latin American countries.

eXistenZ

d. David Cronenberg
Alliance Atlantis
Communications Inc.
Acclaimed director David Cronenberg's latest feature, a futuristic cyber-thriller starring Jennifer Jason Leigh, premiered at the 1999 Berlin Film Festival, where it won the Silver Bear Award. To date, the film has earned more than \$1.5 million at the Canadian box office.

The Worst Witch

d. Andrew Morgan,
Stefan Pleszczynski
Galafilm
A Canadian-U.K. co-production, this action-packed comedy series for young viewers is based on the best-selling books by Jill Murphy. To date, the series has been sold to nine countries, including the United States, where it will be broadcast by HBO. This show ranked number one among all children's programs in the U.K.





Flightpath III

Screenlife Inc.

This series on aviation has consistently drawn ratings in the 80,000 to 120,000 range among viewers aged 18-49, significant for specialty channels. Series one and two have been sold to the United States, the United Kingdom, Germany, France and the Middle East, while series three recently completed its initial run on the Discovery Channel.

Certification of 131 Co-production Projects with Combined Budgets in Excess of \$850 million

This year, the Co-productions division certified 131 co-production projects representing total production costs of more than \$850 million. This exceptional figure is in part attributable to the CTF deadlines for fiscal 1999-2000: under the new guidelines, all applications for advance rulings had to be submitted before the end of January 1999. Consequently, a portion of this year's results concerns 1999-2000 projects.

France and the United Kingdom are Canada's leading co-production partners. In fact, 90% of Canadian co-productions are made with European countries. This year's projects involved, among others, Germany, Japan, Luxembourg, South Africa, Norway, Ukraine, the Czech Republic, Switzerland and Iceland. Of note is the marked increase in children's program and documentary co-productions.

Telefilm Allocates \$9.5 Million to Co-productions in Development and Production

Each year, in addition to its certification responsibilities, Telefilm invests in a number of projects of particular cultural interest. In 1998-99, the Corporation committed \$9.1 million to the production of 20 co-production projects with budgets totalling \$167.4 million. An additional \$400,000 went to co-production development projects, including eight with France through the mini-treaties and one with the United Kingdom under the *English-Language Cinema Plan*.

International Markets: Record Canadian Participation

Telefilm Canada now takes part in nine markets, compared to five in previous years:

- three television markets: MIP-TV and MIPCOM in Cannes and NATPE in Los Angeles;
- three film markets: the Berlin International Film Festival, the Cannes International Film Festival

and the Independent Feature Film Market in New York;

- three multimedia markets: MILIA in Cannes, E3 in Los Angeles and MIM in Montréal.

Canada is a leading player at these markets.

The industry presence at Telefilm's 'umbrella' stand continues to grow, rising from 44 to 56 to 72 companies over the past three years. Most are small- and mid-size businesses, representing all regions of the country. Telefilm provides them with a vast network of contacts and unique expertise in international relations. Markets are crucial to selling products, purchasing distribution and broadcast rights, setting up and closing co-production deals and prospecting financial partners. They provide a broader view of international trends and a means of establishing effective development strategies.

Telefilm returned to the Market in Berlin this year, as the Berlin Festival has proven pivotal to positioning Canadian feature films in Europe and developing European partnerships in this area. And for the first time, recognizing their importance to the development of Canadian talent, the Corporation took part in three multimedia markets to ensure that Canadian products benefited from exposure equal to their quality.

Telefilm wears many hats at these markets: hosting, promoting, providing logistical services, organizing events and meetings and participating in conferences or talks with foreign government delegations and co-producer associations.

1,171 Entries in 104 International Festivals and Events

Integrated into the International Relations department in October 1998, the International Festivals bureau continues to act as an agent for Canadian products in foreign festivals. Each of the department's professionals is specialized in a specific type of production: low-budget films, specialty films, documentaries, animation, etc. Currently, the staff is developing expertise in multimedia and Aboriginal-language production.



The Five Senses

d. Jeremy Podeswa

Five Senses Productions Inc.

Told through a series of interwoven stories, each relating to one of the five senses, Jeremy Podeswa's second feature was presented in the Directors' Fortnight section of the 1999 Cannes film festival.

In 1998-99, the bureau handled 1,171 entries in 104 international festivals and events—a significant jump from 972 the previous year. Canadian productions garnered some 30 coveted international awards.

The bureau facilitated selection by organizing screenings of 441 films, television programs and videos for festival representatives. For 15 films selected by festivals, it also provided assistance for subtitling in English, French, Spanish and German. In addition, it enabled 39 Canadian directors to promote their works at major festivals, and collaborated in organizing retrospectives of Canadian cinema in such places as Mexico, France, Latvia, Catalonia, the United States and Taiwan.

Asia-Pacific Initiative

Through the *Asia-Pacific Initiative* program, created in 1998 and managed by the Vancouver office, Telefilm contributes to the development of Asian market opportunities. An important step in this direction was taken in fiscal 1998-99 with the visit of a Canadian delegation to China, headed by François Macerola and composed of provincial representatives.

Since that time, relations with China have intensified. A joint public- and private-sector task force has been set up to ensure continuity in the areas of co-production, export and import. In November 1998, a delegation of Chinese studio heads visited Montréal, Toronto and Vancouver. The focal point of the mission was the signing of the first animation co-production deal, for *Rumble & Growl*, between the Shanghai Animation Studio and CINAR (Montréal). Other projects are now in the making, especially in the documentary sector. Another noteworthy first: China's private sector aired some 20 Canadian films on the pay-TV Movie Channel, which reaches in excess of 20 million households. Lastly, the 1999 Banff Television Festival and Telefilm Canada organized a Focus on China as part of the Festival's 20th anniversary events.

TELEFILM PUBLICATIONS:

Indispensable National and International Resources

Telefilm's Communications and Public Affairs department produces a number of information and promotional publications. These documents are available on the Corporation's web site (www.telefilm.gc.ca); in response to client request, some are produced in print version. Telefilm also provided support for private- and public-sector publications during the year.

Telefilm Information

CTF Activity Report

In addition to the Corporation's annual report, Telefilm Canada co-publishes the Canadian Television Fund's annual *Activity Report*. This report contains fiscal-year highlights and data analysis as well as the complete list of productions and development projects supported by the CTF. It is available at all Telefilm offices or from the CTF (1 877) 975 0766.



Incredible Story Studio III

Minds Eye Pictures/
Vérité Films

This show, which turns stories written by kids into 10-minute dramas, is the number one program in Canada in its time slot among children aged two to 11. The series has been sold to more than 50 countries and territories around the world, including the U.K., France, Germany, South Africa, Latin America, the U.S., Australia, New Zealand, Sweden, Spain, the Middle East and Africa.

1997-2000 Business Plan – Towards the New Millennium

Currently, all of Telefilm Canada's operations are guided by this business plan, which sets out the Corporation's mandate, goals and strategies. A five-year business plan is in preparation; highlights will be published in the fall of 1999.

Annual List of Telefilm Commitments

This document lists projects by fund, program and language. Information for each project includes producer, director and writer names, distribution company, city of origin and the amount of Telefilm's financial participation.

News Releases

Each year, Telefilm publishes some 60 news releases on subjects such as fiscal year highlights, the Telefilm Canada Awards, Canadian participation at festivals and markets, special events and the Corporation's quarterly commitments. Telefilm is also involved in the publication of CTF news releases.

Canadian Industry

Directory of the Canadian Film, Television, Video and Multimedia Industry

This directory lists audiovisual industry-related federal and provincial departments and organizations, cultural bodies, professional associations, production, distribution and export companies, laboratories and production services, broadcasters, funding agencies and Canadian festivals, with relevant contact names and information for each one.

Telefilm Supports Multimedia Canada 1999

This year the Corporation provided sponsorship for *Multimedia Canada*, the first Canadian multimedia industry resource guide, which includes 3,000 entries on multimedia production, distribution, equipment and service companies, training and research centres,

associations, and related professionals (legal, scriptwriting, specialized insurance). The guide is published by Canadashow.com, a subsidiary of *QuiFaitQuoi* magazine.

Telefilm and the OFDC Launch Canadian Production Finance: A Producer's Handbook

This handbook for small and mid-size companies deals with all aspects of production financing and offers practical examples. It facilitates contact with funding agencies, banks, lawyers, accountants and other resources. Written by Kathy Avrich-Johnson, it can be purchased from the Ontario Film Development Corporation.

International Relations

Zoom International

Zoom Europe, a European market information bulletin, has been renamed *Zoom International* and now includes a regular section on Asian markets. This bilingual publication is produced by the Paris office in co-operation with the Vancouver office, which heads Telefilm's *Asia-Pacific Initiative*.

European Industry Guides

The Paris office publishes and regularly updates guides to the French, German, Italian and Spanish industries.

Canada-Asia Directory

Published by the Vancouver office, the *Canada-Asia Directory* contains contact information for some 150 Canadian professionals who are familiar with an Asian language or culture or have work experience with an Asian partner.

Co-production Guide – Partnering with Canada

Telefilm launched its first co-production guide at the 1999 MIP-TV. It contains full information on co-production with Canada, including co-production guidelines, the list of co-producing countries and profiles of Canadian companies active in co-production. This publication was produced by Telefilm with the co-operation of the industry.

Catalogues of Telefilm-Supported Productions

Each year, Telefilm publishes catalogues of the productions that it supports. Reflecting the growing volume of production, four catalogues were produced in 1999: one for drama, variety shows and children's programming; one for documentaries; one for multi-media products; and one for feature films. They list more than 250 productions and provide contact information, synopses, photos, and director bios for features.

Television



Caserne 24

d. Jean Bourbonnais,
François Côté

Les Productions Sovimage

*This popular series explores
the day-to-day lives of the fire-*

*fighters at Station 24—men
and women who share every-*

*thing: the dangers of the job,
personal problems, as well as*

*good times. The show attracted
more than one million viewers*

each week.

EQUITY INVESTMENT PROGRAM

Projects contracted – Production, scriptwriting and development

	NUMBER OF PROJECTS*	TOTAL BUDGETS** In thousands of dollars	TELEFILM CANADA In thousands of dollars	LINGUISTIC BREAKDOWN %
French				
Production	74	151,495	33,522	
Amendments – production***	–	–	502	
Subtotal	74	151,495	34,024	
Scriptwriting and development	61	3,975	1,468	
Amendments – development***	–	–	179	
Subtotal	61	3,975	1,648	
Subtotal – French	135	155,470	35,672	34.0
English				
Production	118	279,544	66,404	
Amendments – production***	–	–	-127	
Subtotal	118	279,544	66,277	
Scriptwriting and development	114	5,036	1,872	
Amendments – development***	–	–	86	
Subtotal	114	5,036	1,958	
Subtotal – English	232	284,579	68,235	65.0
Aboriginal Languages				
Production	11	2,839	934	
Amendments – production***	–	–	–	
Subtotal	11	2,839	934	
Scriptwriting and development	5	140	65	
Amendments – development***	–	–	–	
Subtotal	5	140	65	
Subtotal – Aboriginal Languages	16	2,979	1,000	1.0
Total	383	443,028	104,907	100.0

* Includes eight projects that also received funding through the Feature Film Fund.

** Includes total co-production budgets.

*** The amendments include increases and decreases in commitments from previous years.

EQUITY INVESTMENT PROGRAM CANADIAN TELEVISION FUND

Canadian Television Fund: Nearly \$210 Million and 2,278 Program Hours for the Canadian Public

Canadian television and feature film producers worked wonders in 1998-99. Backed by nearly \$210 million from the Canadian Television Fund, they financed more than 430 new works representing 2,278 program hours. Seventy-two public, private, educational, specialty and pay television broadcasters across the country will air these productions, making them available to Canadian viewers in prime time throughout the year.



To go from an original idea to the national and international broadcast of a finished product often takes years of collective effort, with writers, directors, producers, crews, casts and broadcasters all working to meet the high standards of quality that characterize Canadian television. To produce such a large volume of programming requires substantial resources, first and foremost those of the Canadian Television Fund.

One Fund, Two Programs, Including the Equity Investment Program Administered by Telefilm Canada

Since 1996, the CTF has been fundamental to the growth of the Canadian industry. Created by the Canadian government and cable industry, this fund is composed of the Licence Fee Program (LFP), which provides licence fee top-ups, and the Equity Investment Program (EIP), which operates on the basis of investments, loans and advances for production and development projects. Telefilm Canada takes pride in its key role as a cultural investor and administrator of the EIP within the Canadian Television Fund.

The CTF's results for fiscal 1998-99 are striking: a record number of projects, ample Canadian content, highly diversified programming that satisfies an

increasingly demanding public, support for companies of all sizes and from all regions of the country, and success stories at home and abroad.

The EIP: An Ambitious Mandate

The EIP has a budget of \$107.5 million: \$50 million from the Corporation's former Canadian Broadcast Program Development Fund and \$57.5 million granted by the Department of Canadian Heritage.

In 1998-99, this budget included a \$15-million envelope earmarked for feature films, composed of licence fee top-ups and investments, and a \$1-million dollar envelope reserved for Aboriginal-language productions. The EIP also contributes to new development and scriptwriting projects, laying the groundwork for tomorrow's television programming.

The following expands on the principal results of fiscal 1998-99.

Record 383 Production and Development Projects

Telefilm Canada commitments through the Equity Investment Program in 1998-99 totalled close to \$105 million. They provided considerable leverage, enabling the development and production of a record number of projects: 383 compared to 321 the previous year.

The overall budgets of these projects, including EIP participation and other Canadian and foreign contributions, amounted to \$443 million.

Nearly 850 Hours of Production on Canadian Screens

The EIP serves the interests of the Canadian public through support for a wide variety of television programs and feature films. In 1997-98, 748 hours were produced for television; this year, Canadians will have access to nearly 850 new hours of production, an increase of 14%.

The increased production hours pertain to children's programs in English and French, and English-language drama and documentaries.

J.R. Smallwood: A Biography

d. Barbara Doran
Morag Productions Inc.
This documentary looks at the life of one of Canada's most colourful and controversial politicians, Joseph "Joey" Smallwood, the man who was instrumental in bringing Newfoundland into Canada in 1949. The program was broadcast nationally in March 1999 on CBC Television's Life & Times series.

Treasures of the Wild III

d. Andrew Manske and
Doug Steele
Karvonen Films Ltd.
The third installment of this series, which will be broadcast on Discovery Channel in the fall of 1999, takes viewers to five places in Alaska, Alberta and British Columbia renowned for their natural beauty and abundant wildlife. Series I and II have been sold to several countries, including the United Kingdom, the United States, Iran, Spain, Argentina and Costa Rica.



**Cornemuse**

d. Various
Téléfiction Productions inc.
A favourite among preschoolers, Cornemuse and its animal characters have been spun off into a variety of related products—videos, sleep wear, play clothes—testifying to the show's enormous popularity.

A number of projects enjoyed the participation of more than one broadcaster, increasing their on-air exposure and making them more accessible to Canadian audiences. As a result, the 850 production hours translate into 1,123 broadcast hours around the country, as illustrated in the Viewer Access table.

Canadian and International Production Financing

On average, the EIP is the principal investor in the productions that it supports. This year, EIP participation represented 25% of the television program and feature film budgets. As indicated in the Analysis of Financial Participation table, a number of projects also received assistance from the Licence Fee Program and other Telefilm funds and programs.

Overall, contributions from the two CTF programs and Telefilm accounted for 40% of production costs, the same proportion as last year.

However, Telefilm and the CTF encourage producers to diversify their financing sources and develop new alliances. This enhances the financial viability of Canadian companies, making them more attractive to financial institutions, while at the same time enabling Telefilm and the CTF to support a wider range of projects from one year to the next.

Broadcaster contributions rose to 19.3% of production costs, up from 17.8% the year before. For the most part, the increase benefited drama and feature films.

Contributions from distributors and the private sector (producers, producer-related, private assistance

ANALYSIS OF FINANCIAL PARTICIPATION

Production only – New projects contracted

CATEGORIES	NUMBER OF PROJECTS*	HOURS OF PRODUCTION	TOTAL BUDGETS In thousands of dollars	BUDGETS** In thousands of dollars	CTF – EQUITY INVESTMENT PROGRAM		FEATURE FILM FUND		TELEFILM CANADA OTHER FUNDS (PRSP AND MINI-TREATIES)	
					In thousands of dollars	%	In thousands of dollars	%	In thousands of dollars	%
French										
Drama	17	115.5	61,428	61,428	16,784	27.3	–	–	78	0.1
Variety	4	22.0	3,332	3,332	910	27.3	–	–	–	–
Children	12	226.0	50,278	32,786	6,136	18.7	–	–	300	0.9
Documentary	35	66.0	18,951	17,671	5,041	28.5	–	–	58	0.3
Feature Film	6	10.0	17,507	17,507	4,651	26.6	2,252	12.9	559	3.2
Subtotal	74	439.5	151,495	132,723	33,522	25.3	2,252	1.7	994	0.7
English										
Drama	26	162.3	179,769	179,769	41,660	23.2	–	–	672	0.4
Variety	–	–	–	0	–	–	–	–	–	–
Children	8	49.5	25,795	21,259	5,960	28.0	–	–	–	–
Documentary	71	162.6	34,849	34,849	9,388	26.9	–	–	137	0.4
Feature Film	13	23.1	39,131	39,131	9,396	24.0	5,574	14.2	–	–
Subtotal	118	397.5	279,544	275,008	66,404	24.1	5,574	2.0	809	0.3
Aboriginal Languages	11	12.5	2,839	2,839	935	32.9	0	0.0	0	0.0
Total	203	849.5	433,878	410,569	100,861	24.6	7,826	1.9	1,803	0.4

* Includes eight projects that also received funding through the Feature Film Fund.

** Does not include the foreign share (\$23,308,252) of co-production budgets in which Canada is a minority partner.

All percentages are based on these amounts.

funds, sponsors, private investors) held steady at 20% of overall budgets.

Provincial governments play an important role in the growth of Canadian production. This year, Newfoundland and Manitoba joined the list of provinces supporting local production: Quebec, Ontario, Nova Scotia, New Brunswick, Saskatchewan and British Columbia. Federal and provincial tax credits now represent 85% of government contributions, compared to 80% last year.

Lastly, Canadian producers continue to rely on foreign co-producers, broadcasters and distributors for production financing. Including the foreign share of minority Canadian co-productions, foreign participation in EIP projects amounted to \$37.4 million this year, an increase of 28% over 1997-98.

Linguistic Goals: Projects in French, English and Aboriginal Languages

The EIP allocated 34% of its resources to projects in French, 65% to projects in English and 1% to Aboriginal-language projects. These proportions are in keeping with the Program's objectives.

The EIP supports production in both official languages nationwide. This year, the Program con-

tributed more than \$13 million, close to 13% of its commitments, to the development or production of 32 English-language projects in Quebec and 11 French-language projects from New Brunswick, British Columbia, Ontario and Manitoba.

To promote the growth of Aboriginal production, the EIP made available a \$1-million envelope and



Amarok's Song Series
d. Martin Kreelak
Inuit Broadcasting Corporation
Told in Inuktitut, this series trace the 50-year history of a Caribou Inuit family and their transition from a nomadic lifestyle on the tundra to one of settled co-existence with the white world. The series also explores the creation of the new territory of Nunavut and its impact on Inuit traditions.

CTF – LICENCE FEE PROGRAM		BROADCASTERS		PRIVATE SECTOR		DISTRIBUTORS		OTHER GOVERNMENT SOURCES		FOREIGN PARTICIPANTS	
In thousands of dollars	%	In thousands of dollars	%	In thousands of dollars	%	In thousands of dollars	%	In thousands of dollars	%	In thousands of dollars	%
11,154	18.2	15,692	25.5	2,675	4.4	921	1.5	14,125	23.0	–	–
293	8.8	1,256	37.7	193	5.8	103	3.1	577	17.3	–	–
1,449	4.4	6,909	21.1	1,732	5.3	8,519	26.0	7,741	23.6	–	–
1,916	10.8	3,113	17.6	1,089	6.2	270	1.5	5,645	31.9	538	3.0
–	–	12	0.1	669	3.8	1,756	10.0	5,552	31.7	2,057	11.7
14,811	11.2	26,982	20.3	6,359	4.8	11,569	8.7	33,640	25.3	2,595	2.0
29,128	16.2	38,285	21.3	16,821	9.4	22,045	12.3	25,429	14.1	5,729	3.2
–	–	–	–	–	–	–	–	–	–	–	–
4,347	20.4	3,349	15.8	4,674	22.0	1,648	7.8	1,282	6.0	–	–
5,353	15.4	8,914	25.6	3,779	10.8	565	1.6	5,466	15.7	1,246	3.6
–	–	1,494	3.8	5,605	14.3	6,858	17.5	5,783	14.8	4,421	11.3
38,828	14.1	52,042	18.9	30,880	11.2	31,115	11.3	37,959	13.8	11,397	4.1
619	21.8	225	7.9	331	11.7	0	0.0	632	22.3	98	3.5
54,257	13.2	79,248	19.3	37,569	9.2	42,684	10.4	72,231	17.6	14,090	3.4

exercised flexibility in applying requirements in respect of broadcast rights, eligible categories and airing schedules. It further encouraged the hiring of Aboriginal apprentices. Assistance was provided for 16 projects, including 11 productions and five in development. Seven projects originated in Western Canada (two from British Columbia, two from Manitoba, one from Saskatchewan, one from Nunavut and one from the Yukon), five in Quebec, three in Ontario and one in Newfoundland. This marks the first time that all regions are represented in the EIP's annual report. These works resonate with 16 Aboriginal languages (some are in more than one language): Inuktitut, Dene, Cree, Oji-Cree, Ojibway, Mitchif, Dakota, Innu, Attikamek, Micmac, Algonquin, Mohawk, Abenaki, Kwakwaka, Blackfoot and Squamish.

In 1999-2000, the Aboriginal-language production envelope will be increased to \$2 million: \$1 million for the EIP and \$1 million for the LFP. The entire envelope will be administered by the EIP. This may reduce the tax credits currently enjoyed by producers. To offset any potential impact, the EIP will increase its maximum investment share in eligible projects to 70% of production costs.

Regions: 29% of Resources for Production and Development

The CTF enables creative talents in all regions of the country to express themselves in works for television

and theatres, to pursue careers in their own regions and to illustrate the dreams and realities of their communities. This is in part due to special incentives such as relaxed requirements for broadcast rights and recoupment. Telefilm's Montréal, Toronto, Vancouver and Halifax offices work to foster audio-visual creation through co-operative efforts with government and industry bodies in their respective regions.

Canada has four major production centres: Montréal, Toronto and—outstandingly—Vancouver and Halifax. This year's productions also came from Bromont (QC), Calgary (AB), Caraquet (NB), Charlottetown (PEI), Dartmouth (NS), Edmonton (AB), Halfmoon Bay (BC), Hull (QC), Matane (QC), Moncton (NB), Mont-Rolland (QC), New Ross (NS), Ottawa (ON), Port Moody (BC), Quebec City (QC), Regina (SK), Riverview (NB), Saint-Augustin (QC), Sainte-Foy (QC), Saltspring Island (BC), Saskatoon (SK), St. John's (NF), Victoria (BC), Windsor (NS) and Winnipeg (MA).

The EIP devoted 37% of its development and production funds to projects from Montréal, 34% to projects from Toronto, 18% to projects from Western Canada, 8% to projects from the Atlantic provinces, and 3% to projects from other Ontario and Quebec locations.

Support for British Columbia projects represented more than 12% of EIP commitments again this year,

GEOGRAPHIC BREAKDOWN OF PROJECTS

according to the location of the companies with which the Corporation signed television production contracts through the CTF – Equity Investment Program

LOCATION	NUMBER OF PROJECTS*	HOURS OF PRODUCTION	BUDGETS**		
			In thousands of dollars	In thousands of dollars	TELEFILM CANADA'S CONTRIBUTION %
Montréal	84	441.5	156,803	37,196	24
Toronto	45	172.3	142,503	34,832	24
Subtotal	129	613.8	299,306	72,028	24
British Columbia	30	95.3	52,679	12,430	24
Alberta	7	24.0	8,784	2,679	30
Saskatchewan	4	18.0	6,875	1,925	28
Manitoba	6	12.5	2,673	733	27
Ontario (excluding Toronto)	4	13.0	2,095	689	33
Quebec (excluding Montréal)	5	12.5	5,256	824	16
New Brunswick	5	21.7	4,019	1,502	37
Nova Scotia	9	33.7	25,298	7,183	28
Prince Edward Island	1	0.5	750	300	40
Newfoundland	3	4.5	2,835	568	20
Subtotal	74	235.7	111,263	28,832	26
Total	203	849.5	410,569	100,860	25

* Includes eight projects that also received funding through the Feature Film Fund.

** Does not include the foreign share (\$23,308,252) of co-production budgets in which Canada is an equal or a minority partner.

and Saskatchewan recorded an increased share of overall EIP resources.

Breakdown by Program Category

By television category (excluding feature films and Aboriginal production), EIP funds were allocated as follows: 68% to drama, 17% to documentaries, 14% to children's programming and 1% to variety shows.

The EIP's financial contribution to children's programs increased by 36%, reflecting the outstanding quality of Canadian products in this area. Characterized as being non-violent, entertaining and having universal values appreciated by children and parents alike, Canadian children's programs are among the industry's top exports.

CBC/RC and Other Broadcasters

Depending on demand, between 45% and 55% of the EIP's annual resources are to be allocated to projects for which rights have been acquired by the CBC/Radio-Canada, the goal being to achieve an average of 50% over three years.

This year's results are the following: CBC/RC, 47%, and other broadcasters, 53%. Over the three-year period, 50% of EIP resources have been committed to projects for the CBC/RC and 50% to projects for private broadcasters. The EIP has successfully fulfilled its objective.

Development and Scriptwriting: 180 Promising New Projects with 37% Funding from the EIP

Underlying any successful project are a good idea, a convincing plot, a carefully structured narrative and well-rounded characters. Indeed, the script is key to all project development. In this respect, the EIP is a vital partner to the industry as it contributes, on average, 37% of development and writing costs. Assistance is provided for projects in all program categories, in English, French and Aboriginal languages.

This year, the EIP allocated \$3.7 million to development and scriptwriting, including \$300,000 for amendments to previous-year contracts and \$3.4 million to 180 new projects from across the country: 65 from Montréal, 45 from Toronto, 30 from



**Panda Bear Daycare/
Ruffus the Dog**

d. Robert Mills, Lorraine Barton, Penny Stiles Faux Paws Productions Inc. (A Radical Sheep Production) Broadcast nationally on YTV, these programs bring educational entertainment to young viewers. Panda Bear Daycare helps children learn important social skills; Ruffus the Dog focuses on basic reading skills while instilling a love of literacy. A second series of 26 episodes (13 per show) is currently in production.

British Columbia, 17 from the Prairie provinces, 13 from the Atlantic region, 8 from other cities in Ontario and Quebec, and 2 from the Northwest Territories and the Yukon. These projects show great promise, which bodes well for the future, both for the industry and for Canadian broadcasters.

Feature Films: EIP Production Support for 19 Films

Since its inception, the CTF has injected \$45 million into the film industry. The Fund supports high-quality projects, augments the annual production volume and secures enhanced exposure for feature films released in movie theatres and on television.

In 1998-99, the CTF's feature film envelope was administered by the EIP. The funds served to finance 19 feature films, which were eligible for LFP licence fee top-ups and/or EIP investments. Eight of them also received funding through Telefilm's Feature Film Fund.

This year's commitments amounted to \$14 million, compared to last year's \$16.4 million. As disbursements are linked to production schedules, this conforms to the EIP's annual \$15-million budget for feature films. The combined budgets of these projects totalled \$56.6 million, of which the Program covered 25%.

LINGUISTIC BREAKDOWN OF PROJECTS

Production, scriptwriting, development and amendments

	1996-1997		1997-1998		1998-1999		1996-1998	
	In thousands of dollars	%						
French	38,241	31.8	35,410	36.8	35,672	34.0	109,323	34.0
English	82,183	68.2	59,892	62.2	68,235	65.0	210,310	65.4
Aboriginal Languages	—	—	1,000	1.0	1,000	1.0	2,000	0.6
Total	120,424	100.0	96,302	100.0	104,907	100.0	321,633	100.0

A number of these films are first features, reflecting the CTF's continued support for emerging talents.

Thirteen of the 19 features were made in English and six in French. Eight projects originated in Montréal:

Sleeping Dogs Lie

d. Stefan Scaini

Sullivan Entertainment

Inspired by true events, this program revisits a mystery that occurred in Toronto some 80 years ago. It premiered on CBC Television in January 1999, and to date has been sold internationally to Taiwan, the Middle East and Slovenia.



Between the Moon and Montevideo by Attila Bertalan, *Les Boys II* by Louis Saia, *Emporte-moi* by Léa Pool, *Four Days* by Curtis Wehrfritz, *L'Île de sable* by Johanne Prigent, *Ladies Room* by Gabriella Christiani, *Matroni et moi* by Jean-Philippe Duval and *Le Petit Ciel* by Jean-Sébastien Lord. Six were produced in Toronto: *Apartment Hunting* by Bill Robertson, *The Five Senses* by Jeremy Podeswa, *The Highwayman* by Keoni Waxman, *The Life Before This* by Jerry Ciccoritti, *New Waterford Girls* by Allan Moyle and *Saint Jude* by John L'Écuyer. Films from Vancouver included *Rollercoaster* by Scott Smith, *Touched* by Mort Ransen and *Tail Lights Fade* by Malcolm Ingram. Lastly, *The Divine Ryans* by Stephen Reynolds was produced in Halifax, and *Full Blast* by Rodrigue Jean, in Caraquet, New Brunswick.

Several of these films have earned considerable recognition, among them *Les Boys II* by Louis Saia, with box-office sales of \$6.1 million; Léa Pool's *Emporte-moi*, winner of the 1999 Berlin Film Festival Ecumenical Jury Award; and *The Five Senses* by Jeremy Podeswa, selected for the Directors' Fortnight at the 1999 Cannes Film Festival.

It should be noted that Telefilm also provides support for the Canadian film industry through other funds and programs. Overall, in fiscal 1998-99,

BROADCASTERS

Financial participation – Production only

CATEGORIES	TOTAL		PUBLIC SECTOR					EDUCATIONAL TELEVISION				
	In thousands of dollars	%	CBC/ CBC – REGIONAL In thousands of dollars	RDI In thousands of dollars	RC/ RC – REGIONAL In thousands of dollars	TOTAL In thousands of dollars	%	TÉLÉ- QUÉBEC In thousands of dollars	TVONTARIO/ TFO In thousands of dollars	ACCESS, KNOWLEDGE, SCN AND OTHERS In thousands of dollars	TOTAL In thousands of dollars	%
French												
Drama	15,692	25.5	–	–	10,585	10,585	17.2	100	275	–	375	0.6
Variety	1,256	37.7	–	–	938	938	28.1	–	318	–	318	9.5
Children	6,909	21.1	–	–	643	643	2.0	2,648	822	–	3,470	10.6
Documentary	3,113	17.6	40	–	942	982	5.6	734	310	5	1,049	5.9
Feature Film	12	0.1	–	–	–	0	0.0	–	–	–	0	0.0
Subtotal	26,982	20.3	40	0	13,107	13,147	9.9	3,482	1,725	5	5,212	3.9
English												
Drama	38,285	21.3	21,763	–	–	21,763	12.1	–	–	–	0	0.0
Variety	0	0.0	–	–	–	0	0.0	–	–	–	0	0.0
Children	3,349	15.8	129	–	–	129	0.6	–	205	125	330	1.6
Documentary	8,914	25.6	2,476	–	122	2,598	7.5	3	284	315	602	1.7
Feature Film	1,494	3.8	150	–	–	150	0.4	–	–	–	0	0.0
Subtotal	52,042	18.9	24,517	0	122	24,639	9.0	3	489	440	932	0.3
Aboriginal Languages	225	7.9	15	0	0	15	0.5	0	39	6	45	1.6
Total	79,248	19.3	24,572	0	13,229	37,801	9.2	3,485	2,253	451	6,188	1.5

* Includes CTV affiliates not belonging to BATON, CHUM or WIC



the Corporation assisted the production of 44 films. Further information appears in the Highlights section of this report.

International Co-productions

The EIP contributed to the financing of 10 international co-productions with combined budgets of \$23 million.

The Program's contribution was \$2.7 million, representing 21% of the Canadian share.

Five co-productions were made with France: *11 septembre 1973 : Le Dernier Combat de Salvador Allende*, *Les Filles de Shimun*, *Insectia*, *Le Petit Ciel* and *Jazz Collection 98*. *Emporte-moi* was co-produced with France and Switzerland; *Tied by Blood: A Journey Into Genealogy* with Iceland; *Scarred by History* with Ukraine; and *Ladies Room* and *The Worst Witch* with the United Kingdom. All are Canadian majority co-productions, with the exception of *Jazz Collection 98* and *The Worst Witch*.

Scarred by History

d. Guo Fangfang
Four Square Productions
A Canadian-Ukrainian co-production, this powerful and poignant documentary recounts the tragic story of 20th-century Ukraine—from Austrian rule through Polish domination, Nazi occupation and Soviet conquest. *Scarred by History* premiered on History Television in January 1999, and was nominated for an award at the 1999 Hot Docs Canadian International Documentary Festival.

											PRIVATE SECTOR	
CONVENTIONAL TELEVISION STATIONS/UNDER			CTV NETWORK	CTV OTHER	CANWEST GLOBAL	INDE-PENDENTS	TVA GROUP	TÉLÉVISION QUATRE SAISONS	PAY TELEVISION	SPECIALTY SERVICES	TOTAL	%
BATON	CHUM	WIC	(BATON)	AFFILIATES*								
In thousands of dollars	In thousands of dollars	In thousands of dollars	In thousands of dollars	In thousands of dollars	In thousands of dollars	In thousands of dollars	In thousands of dollars	In thousands of dollars	In thousands of dollars	In thousands of dollars	In thousands of dollars	
—	—	—	—	—	—	—	4,182	550	—	—	4,732	7.7
—	—	—	—	—	—	—	—	—	—	—	0	0.0
—	—	—	—	—	364	—	—	3	260	2,170	2,797	8.5
—	—	19	—	—	—	—	32	80	40	911	1,082	6.1
—	—	—	—	—	—	—	—	—	12	—	12	0.1
0	0	19	0	0	364	0	4,214	633	312	3,081	8,623	6.5
3,230	—	2,600	5,610	—	5,062	—	—	—	—	20	16,522	9.2
—	—	—	—	—	—	—	—	—	—	—	0	0.0
156	—	—	250	—	—	—	—	—	—	2,484	2,890	13.6
166	20	42	125	—	180	—	80	—	—	5,101	5,714	16.4
—	154	—	—	—	—	—	—	—	1,128	63	1,344	3.4
3,552	174	2,642	5,985	0	5,242	0	80	0	1,128	7,668	26,471	9.6
0	0	12	0	28	20	100	0	0	0	5	165	5.8
3,552	174	2,673	5,985	28	5,626	100	4,294	633	1,440	10,754	35,259	8.6

PRIVATE SECTOR

CATEGORIES	TOTAL		PRODUCERS AND PRODUCER- RELATED In thousands of dollars	PRIVATE ASSISTANCE FUNDS In thousands of dollars	SPONSORS In thousands of dollars	OTHERS In thousands of dollars
	In thousands of dollars	%				
French						
Drama	2,675	4.4	1,664	—	630	380
Variety	193	5.8	193	—	—	—
Children	1,732	5.3	911	—	40	781
Documentary	1,089	6.2	894	—	196	—
Feature Film	669	3.8	619	50	—	—
Subtotal	6,359	4.8	4,281	50	866	1,161
English						
Drama	16,821	9.4	14,146	2,675	—	—
Variety	0	0.0	—	—	—	—
Children	4,674	22.0	3,060	1,614	—	—
Documentary	3,779	10.8	2,970	605	199	5
Feature Film	5,605	14.3	3,240	1,200	—	1,165
Subtotal	30,880	11.2	23,417	6,094	199	1,170
Aboriginal Languages	331	11.7	308	19	4	0
Total	37,569	9.2	28,006	6,163	1,069	2,331

OTHER GOVERNMENT SOURCES

Financial participation – Production only

CATEGORIES	TOTAL		FEDERAL AGENCIES			NEWFOUNDLAND TAX CREDIT In thousands of dollars	NOVA SCOTIA TAX CREDIT In thousands of dollars	NEW BRUNSWICK TAX CREDIT In thousands of dollars	QUEBEC TAX CREDIT In thousands of dollars
	In thousands of dollars	%	NFB In thousands of dollars	FEDERAL TAX CREDIT In thousands of dollars	OTHERS In thousands of dollars				
French									
Drama	14,125	23.0	—	3,934	800	—	—	—	9,140
Variety	577	17.3	—	200	—	—	—	70	304
Children	7,741	23.6	—	2,404	—	—	—	—	5,337
Documentary	5,645	31.9	957	667	30	—	—	124	2,364
Feature Film	5,552	31.7	—	320	—	—	—	190	2,897
Subtotal	33,640	25.3	957	7,525	830	0	0	384	20,042
English									
Drama	25,429	14.1	—	11,141	—	—	2,303	—	2,388
Variety	0	0.0	—	—	—	—	—	—	—
Children	1,282	6.0	—	381	—	—	—	—	558
Documentary	5,466	15.7	415	1,526	428	102	411	—	1,132
Feature Film	5,783	14.8	5	1,586	60	—	980	—	1,466
Subtotal	37,959	13.8	420	14,634	488	102	3,694	0	5,545
Aboriginal Languages	632	22.3	225	44	179	0	0	0	135
Total	72,231	17.6	1,602	22,203	1,496	102	3,694	384	25,722

FOREIGN PARTICIPANTS

Financial participation – Production only

CATEGORIES	TOTAL		CO-PRODUCERS In thousands of dollars	BROADCASTERS In thousands of dollars	DISTRIBUTORS In thousands of dollars	OTHERS In thousands of dollars
	In thousands of dollars	%				
French						
Drama	0	0.0	–	–	–	–
Variety	0	0.0	–	–	–	–
Children	0	0.0	–	–	–	–
Documentary	538	3.0	538	–	–	–
Feature Film	2,057	11.7	959	399	–	699
Subtotal	2,595	2.0	1,497	399	0	699
English						
Drama	5,729	3.2	–	1,358	4,371	–
Variety	0	0.0	–	–	–	–
Children	0	0.0	–	–	–	–
Documentary	1,246	3.6	536	242	406	62
Feature Film	4,421	11.3	1,726	–	39	2,656
Subtotal	11,397	4.1	2,262	1,601	4,816	2,718
Aboriginal Languages	98	3.5	98	0	0	0
Total	14,090	3.4	3,857	2,000	4,816	3,418

ONTARIO TAX CREDIT	MANITOBA TAX CREDIT	SASKATCHEWAN TAX CREDIT	BRITISH COLUMBIA TAX CREDIT	SODEC	FILM NB	SASKFILM	PROVINCIAL AGENCIES		
							BRITISH COLUMBIA FILM	NOVA SCOTIA FILM	OTHERS
In thousands of dollars	In thousands of dollars	In thousands of dollars	In thousands of dollars	In thousands of dollars	In thousands of dollars	In thousands of dollars	In thousands of dollars	In thousands of dollars	In thousands of dollars
–	–	–	–	251	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	1,019	–	–	–	–	484
–	–	–	–	1,752	–	–	–	–	393
4	0	0	0	3,022	0	0	0	0	877
6,847	210	856	–	–	–	–	40	495	1,149
–	–	–	–	–	–	–	–	–	–
98	–	–	–	–	–	–	–	–	245
502	–	26	31	310	–	37	27	258	263
445	–	–	–	305	–	–	–	335	600
7,891	210	882	31	615	0	37	67	1,088	2,257
0	0	0	0	0	0	0	0	0	49
7,895	210	882	31	3,637	0	37	67	1,088	3,183

PARTICIPATION OF CANADIAN BROADCASTERS

(including investments and purchases of broadcast rights)

BROADCASTERS	DRAMA	VARIETY	CHILDREN	DOCUMENTARY	FEATURE FILMS*	TOTAL
	In thousands of dollars					
Private Sector and Educational Television						
Conventional Television						
Baton	3,230	—	156	166	—	3,552
Canwest Global	5,062	—	364	200	—	5,626
CHUM	—	—	—	20	154	174
CTV – Network (Baton)/						
Other Affiliates	5,638	—	250	125	—	6,013
Independents	12	—	28	60	—	100
TVA Group	4,182	—	—	112	—	4,294
Télévision Quatre Saisons	550	—	3	80	—	633
WIC	2,600	—	5	68	—	2,673
Educational Television						
Access	—	—	—	22	—	22
Knowledge	—	—	—	167	—	167
SCN	—	—	125	138	—	263
Télé-Québec	100	—	2,648	737	—	3,485
TVOntario/TFO	275	318	1,027	633	—	2,253
Pay Television						
Super Écran (Premier Choix)	—	—	260	40	12	312
Superchannel	—	—	—	—	30	30
The Movie Network	—	—	—	—	1,098	1,098
Specialty Services						
Bravo!	—	—	—	336	—	336
Canal D	—	—	—	604	—	604
Canal Famille	—	—	1,858	78	—	1,936
Canal Vie	—	—	—	54	—	54
Discovery Channel (The)	—	—	—	1,670	—	1,670
History Television	—	—	—	980	—	980
Life Network (The)	—	—	—	645	—	645
Musique Plus	—	—	—	—	—	0
Showcase Television	—	—	—	—	—	0
Space	—	—	—	49	—	49
Teletoon	—	—	395	—	—	395
TV5	—	—	—	159	—	159
Vision TV	25	—	73	936	63	1,096
WTN	—	—	—	469	—	469
YTV	—	—	2,329	35	—	2,364
Subtotal	21,674	318	9,520	8,579	1,356	41,447
Public Sector						
CBC	21,763	—	144	2,516	150	24,572
RDI – le réseau de l'information	—	—	—	—	—	0
Radio-Canada	10,585	938	643	1,064	—	13,229
Subtotal	32,347	938	786	3,580	150	37,801
Total	54,021	1,256	10,307	12,159	1,506	79,248

* Because rights for feature films are often included in the distribution advances, they do not all appear in this table.

VIEWER ACCESS TO CANADIAN PROGRAMS

BROADCASTERS	NUMBER OF PROJECTS			NUMBER OF HOURS IN FIRST-RUN PRESENTATION	
	IN ABORIGINAL LANGUAGES	IN FRENCH	IN ENGLISH		
Private Sector and Educational Television					
Conventional Television					
Baton	—	—	8	8	28.5
Canwest Global	1	1	6	8	55.5
CHUM	—	—	3	3	4.7
CTV – Network (Baton)/Other Affiliates	1	—	7	8	32.3
Independents	12	—	—	12	13.5
TVA Group	—	4	1	5	40.0
Télévision Quatre Saisons	—	3	—	3	16.5
WIC	2	2	5	9	22.3
Educational Television					
Access	—	—	4	4	11.5
Knowledge	1	1	16	18	40.0
SCN	1	1	23	25	8.2
Télé-Québec	—	11	1	12	87.0
TVOntario/TFO	2	10	9	21	110.5
Pay Television					
Movie Network	—	—	4	4	8.2
Super Channel	—	—	1	1	1.7
Super Écran (Premier Choix)	—	3	—	3	28.5
Specialty Services					
Bravo!	—	2	5	7	13.0
Canal D	—	5	2	7	31.0
Canal Famille	—	4	1	5	71.5
Canal Vie	—	—	2	2	4.5
Discovery Channel (The)	—	1	5	6	33.5
History Television	—	2	5	7	26.0
Life Network (The)	—	—	2	2	19.5
Musique Plus	—	—	—	0	0.0
Showcase Television	—	—	—	0	0.0
Space	—	—	2	2	2.0
Teletoon	—	1	1	2	26.5
TV5	—	9	—	9	9.5
Vision TV	1	3	23	27	53.5
WTN	—	—	5	5	19.0
YTV	—	—	5	5	42.5
Subtotal	21	63	146	230	860.9
Public Sector					
CBC network and regional television stations	1	1	53	55	130.1
RDI – le réseau de l'information	—	—	1	1	6.5
Radio-Canada	—	33	4	37	125.5
Subtotal	1	34	58	93	262.1
Total	22	97	204	323	1,123.0

The participation of more than one broadcaster in the same project contributed to increased viewer access to Canadian programming. Thus, in 1998-1999, the 203 financed projects totalled 323 broadcast projects, and the 849.5 hours of production represented 1,123.0 hours of broadcasting.

Cinema



The Five Senses

d. Jeremy Podeswa
 Five Senses Productions Inc.
Told through a series of interwoven stories, each relating to one of the five senses, Jeremy Podeswa's second feature was presented in the Directors' Fortnight section of the 1999 Cannes film festival.

TELEFILM CANADA'S FEATURE FILM FUND

Projects contracted – Production, scriptwriting and development

	NUMBER OF PROJECTS*	TOTAL BUDGETS** In thousands of dollars	TELEFILM CANADA In thousands of dollars	LINGUISTIC BREAKDOWN %
French				
Production	7	40,689	6,658	
Amendments – production***	–	–	-18	
Subtotal	7	40,689	6,640	
Scriptwriting and development	26	1,099	416	
Amendments – development***	–	–	83	
Subtotal	26	1,099	499	
Subtotal – French	33	41,788	7,139	34.5
English				
Production	14	75,281	12,143	
Amendments – production***	–	–	211	
Subtotal	14	75,281	12,354	
Scriptwriting and development	59	2,187	874	
Amendments – development***	–	–	317	
Subtotal	59	2,187	1,191	
Subtotal – English	73	77,468	13,545	65.5
Total	106	119,256	20,684	100.0

* Includes eight projects that also received funding through the CTF – Equity Investment Program.

** Includes total co-production budgets.

*** The amendments include increases and decreases in commitments from previous years.

1998-99 was a fruitful year for Telefilm Canada's Feature Film Fund. The industry was conspicuously active in all regions, submitting numerous projects of noteworthy quality and abundant Canadian content.

106 Development and Production Projects Overall Budgets of \$119.3 Million

In 1998-99, Telefilm Canada injected \$20.7 million into the film industry through the Feature Film Fund, compared to \$16.4 million the previous year.

Telefilm's contribution provided leverage for 106 production and development projects with overall budgets of \$119.3 million, counting the foreign share (\$25.2 million) of financing in co-productions where Canada is a minority partner.

The average budget for films both in English and French was significantly higher than in prior years; this was due to four international co-productions with budgets ranging from \$10 million to more than \$30 million.

85 Development and Scriptwriting Projects: Banking on Tomorrow's Films

Maintaining public interest requires a steady flow of new releases to the silver screen. Scriptwriting and development projects are vital to the process, being the cornerstone on which the industry builds for the future. The Feature Film Fund is a valued partner for producers, directors, scriptwriters and distributors in this regard.

This year's crop springs from exceptionally diverse sources of inspiration and promises equally exceptional results in Canadian theatres. The projects originated in every region of the country. Fund support equal to 60% of the available resources went to 35 projects from Montréal and 13 from Toronto. The 22 projects from British Columbia, four from the Prairies, nine from the Atlantic region and two from Quebec, outside of Montreal, received 40% of development funds.

All told, the Corporation provided 39% of development costs totalling \$3.3 million.

Production: 21 Feature Films with 21% of Total Budgets Financed by Telefilm

The Feature Film Fund contributed \$18.8 million to the production of 21 projects, the same number as in the previous year. The aggregate budget amount, however, was \$90.7 million, compared to \$42 million in 1997-98.

The average budget for French-language projects rose from \$1.6 million to \$3.1 million, five of this year's seven films having budgets in excess of \$3 million. In 1997-98, Telefilm supported more low-budget projects. The average budget amount also rose sharply in English-language production, from \$2.3 million to \$5 million, due to two big-budget international co-productions: *15 Moments* by Denys Arcand and David Cronenberg's *eXistenZ*.



Top of the Food Chain
d. John Paizs

Upstart Pictures

This feature, about sinister, human-eating forces preying on a town obsessed with sex, TV and fishing, will be released in Canada in the fall of 1999. The film has already been sold to Scandinavia.

Telefilm Canada's participation through the Feature Film Fund accounted for 21% of production costs, compared to 34% one year earlier. This is in part explained by the fact that Telefilm's feature film contributions, which are capped, represented only a minor portion of certain co-production budgets. Excluding *15 Moments*, *eXistenZ* and *La Veuve de Saint-Pierre*, Telefilm's contribution corresponds to 35% of this year's budgets.

A number of 1998-99 projects received assistance through other Telefilm funds and programs for a total of \$4.2 million, or 5% of their combined budgets. Among these are eight projects funded by the Feature Film Fund and the CTF's Equity Investment Program administered by Telefilm: *Bluffers End*, *Les Boys II*, *The Five Senses*, *L'Île de sable*, *New Waterford Girls*, *Saint-Jude*, *Touched* and *Tail Lights Fade*.

Significant Support from the Private Sector and International Partners

Canadian producers must be able to count on a wide range of financial partners in order to make high-quality feature films. The future of Canadian cinema depends upon funding sources that are not only public and private but also Canadian and international.

In 1998-99, most of the financing partners of Canadian producers renewed their participation, showing unequivocal support for projects with both cultural and commercial potential. The most noteworthy increase was in the private sector (producers, producer-related, private assistance funds, etc.), which jumped from \$2.9 million to more than \$25 million, representing 28% of production costs. This increase is largely due to *eXistenZ*, as the producers' investment in this co-production accounts for 72% of all private-sector participation in this fiscal year.

Government resources other than those of Telefilm nearly doubled due in part to several new provincial tax credit programs. During the year,

ANALYSIS OF FINANCIAL PARTICIPATION

Production only – Projects contracted

	NUMBER OF PROJECTS*	TOTAL BUDGETS	BUDGETS**	FEATURE FILM FUND		CTF – EQUITY INVESTMENT PROGRAM		TELEFILM CANADA OTHER FUNDS (MINI-TREATIES AND PRSP)	
		In thousands of dollars	In thousands of dollars	In thousands of dollars	%	In thousands of dollars	%	In thousands of dollars	%
French	7	40,689	21,439	6,658	31.1	1,498	7.0	239	1.1
English	14	75,281	69,309	12,143	17.5	2,142	3.1	300	0.4
Total	21	115,970	90,748	18,801	20.7	3,641	4.0	539	0.6

* Includes eight projects that also received funding through the CTF – Equity Investment Program.

** Does not include the foreign share (\$25,222,178) of co-production budgets in which Canada is a minority partner.

All percentages are based on these amounts.

**Bluffers End**

Optima Films Inc.

d. Lewis Furey

Based on a play by Canadian playwright George F. Walker, this Canada-France co-production takes a darkly comic look at murder in a big-city ghetto, where the only law is the law of the jungle.

the Corporation was proud to be associated with the governments of Quebec, Ontario, Nova Scotia, Newfoundland and Manitoba in fostering the creation of high-quality films. It is of note that federal and provincial tax credits account for 75% of all contributions from government sources.

Broadcaster participation also rose, totalling 3.1% of combined budgets as compared to 0.4% the previous year. This increase is connected mainly with

pay television, which is proving to be an increasingly important partner for Canadian film. Five features benefited from pay-TV support this year.

Lastly, the international stature of Canada's cinema was reflected in record contributions from foreign participants: \$42.3 million, counting the foreign share of minority Canadian co-productions.

Five co-productions were funded: *15 Moments*, *La Veuve de Saint-Pierre* and *Bluffers End* with France; *Misery Harbour* with Norway; and *eXistenZ* with the United Kingdom. With the exception of *Misery Harbour* and *La Veuve de Saint-Pierre*, these were majority Canadian co-productions. Telefilm's contribution totalled \$5.5 million, representing 12.8% of the Canadian share.

Linguistic and Regional Breakdown

In 1998-99, Telefilm allocated 65.5% of the Fund's commitments to projects in English and 34.5% to projects in French. This represents a significant increase for English-language films, which received 60.5% of the Corporation's resources in 1997-98. New tax credits in Ontario, British Columbia and the Atlantic provinces and recent Telefilm initiatives aimed at stimulating production in Western and Atlantic Canada are contributing to an upswing in English-language production.

DISTRIBUTORS

Financial participation – Production only

	TOTAL	
	In thousands of dollars	%
French	2,330	10.9
English	6,581	9.5
Total	8,911	9.8

DISTRIBUTORS		PRIVATE SECTOR		OTHER GOVERNMENT SOURCES		BROADCASTERS		FOREIGN PARTICIPANTS	
In thousands of dollars	%	In thousands of dollars	%	In thousands of dollars	%	In thousands of dollars	%	In thousands of dollars	%
2,330	10.9	931	4.3	6,508	30.4	75	0.3	3,200	14.9
6,581	9.5	24,106	34.8	7,296	10.5	2,757	4.0	13,983	20.2
8,911	9.8	25,037	27.6	13,804	15.2	2,832	3.1	17,183	18.9

Of particular note is the continued increase in Telefilm participation in regional projects over the past years. From 10% of the Fund's commitments in 1995-96, regional contributions rose to 17% in 1996-97, 24% in 1997-98 and now 27% in 1998-99. This reflects the striking vitality of the industry nationwide, with creators illustrating the experiences and values of their communities and enriching Canadian cinema with their unique voices.

The Atlantic region continues to develop international partnerships with notable success. *Misery Harbour*, produced and shot entirely in Newfoundland, marked the first use of the new co-production agreement with Norway and enjoyed the participation of other Scandinavian countries.



15 Moments
d. Denys Arcand
Cinémaginaire and
Screenventures XLV
Productions
Co-production with France
Tina, a teenager from a small town in Eastern Canada, becomes a supermodel. The transition from small-town life to worldwide celebrity is as quick as it is brutal. Transfixed, Bruce Warner, a renowned photographer, decides to make a documentary about Tina's rise to stardom.

PRIVATE SECTOR

Financial participation – Production only

	TOTAL		PRODUCERS AND PRODUCER-RELATED In thousands of dollars	PRIVATE ASSISTANCE FUNDS In thousands of dollars	PRIVATE INVESTORS In thousands of dollars	SPONSORS In thousands of dollars	OTHERS In thousands of dollars
	In thousands of dollars	%					
French	931	4.3	806	100	–	25	–
English	24,106	34.8	21,906	2,200	–	–	–
Total	25,037	27.6	22,712	2,300	0	25	0

FOREIGN PARTICIPANTS

Financial participation – Production only

	In thousands of dollars	TOTAL %	CO-PRODUCERS In thousands of dollars	DISTRIBUTORS In thousands of dollars	BROADCASTERS In thousands of dollars	OTHERS In thousands of dollars
French	3,200	14.9	3,200	–	–	–
English	13,983	20.2	8,814	2,357	–	2,812
Total	17,183	18.9	12,014	2,357	0	2,812

BROADCASTERS

Financial participation – Production only

	In thousands of dollars	TOTAL %	BROADCASTERS In thousands of dollars	PAY TELEVISION In thousands of dollars
French	75	0.3	75	–
English	2,757	4.0	373	2,384
Total	2,832	3.1	448	2,384

LINGUISTIC BREAKDOWN OF PROJECTS

Production, scriptwriting, development and amendments

	1993-1994		1994-1995		1995-1996	
	In thousands of dollars	%	In thousands of dollars	%	In thousands of dollars	%
French	9,720	44.5	7,447	48.0	11,334	54.0
English	12,116	55.5	8,065	52.0	9,666	46.0
Total	21,836	100.0	15,512	100.0	21,000	100.0

GEOGRAPHIC BREAKDOWN OF PROJECTS

according to the location of the companies with which the Corporation signed feature film contracts through the Feature Film Fund

LOCATION	NUMBER OF PROJECTS*	BUDGETS** In thousands of dollars	TELEFILM CANADA CONTRIBUTION	
			In thousands of dollars	% of budgets
Montréal	10	35,756	9,338	26
Toronto	5	41,317	4,470	11
Subtotal	15	77,073	13,808	18
British Columbia	3	10,527	3,449	33
Alberta	1	1,300	637	49
Saskatchewan	—	—	0	0
Manitoba	1	350	172	49
Ontario (excluding Toronto)	—	—	0	0
Quebec (excluding Montréal)	—	—	0	0
New Brunswick	—	—	0	0
Nova Scotia	—	—	0	0
Prince Edward Island	—	—	0	0
Newfoundland	1	1,498	735	49
Subtotal	6	13,675	4,993	37
Total	21	90,748	18,801	21

* Includes eight projects that also received funding through the CTF – Equity Investment Program

** Does not include the foreign share (\$25,222,178) of co-production budgets in which Canada is a minority partner.

1996-1997		1997-1998		1998-1999		1993-1999	
In thousands of dollars	%						
7,560	34.8	6,464	39.5	7,139	34.5	49,664	42.4
14,152	65.2	9,921	60.5	13,545	65.5	67,465	57.6
21,712	100.0	16,385	100.0	20,684	100.0	117,129	100.0



Misery Harbour

d. Nils Gaup
Red Ochre Productions
Ltd./Motlys A.S.

A Canadian-Norwegian co-production, *Misery Harbour* tells a story of love and revenge in 1930s' Newfoundland. The film's world premiere will be held in Norway in August 1999, with a Canadian release slated for the fall. International distribution to countries other than Canada and Scandinavia will be handled by Goldwyn.

TELEFILM CANADA'S FEATURE FILM DISTRIBUTION FUND

The Feature Film Distribution Fund serves primarily to support experienced distributors, the front-line partners of Canadian producers. Through the Contingency Fund, however, the Corporation also assists new companies and those with smaller catalogues to facilitate their development and their contribution to the growth of Canadian cinema.

Telefilm support comes in the form of a credit line based on corporate performance; in other words, on the amounts that the companies return to the

Corporation. This policy encourages distributors to make acquisitions judiciously and develop dynamic, efficient marketing campaigns.

In recent years, the Canadian distribution sector has undergone both consolidation—through mergers and strategic repositioning—and diversification—with the arrival of new players in the West and in Montréal. These changes are highly beneficial for the Canadian film industry. It is crucial that producers and distributors work together to define target audiences and effective promotional strategies.

In fiscal 1998-99, the Feature Film Distribution Fund made commitments totalling \$11.4 million. Disbursements for the year amounted to \$11.9 million: \$6.9 million for the acquisition of distribution rights to Canadian films; \$2.5 million for marketing activities; and \$2.5 million for payments against previous-year contracts and corporate loans.

Altogether, the Fund provided support for the purchase of distribution rights to 34 Canadian features and contributed to 24 marketing projects.

During the 1998-99 year, Telefilm formed committees to revise its feature film policies, including those on film distribution. New ways to optimize government support for distribution may also be suggested by the Feature Film Policy Review instituted by the Department of Canadian Heritage. Any change to existing policies must reflect the unique expertise of Canadian distributors, call on distributors to intervene more decisively in creating Canadian box-office success stories, and ensure the fair and efficient use of available resources.

OTHER GOVERNMENT SOURCES

Financial participation – Production only

	TOTAL		FEDERAL AGENCIES		
	In thousands of dollars	%	NFB In thousands of dollars	CANADA COUNCIL In thousands of dollars	FEDERAL TAX CREDIT In thousands of dollars
French	6,508	30.4	18	27	862
English	7,296	10.5	5	60	3,165
Total	13,804	15.2	23	87	4,027

FEATURE FILM DISTRIBUTION FUND

Companies that received support

	PRINCIPAL FUND In thousands of dollars	CONTINGENCY FUND In thousands of dollars	TOTAL In thousands of dollars
Available Funds	10,944	835	11,780
Special Envelope	0	0	0
Total	10,944	835	11,780
Use of Funds			
Allegro Films Distribution	-8	-	-8
Alliance Atlantis Releasing	2,875	-	2,875
Behaviour Distribution	1,884	-	1,884
Cinema Esperanca International inc.	-	2	2
Compagnie France Film	756	179	936
Film Tonic International inc.	706	217	922
Lions Gate Films	2,357	-	2,357
Motion International inc.	1,177	-	1,177
Odeon Films	715	-	715
Prima Film Video ltée	609	23	631
Red Sky Entertainment	-	400	400
Total	11,072	820	11,893

QUEBEC TAX CREDIT In thousands of dollars	ONTARIO TAX CREDIT In thousands of dollars	NOVA SCOTIA TAX CREDIT In thousands of dollars	NEW BRUNSWICK TAX CREDIT In thousands of dollars	NEWFOUNDLAND TAX CREDIT In thousands of dollars	SODEC In thousands of dollars	OFDC In thousands of dollars	BRITISH COLUMBIA FILM In thousands of dollars	NOVA SCOTIA FILM In thousands of dollars	OTHERS In thousands of dollars
4,038	-	-	-	-	1,562	-	-	-	-
1,551	269	480	-	40	830	-	-	135	761
5,589	269	480	0	40	2,392	0	0	135	761

Multimedia



Masks: Faces of the Pacific
DNA Productions Inc.
Drawing on the artistry of carvers, dancers and storytellers from Papua New Guinea, Bali, Japan, Alaska and Canada's Northwest Coast, this CD-ROM explores the cultural significance of masks made by peoples of the Pacific. The CD-ROM received a Bronze Apple Award from the National Educational Media Network (NEMN).

MULTIMEDIA FUND

Project breakdown by component – Includes amendments from previous years

	NUMBER OF PROJECTS	BUDGETS In thousands of dollars	TELEFILM CANADA CONTRIBUTION	
			In thousands of dollars	% of budgets
Development				
French	3	231	70	30.4
English	28	3,294	1,430	43.4
Subtotal – Development	31	3,525	1,500	42.5
Production				
French	10	4,860	1,301	26.8
English	16	6,312	2,148	34.0
Subtotal – Production	26	11,172	3,449	30.9
Marketing				
French	6	1,286	599	46.6
English	8	3,005	812	27.0
Subtotal – Marketing	14	4,290	1,410	32.9
Total	71	18,988	6,359	33.5

GEOGRAPHIC BREAKDOWN OF PROJECTS

according to the location of the companies with which the Corporation signed multimedia development, production and marketing contracts (includes amendments from previous years)

LOCATION	NUMBER OF PROJECTS	BUDGETS In thousands of dollars	TELEFILM CANADA CONTRIBUTION	
			In thousands of dollars	% of budgets
Montréal	28	8,819	2,708	30.7
Toronto	14	2,788	957	34.3
Subtotal	42	11,608	3,665	31.6
British Columbia	12	4,191	1,578	37.7
Alberta	3	957	295	30.8
Saskatchewan	4	690	250	36.2
Manitoba	–	–	0	0.0
Ontario (excluding Toronto)	2	347	171	49.3
Quebec (excluding Montréal)	4	735	278	37.9
New Brunswick	1	28	14	50.1
Nova Scotia	3	432	107	24.9
Prince Edward Island	–	–	0	0.0
Newfoundland	–	–	0	0.0
Subtotal	29	7,380	2,694	36.5
Total	71	18,988	6,359	33.5

Growing by Leaps and Bounds

In June 1998, at the Banff Television Festival, the Minister of Canadian Heritage, the Honourable Sheila Copps, announced the creation of a five-year, \$30-million Multimedia Fund to be administered by Telefilm Canada. The following month, the Corporation issued guidelines for this new initiative, and applications for a wealth of innovative, technologically advanced projects began pouring in.

The Multimedia Fund includes components for development, production and marketing. Assistance is provided in the form of advances and interest-free unsecured loans, and priority is given to applications from small and mid-size businesses. Telefilm's goals for multimedia are as ambitious as its long-held aspirations for television and feature films. To achieve these goals, the Corporation works with an advisory committee composed of industry members from across the country and Telefilm and government representatives.



Fueled by rapidly expanding domestic and international markets, outstanding talent and critical Fund support, the Canadian multimedia industry experienced exponential growth this year. Developers and publishers took advantage of Canada's advanced telecommunications infrastructure to explore new product, service and commerce opportunities, producing innovative tools and content in the areas of entertainment, education and corporate applications. In doing so, they put Canada in fifth place among the world's multimedia-producing countries, right behind the United States, Germany, France, and the U.K.

In 1998-99, the Corporation's commitments to multimedia ventures soared from the previous year's \$1.5 million to \$6.4 million. All told, 71 projects were funded: 26 in production, 31 in development and 14 in marketing. Telefilm's contribution represented 33.5% of their combined budgets of \$19 million. In production and development alone, the number of projects more than doubled—57 vs. 23 in 1997-98.

During the year, 69% of overall resources went to projects in English and 31% to projects in French.

Backed by the Corporation's financial, promotional and logistical support, Canadian productions enjoyed significant exposure at international markets such as MIM in Montréal, E3 in Los Angeles and MILIA in Cannes. Multimedia producers and new media training providers working in both official languages developed international contacts and partnerships for Canadian products and services used at home and abroad.

Canadian products vary widely in form, content, technology and target markets. Several of this year's productions deal with the Canadian experience: *Les Premières Nations du Canada*, for example, or *Glenn Gould: The New Listener*. Others, such as *Masks: Faces of the Pacific*, produced in British Columbia, reflect their regional origins. Set in cyberspace, imaginary lands and a myriad of virtual realities, they include interactive web sites (*Kaos*, the *Nikolai* series), educational CD-ROMs (*Finding the Balance*, *Mia: The Search for Grandma's Remedy*), reference works (*Riopelle CD-ROM*) and games (*Zach and the Sacred City*, *Einstein's Dreams*).

Canada's multimedia companies are generally concentrated in urban centres. For the most part they are small- and mid-size businesses, but there are global players in all regions. Industry development remains uneven, however, due in large part to significant variations in provincial support. The regional breakdown for this year is as follows: Montréal (42.6% of commitments), Toronto (15.1%), Western provinces (33.4%), Atlantic provinces (1.9%) and other Ontario and Quebec cities (7.1%).

The Multimedia Fund provides end-to-end support for new media projects, with special emphasis on marketing. Under the terms of the Contribution Agreement signed with the Department of Canadian Heritage, distribution and marketing initiatives may benefit from nearly 40% of the available resources. In 1997-98, 13% of all assistance was devoted to marketing; this contribution rose to 22% in 1998-99 and will continue to climb as the volume of Canadian products expands and the industry approaches maturity and full international stature.

Cédérom Riopelle
d. Sophie Malouin
Tram Design Multimédia
This entertaining and interactive CD-ROM provides a wealth of information on the life of celebrated Québec artist Jean-Paul Riopelle. It features 400 of the artist's works, more than 100 works by his contemporaries, one hour's worth of archival video and sound, and 1,000 photographs.

Buddy Brush and the Painted Playhouse
ITP Entertainment
This enhanced CD-ROM offers children aged two to five an innovative, interactive musical adventure. To date, licensing agreements have been signed with the Netherlands, Belgium, France, Italy, Spain and Taiwan. The CD-ROM will also be distributed through the Edutainment Catalog, which has more than 1.7 million subscribers among parents and educators across North America.



LOOKING TO THE FUTURE

This annual report attests to a year marked by increased efficiency, effective adjustments and well-targeted initiatives, all aimed at ensuring that Telefilm Canada enters the 21st century in pace with Canada's dynamic and rapidly evolving audiovisual industry.

As a cultural investor, Telefilm will pursue its tradition of supporting high-quality feature film, television and multimedia projects. While consolidating its mandate, the Corporation will also join with its various client groups to promote a number of important matters.

- **Renewal of the Canadian Television Fund.** This fund is one of the great public-private sector success stories. It has proven to be a key instrument in the growth of Canadian television, and Canada's entire audiovisual community is eager to see it renewed.
- **New feature film policies.** Telefilm will be an important partner for both the government and the industry in defining new policies for Canadian cinema. These policies will ensure that our films take their rightful place on both domestic and foreign screens. The Corporation will continue to advocate the injection of new funding for feature films.
- **Increased support for multimedia.** The rapidly expanding multimedia sector offers a wide range of original products that warrant greater visibility. Telefilm will provide increased promotional support for this industry at home and abroad.
- **Training and new talent.** More than ever, Telefilm will be involved in the federal government's priority initiatives for young people, training and the development of emerging talent. It is essential that new voices from all regions of the country be heard.
- **Small- and mid-size businesses.** Telefilm will continue to support projects from large Canadian companies but will provide increased assistance for small- and mid-size businesses to assist them in developing the infrastructures necessary for corporate growth.
- **International vision.** The development of international partnerships is integral to Telefilm's mandate and remains a priority. Among other initiatives, the Corporation will encourage greater synergy among the international partners of Canadian producers.
- **Increased revenues.** Revenues serve to cover Telefilm's administrative expenses and provide additional money for production activities. It should be noted that every single dollar recouped translates into approximately three production dollars; in other words, recoupment triples production activity. The Corporation will also be seeking new sources of financing.
- **Administrative challenges.** The Corporation will continue to decentralize its services. Performance measures and an activity-based costing program will be implemented. Employees will benefit from professional development initiatives to help them better serve the industry. And Telefilm intends to maintain its administrative expenses below 9% of its commitments.

Financial statements

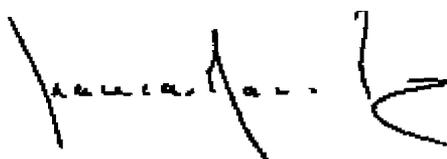
The financial statements of the Canadian Film Development Corporation are the responsibility of management and have been approved by the Board of Directors of the Corporation. The financial statements have been prepared in accordance with generally accepted accounting principles and, where appropriate, include estimates based on the experience and judgment of management. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent with the financial statements.

Management maintains books of account, financial and management control, and information systems, together with management practices designed to provide reasonable assurance that reliable and relevant information is available on a timely basis, that assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, and that operations are carried out effectively. These systems and practices are also designed to provide reasonable assurance that transactions are

in accordance with the *Financial Administration Act* and its regulations, the *Canadian Film Development Corporation Act*, the by-laws and policies of the Corporation, the Memoranda of Understanding, and the Contribution Agreements with the Department of Canadian Heritage.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting as stated above. The Board exercises its responsibilities through the Audit Committee, which consists of directors who are not officers of the Corporation. The Audit Committee reviews the quarterly financial statements, as well as the annual financial statements and related reports; the Committee meets with the external auditors annually, and may make recommendations to the Board of Directors with respect to these and/or related matters.

The external auditor, the Auditor General of Canada, conducts an independent examination of the financial statements and reports to the Corporation and to the Minister of Canadian Heritage.



François Macerola
Executive Director



Danny Chalifour
Director, Finance and Administration

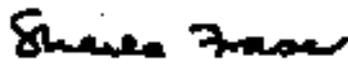
Montreal, Canada
May 28, 1999

I have audited the balance sheet of the Canadian Film Development Corporation as at March 31, 1999 and the statements of operations and equity of Canada and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and its cash flow for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied, after giving retroactive effect to the change in the method of accounting for Government funding for depreciable properties as explained in note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation and the financial statements are in agreement therewith and the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and regulations, the *Canadian Film Development Corporation Act* and the by-laws of the Corporation.



Sheila Fraser, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 28, 1999

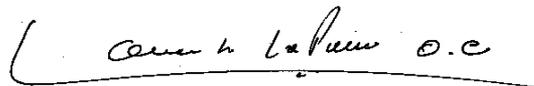
BALANCE SHEET

March 31, 1999, with comparative figures for 1998

	1999 In thousands of dollars	1998 In thousands of dollars Restated (Note 3)
Assets		
Current assets		
Loans (note 4)	1,075	2,889
Receivable from Canada (note 5)	27,777	38,112
Accounts receivable	5,242	3,913
Prepaid expenses	681	628
	<u>34,775</u>	<u>45,542</u>
Loans (note 4)	5,340	3,489
Investments	109	34
Capital assets (note 6)	1,816	2,232
	<u>42,040</u>	<u>51,297</u>

See accompanying notes to financial statements.

Approved by the Board:


Laurier L. LaPierre, O.C.
Chairman

	1999 In thousands of dollars	1998 In thousands of dollars Restated (Note 3)
Liabilities and Equity of Canada		
Current liabilities		
Accounts payable and accrued liabilities	8,145	11,729
Long-term liabilities		
Provision for employee termination benefits	773	757
Deferred lease inducements	83	110
Deferred capital funding (note 7)	1,816	2,232
	2,672	3,099
Equity of Canada	31,223	36,469
Commitments (note 11)		
Contingencies (note 13)		
	42,040	51,297

See accompanying notes to financial statements.

Approved by Management:



François Macerola
Executive Director

STATEMENT OF OPERATIONS & EQUITY OF CANADA

Year ended March 31, 1999, with comparative figures for 1998

	INVESTMENTS In thousands of dollars	RECOVERIES ON INVESTMENTS In thousands of dollars	1999 NET AMOUNT In thousands of dollars	1998 NET AMOUNT In thousands of dollars Restated (Note 3)
Assistance expenses				
Production and development				
Canadian television fund (note 9)	109,149	(12,120)	97,029	100,895
Feature film fund	20,062	(2,806)	17,256	11,412
Official co-productions	1,619	12	1,631	1,166
Multimedia	1,476	(373)	1,103	566
Production revenue sharing program	1,821	(836)	985	2,635
Commercial production fund	1,191	(1,087)	104	6,028
Other	370	(41)	329	550
	135,688	(17,251)	118,437	123,252
Distribution and marketing				
Feature film distribution fund	10,897	(5,068)	5,829	5,422
National and international marketing	1,631	(242)	1,389	1,351
	12,528	(5,310)	7,218	6,773
Versioning and subtitling				
	2,516	(1,665)	851	853
Complementary activities				
Grants to Canadian festivals	1,879	—	1,879	1,520
Industrial and professional development	1,536	—	1,536	1,452
Pre Professional development	1,300	—	1,300	1,325
Participation in foreign markets	724	—	724	532
Participation in foreign festivals	520	—	520	572
Advertising, promotion & publications	457	—	457	432
Other	183	—	183	282
	6,599	—	6,599	6,115
	157,331	(24,226)	133,105	136,993
Operating expenses (note 10)			15,770	14,354
Cost of operations for the year			148,875	151,347
Revenue				
Interest on loans			(161)	(715)
Other interest			(264)	(208)
Management fees			(33)	(37)
			(458)	(960)
Net cost of operations for the year before government assistance			148,417	150,387
Government assistance				
Parliamentary appropriation for operations			78,301	80,723
Contributions from the Department of Canadian Heritage (note 8)			64,291	76,800
Amortization of deferred capital funding (note 7)			579	685
			143,171	158,208
Net profit (loss) from operations			(5,246)	7,821
Equity of Canada at the beginning			36,469	28,648
Equity of Canada at the end			31,223	36,469

See accompanying notes to financial statements.

CASH FLOW STATEMENT

Year ended March 31, 1999, with comparative figures for 1998

	1999 In thousands of dollars	1998 In thousands of dollars Restated (Note 3)
Operating activities		
Net profit (loss) from operations	(5,246)	7,821
Adjustments for:		
Increase (decrease) in the allowance for loan impairment	31	(249)
Write-off of loans not previously provisioned	39	—
Amortization of capital assets	529	650
Loss on disposal of capital assets	44	20
Increase in the provision for employee termination benefits	16	60
Decrease in deferred lease inducements	(27)	(28)
Amortization of deferred capital funding	(579)	(685)
	(5,193)	7,589
Variations in non-working capital cash items		
Increase in accounts receivable	(1,329)	(97)
Increase in prepaid expenses	(53)	(252)
Decrease in accounts payable and accrued liabilities	(3,584)	(8,636)
	(10,159)	(1,396)
Financing activities		
Parliamentary appropriation for capital funding	163	423
Investing activities		
Loans	(5,568)	(5,268)
Reimbursements of loans	5,461	10,198
Investments	(75)	(34)
Reimbursements of investments	—	265
Acquisition of capital assets	(163)	(423)
Proceeds from disposal of capital assets	6	15
	(339)	4,753
Increase (decrease) in liquidity	(10,335)	3,780
Receivable from Canada at the beginning (note 5)	38,112	34,332
Receivable from Canada at the end (note 5)	27,777	38,112

See accompanying notes to financial statements.

1. AUTHORITY AND ACTIVITIES

The Corporation was established in 1967 by the *Canadian Film Development Corporation Act* with the objective of fostering and promoting the development of a feature film industry in Canada. The Corporation has since been charged with the administration of the Canadian Broadcast Program Development Fund (Television Fund) established on July 1, 1983 within the framework of the Broadcasting Strategy for Canada as well as with the management of various new programs established under the National Film and Video Policy of May 1984. The Act was amended in June 1994 to grant the Corporation the authority to guarantee loans.

In September 1996, the Minister of Canadian Heritage created the Canadian Television Fund (CTF). Created to foster a partnership between the government and the industry, this new fund brings together the Corporation's television fund and the cable distributors production fund. Two financial assistance programs constitute the CTF: the equity investment program and the license fee program. The Corporation was given the responsibility for the management of the equity investment program.

In July 1997, the Corporation was given the responsibility for the administration of the funding program in support of pre-professional development and in July 1998, the management of the Multimedia Fund.

The Corporation is a Crown corporation subject inter alia to the provisions of Part VIII of the *Financial Administration Act* as it read before its repeal in 1984 and as if it continued to be named in Schedule C of the Act.

2. SIGNIFICANT ACCOUNTING POLICIES

a) **Financing sources of the Corporation**

The Corporation obtains its funds mainly from the Government of Canada by means of the parliamentary appropriation and the contributions from the Department of Canadian Heritage. The portion of the parliamentary appropriation used to finance the acquisition of depreciable capital assets is recorded as deferred capital funding on the balance sheet and amortized on the same basis as the related capital assets. The other portion of the parliamentary appropriation and the contributions from the Department of Canada Heritage are recorded on the Statement of Operations and Equity of Canada.

b) **Liquidity and amount receivable from Canada**

The financial operations of the Corporation are processed through the Consolidated Revenue Fund of Canada, thus the absence of bank accounts. For the purposes of the financial statements, its liquidity consists of a receivable from Canada. The amount receivable from Canada is comprised of the unused cumulative receipts and the disbursements made after year end and related to current year operations.

c) **Investments and allowance for losses**

Investments include all forms of assistance granted for feature films and Canadian programming, excluding loans. Investments are accounted for as follows:

- Investments granted in return for a share in operating revenues and accompanied by pre-established obligations to reimburse on a term generally not exceeding three years are shown on the balance sheet at their face value, less an allowance for losses. The allowance for losses is determined by examining each investment individually and is charged to operations as assistance expenses.
- Investments granted in return for a share in operating revenues other than those accompanied by pre-established obligations to reimburse as well as non-recoverable investments are charged to operations as assistance expenses. These expenses are charged to operations in the year in which the funds are paid or have become payable.
- Recoveries on investments, other than those recognized on the balance sheet, are credited to operations as a reduction of assistance expenses in the year in which the funds are received or have become receivable. Any proceeds in excess of the related investment are accounted for as revenues.

d) **Loans and allowance for losses**

The Corporation grants loans for the financing of Canadian programming, feature films and new media. Loans are shown on the balance sheet at the principal amount increased by accrued interest receivable, net of an allowance for impairment. The allowance for losses is determined by examining each loan individually and is charged to operations as assistance expenses. The evaluation is based on the receivables taken as security as well as the borrower's financial situation.

A loan is considered to be impaired as a result of a deterioration in credit quality to the extent that the Corporation no longer has reasonable assurance that the full amount of principal and interest will be collected in accordance with the terms of the loan agreement. When a loan is considered impaired, the carrying amount of the loan is reduced to its estimated realizable value by discounting the expected cash flows at the effective interest rate inherent in the loan.

e) **Interest revenue**

Interest on loans is recorded as income on an accrual basis except for loans which are considered impaired. When a loan becomes impaired, recognition of interest in accordance with the terms of the original loan agreement ceases.

f) **Other interest revenue**

Other interest revenue is recognized on an accrual basis and represents the amounts charged on all amounts, other than loans, due to the Corporation, less an allowance for losses. This allowance for losses is determined by examining each amount individually.

g) Capital assets

Capital assets are recorded at cost. Amortization is provided using the following methods and annual rates:

ASSET	BASIS	RATE
Computer installations	Diminishing-balance	20%
Software	Straight-line	5 years
Furniture and equipment	Diminishing balance	20%
Leasehold improvements	Straight-line	Terms of the leases

h) Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment. The cost of these benefits is expensed in the year in which they are earned by the employees.

i) Pension plan

Admissible employees participate in the superannuation plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the plan. This contribution represents the total liability of the Corporation. Contributions in respect of current services and admissible past services are expensed during the year in which payments are made. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

j) Measurement uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. The allowance for losses on impaired loans, employee termination benefits and contingencies are the most significant items where estimates are used. Actual results could differ from those estimates.

3. CHANGE IN ACCOUNTING POLICY

Previously, parliamentary appropriations received from the government of Canada and the contributions from the Department of Canadian Heritage were presented in the Equity of Canada. In order to conform to the new recommendation of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, the Corporation now records the parliamentary appropriation used to finance the acquisition of depreciable capital assets as deferred capital funding on the balance sheet, and amortizes it on the same basis as the related capital assets. The balance of the parliamentary appropriation and the contributions by the Department of Canadian Heritage are presented on the Statement of Operations and Equity of Canada. As a result of this change in accounting policy, which has been applied retroactively, the Equity of Canada has been reduced by \$1,816,000 (\$2,232,000 in 1998), the deferred capital funding has been increased by an equivalent amount and the net profit from operations has been increased by \$416,000 (\$262,000 in 1998).

4. LOANS AND ALLOWANCE FOR LOSSES

Loans with a carrying value of \$5,020,537 granted for production and marketing projects in the Multimedia Fund are interest-free loans. Generally these loans are repayable in twelve consecutive equal monthly installments beginning twelve to twenty-four months after the agreed completion date of the project. For other loans, interest charged does not exceed the prime rate plus 2%. The loans have a term generally not exceeding three years.

As at March 31, the loans are detailed as follows:

	AMOUNT	ALLOWANCE	1999	1998
	In thousands	FORLOSSES	NET	NET
	of dollars	In thousands	AMOUNT	AMOUNT
		of dollars	In thousands	In thousands
			of dollars	of dollars
Loans	6,260	(9)	6,251	6,378
Impaired loans	680	(516)	164	—
	6,940	(525)	6,415	6,378
Less current portion	1,600	(525)	1,075	2,889
	5,340	—	5,340	3,489

4. LOANS AND ALLOWANCE FOR LOSSES (CONTINUED)

The allowance for losses is detailed as follows:

	1999 In thousands of dollars	1998 In thousands of dollars
Balance at beginning	1,004	2,079
Write-offs	—	(166)
Recoveries	(510)	(660)
Allowance	31	(249)
Balance at end	525	1 004

5. RECEIVABLE FROM CANADA

The receivable from Canada presented on the cash flow statement includes the following amounts recognized on the balance sheet:

	1999 In thousands of dollars	1998 In thousands of dollars
Unused cumulative receipts	19,926	26,524
Disbursements made after year end and related to current year operations	7,851	11,588
	27,777	38,112

6. CAPITAL ASSETS

	COST AMORTIZATION In thousands of dollars	ACCUMULATED In thousands of dollars	1999 NET In thousands of dollars	1998 NET In thousands of dollars
Computer installations	3,688	2,904	784	936
Software	3,218	2,722	496	620
Leasehold improvements	1,364	1,050	314	409
Furniture and equipment	2,064	1,842	222	267
	10,334	8,518	1,816	2,232

7. DEFERRED CAPITAL FUNDING

The amount presented on the balance sheet is detailed as follows:

	1999 In thousands of dollars	1998 In thousands of dollars
Balance at beginning	2,232	2,494
Parliamentary appropriation for capital funding	163	423
Amortization of deferred capital funding	(579)	(685)
Balance at end	1,816	2,232

8. CONTRIBUTIONS FROM THE DEPARTMENT OF CANADIAN HERITAGE

The contributions received from the Department of Canadian Heritage are detailed as follows:

	1999 In thousands of dollars	1998 In thousands of dollars
Canadian Television Fund – Equity Investment Program	57,241	75,500
Multimedia	5,750	—
Pre Professional Development	1,300	1,300
	64,291	76,800

9. CANADIAN TELEVISION FUND – EQUITY INVESTMENT PROGRAM

The Equity Investment Program is financed by a contribution from the Department of Canadian Heritage and the annual operating budget of the Corporation. The cost of operations for the program excluding operating expenses is detailed as follows:

	CORPORATION	DEPARTMENT	1999 TOTAL In thousands of dollars	1998 TOTAL In thousands of dollars
Investments				
Canadian programming	52,073	41,009	93,082	94,582
Feature films	–	16,067	16,067	17,049
	52,073	57,076	109,149	111,631
Recoveries on investments	(10,157)	(1,963)	(12,120)	(10,736)
	41,916	55,113	97,029	100,895

10. OPERATING EXPENSES

	1999 In thousands of dollars	1998 In thousands of dollars
Salaries and employee benefits	8,480	8,161
Rent, taxes, heating and electricity	2,150	2,033
Professional services	1,700	1,048
Office expenses	1,114	1,006
Travel	788	764
Advertising and publications	605	323
Amortization	529	650
Telecommunications	227	230
Relocation	108	62
Hospitality	69	77
	15,770	14,354

11. COMMITMENTS

a) Projects

As at March 31, 1999, the Corporation is committed contractually to advance funds as loans and investments:

	CORPORATION In thousands of dollars	DEPARTMENT In thousands of dollars	TOTAL In thousands of dollars
Canadian Television Fund – Equity Investment Program	11,642	9,676	21,318
Other programs	8,109	969	9,078
	19,751	10,645	30,396

In addition the Corporation has accepted to finance projects that may call for disbursements totalling \$823,522. Under a production revenue sharing program, the Corporation has reserved funds totalling \$1,812,117 as at March 31, 1999 for the financing of projects yet to be submitted under certain conditions.

b) Leases

The Corporation has entered into long-term leases for the rental of office space and equipment used in its operations. The aggregate minimum annual rentals payable during subsequent years are as follows:

	TOTAL In thousands of dollars
2000	2,266
2001	2,284
2002	2,168
2003	2,148
2004	550
2005-2008	77
	9,493

12. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business, and are recorded at exchange value.

13. CONTINGENCIES

The Corporation guarantees the reimbursement of loans or debts incurred by third parties with financial institutions within the loan guarantee program. The total amount of the Corporation's guarantees cannot exceed, at any time, \$25,000,000. The interest rate cannot exceed the lending institutions' prime rate plus 2%, and eligible security must be obtained from the borrower. The guarantees as at March 31, 1999 totalled \$2,660,961 (1998 – \$2,106,740). A provision for losses is recorded when management can estimate that a loss is likely to occur.

In the ordinary course of business, various claims and lawsuits have been brought against the Corporation. In the opinion of management, the losses, if any, which may result from the settlement of the matters are not likely to be material and accordingly no provision has been made in the accounts of the Corporation. In the event that such expenses were to occur, they would be charged to expense when determined.

14. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts reported for investments, accounts receivable, accounts payable and accrued liabilities and commitments on projects approximate their fair value due to the relatively short periods to maturity of the instruments.

The following table presents the carrying amounts and fair values of the Corporation's other financial instruments:

	1999		1998	
	CARRYING AMOUNT In thousands of dollars	FAIR VALUE In thousands of dollars	CARRYING AMOUNT In thousands of dollars	FAIR VALUE In thousands of dollars
Short-term loans	1,075	952	2,889	2,694
Long-term loans	5,340	4,524	3,489	3,104

The fair values of loans have been established by discounting the future contractual cash flows under current loan arrangements, at discount rates equal to the prevailing market rate of interest for financial instruments having substantially the same terms and characteristics.

15. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

16. COMPARATIVE FIGURES

Some of the 1998 comparative figures have been reclassified to conform with the presentation adopted for 1999.