



 Telefilm Canada

A cultural investor in cinema, television, new media and music



Annual Report 2001-02

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MAN WITH IRONS FISTS | THE BROTHERS
Seriality Point Films
THE HOUSE OF THE DEAD PART II
Film Fobuleux Inc. / Entertainment Ltd.
Triptych Media Inc. / Second Wave Productions Inc.
THE BROTHERS | THE BROTHERS
Triptych Media Inc. / Second Wave Productions Inc.
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Board Members

as at March 31, 2002



Charles Bélanger
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Montréal, Quebec



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Vice-Chair
Montréal, Quebec



Bluma Appel
Member
Toronto, Ontario



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Chair
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Member
Montréal, Quebec



Elvira Sánchez de Malicki
Member
Etobicoke, Ontario



Jacques Bensimon
Member ex officio
Government Film Commissioner
Montréal, Quebec

Senior Management

as at March 31, 2002



Richard Stursberg
Executive Director



Danny Chalifour
Director – Finance and Administration



Danielle Dansereau
Director – Communications
and Public Affairs



Guy DeRepentigny
Director – Policies, Planning
and Research



Elizabeth Friesen
Interim Director – Canadian Operations



Stella Riggi
Director – Human Resources



Johanne St-Arnauld
Director – International Relations

Letter to the Minister

Montréal, June 25, 2002

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 Members, the 34th Annual Report of the Canadian Film Development Corporation (now called Telefilm Canada) as well as the financial statements for the year ended March 31, 2002.

Yours very truly,

The Chair,

Charles Bélanger

Management

as at June 25, 2002

Richard Stursberg
Executive Director

Atlantic Region Office

Ralph Holt
Director – Atlantic Region Office
and Sector Head – Professional and Sectoral Training

Quebec Office

Michel Pradier
Director – Quebec Office
and Sector Head – Television

Louise Deslauriers
Interim Director – Business Unit
Feature Film

Jean-Daniel Eigenmann
Interim Director – Business Unit
Television

Ontario Office

Karen Franklin
Head of Development and Implementation
of National Standards

John Galway
Interim Director – Ontario Office
and Sector Head – Feature Film

John Fulton
Director – Business Unit
Feature Film and New Media

Paul Dollar
Director – Business Unit
Television

Western Region Office

Lauren Davis
Interim Director – Western Region Office
and Sector Head – New Media

John Dippong
Director – Business Unit
Feature Film

Earl Hong Tai
Interim Director – Business Unit
Television

COMMUNICATIONS AND PUBLIC AFFAIRS

Danielle Dansereau
Director – Communications
and Public Affairs

FINANCE AND ADMINISTRATION

Danny Chalifour
Director – Finance and Administration

Marina Darveau
Controller

Carolle Brabant
Director – Systems, Technologies
and Contract Management

Shelley Stein-Sacks
Director – Music Entrepreneur Program

GENERAL COUNSEL

Stéphane Odesse
Interim General Counsel and
Access to Information Coordinator

HUMAN RESOURCES

Stella Riggi
Director – Human Resources

INTERNATIONAL RELATIONS

Sheila de La Varenne
Interim Director – International Relations
and Director – European Office

MEDIA

Elizabeth Friesen
Director – Media

Guy DeRepentigny
Director – Policies, Planning
and Research and Corporate Secretary

Message from the Chair

In March 2002, very early in my term as Chair of the Board of Telefilm Canada, I was invited by the National Screen Institute FilmExchange to share my vision of Telefilm and the Canadian industry with festival participants and the Edmonton business community. That experience in Canada's heartland allowed me, once again, to measure Telefilm's importance and the high expectations of its clients and partners.

During its 35-year history, and precisely because of its long-standing commitment, Telefilm has played a fundamental structural role by banking on excellence and diversity. Its support at the regional, national and international levels has enabled our young industry to organize itself and to become dynamic and daring, first in film and television, then in the new creation and distribution technologies. With an annual growth rate of 10%, this industry ranks among the country's most effective sectors, providing the public with an increasingly vast choice of stories and images that illustrate Canadian experiences, values and aspirations.

That said, the cultural industries remain fragile, and they operate at high risk despite repeated success. In large part, these industries are composed of small and medium-sized businesses struggling to survive from one year to the next. The competition for access to public and private funding is increasingly fierce. And while the Canadian public is limited, foreign – not to say American – production maintains its strong appeal.

Increase Our Market Share

To consolidate their valuable and indisputable assets, the Canadian cultural industries must now increase their market share, both domestic and international. That is one of the keys to their strength, to their autonomy and, indeed, to their future. But much remains to be done if our creators are to truly take-up their territory and claim their rightful place in the hearts of Canadians: it is this task that the Telefilm team will be tackling in the coming years, and they will have the full cooperation of the Corporation's Board in doing so.

Telefilm will work creatively and consistently, with an eye to balance and fairness, an ever-open ear for its partners, in all regions of the country and a view to the long term. There will be pitfalls and difficulties, but the chances of success will increase dramatically if they are sustained by the power of synergy.

Foster a Coherent, Convergent Approach

We live in a world of high-speed change and growing complexity. It is in this context that the Canadian Heritage portfolio, including the Department of Canadian Heritage, Telefilm and the other portfolio agencies, have taken steps to foster an integrated approach to dealing with cultural concerns. This approach will lead to a clear grasp of the issues, which go well beyond the scope of any single partner. The most promising solutions are coherent and convergent, and respect each partner's mandate.



Charles Bélanger

In that regard, I want to salute the Interdepartmental Partnership with Official-Language Communities (IPOLC), of which Telefilm is an active member. IPOLC encourages Francophones in Acadia, Ontario and the West in making a significant contribution to Canadian culture. From project development to training and promotion, IPOLC has proven to be a key ally for creators and producers striving to portray the reality of their communities.

Reflect Canadian Cultural Diversity

Reflecting the cultural diversity of our country is an important matter. The Charter of Rights and Freedoms and the Multiculturalism Policy afford all Canadians the same dignity and a fundamental right to freedom of expression. Yet despite the invaluable contribution of filmmakers like Mina Shum, Clement Virgo and Deepa Mehta, to name but a few, Canadian screens mirror little of our country's multicultural richness.

Over the past year, Telefilm has made a real effort to work more closely with ethnic communities. The Canada Showcase program, for instance, now supports festivals and events whose programming highlights Canadian pluralism and furthers mutual understanding among all Canadians. Nonetheless, stronger cohesion is needed at the federal level in order to maximize the impact of existing financial resources and programs. Telefilm intends to work with the Department of Canadian Heritage, the CBC, the National Film Board of Canada, the Canada Council for the Arts and other agencies to promote the equitable participation of Canadians of every origin in the audiovisual industry. As much as possible, we must eliminate the obstacles they face by encouraging them to develop an action plan and measurable goals, and to pursue appropriate training and develop lasting business relationships.

Message from the Executive Director

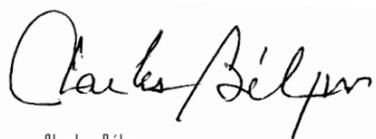
On Behalf of the Board

The Canadian industry enjoyed great success in 2001-02, both at home and abroad. It participated in international festivals and markets in record-breaking numbers and launched more than 100 coproductions – such as David Cronenberg's *Spider* and *Les Fils de Marie* by Carole Laure, shown at the 2002 Cannes Film Festival – confirming that Canadian producers are held in high esteem by their foreign counterparts.

With respect to the Corporation's Board, I wish to point out that the Government has renewed the terms of Jeanine C. Beaubien and Louise Pelletier for five years. Congratulations to them both.

I want to thank François Macerola, who chaired Telefilm from July 2001 to February 2002 after serving as the agency's Executive Director for six years. At the request of the Minister of Canadian Heritage, Mr. Macerola is currently heading a review of the definition of Canadian content that has underpinned the industry support system for the past 30 years. It goes without saying that Telefilm is contributing to this important exercise.

My congratulations go as well to Richard Stursberg and his team for what they have accomplished these past months. Telefilm Canada's Board and management are working together to make the Corporation a foremost reference in cultural programs and services to the industry.



Charles Bélanger

It was with a great deal of enthusiasm that I took up my duties as Executive Director of Telefilm Canada in January 2002. A public agency of this size and scope truly impacts cultural life in this country by supporting the creation and distribution of a broad range of first-rate products accessible to Canadians in a variety of media from coast to coast.

How would I qualify the year 2001-02? Certainly as one of transition, but also in many respects as one of consolidation.

Fiscal 2001-02 was marked by the start-up of the Canada Feature Film Fund, which doubles the resources for Canadian cinema and provides end-to-end industry support, from script to screen; by the increase and diversification of support for new creation and distribution technologies through the Canada New Media Fund; and by the establishment of the Music Entrepreneur Program, which expands Telefilm's cultural industry mandate. This program, part of the Canada Music Fund, is a first for the Corporation, since it focuses exclusively on companies by supporting the development and implementation of business plans.

Telefilm is constantly adapting its policies and strategies to industry needs and changes in the audiovisual landscape. An outside firm was hired in the fall of 2001 to conduct a nationwide survey aimed at assessing the quality of the Corporation's services and the level of satisfaction of its clients. Telefilm also heard directly from close to a hundred clients and partners brought together for a three-day summit in December 2001 under the banner *Towards Tomorrow*.

With the results of the summit and the survey in hand, I was able to begin my mandate by addressing two specific issues: prioritizing Telefilm's major objectives and defining ways to improve our services to the industry.

The message the industry sent us can be summed up as follows: Telefilm is an important, even vital, agency, but it could operate "faster and better." Clearly, the demand is for Telefilm to have a vision, processes and services commensurate with its capacity to act and with its budget, which now stands in excess of \$230 million a year.

A Central Objective: To Reach Audiences

Accordingly, we have defined a new business vision centred on a clear, measurable objective: to build larger audiences for Canadian cultural products. This inclusive objective obliges us to consider the entire chain of industry activities from the standpoint of performance. Public investments must translate into abundant, diverse, high-quality production, but that production must also appeal to Canadians. The act of creating, let us remember, finds its full meaning when the finished work reaches its public.

The added financial resources for new media are therefore earmarked in part for marketing and promoting Canadian products. And our support for music entrepreneurs is designed to strengthen the music sector, from creation to audiences, taking into account the national and worldwide sales of both established and emerging firms.



Richard Stursberg

For feature films, the target is 5% of the domestic box office by 2006, up from the current average of less than 2%. Other countries have led by example in recent years: in Germany, the box-office take for national products has risen to 13%; in Great Britain, to 20%; and in France, to more than 40% of the market.

The task will not be easy, despite the doubled financial resources, since our objective requires that, by 2006, the market share for French-language films increase from 9% to 12%, and that for English-language films, from 1% to 4%. Diversity remains the best recipe for success. Comedies have great appeal, as we saw once again in 2001-02 with *Les Boys III*, produced in Montréal, and *Men With Brooms*, produced in Toronto. But Quebec's performance is also tied to other types of films like *Hochelaga*, *Maelström*, *15 février 1839*, *Le Collectionneur*, *Un crabe dans la tête* and *La Mystérieuse Mademoiselle C.*, all of which grossed between \$475,000 and more than \$1 million.

For 2002-03, we have strengthened the provisions of the Canada Feature Film Fund designed to increase audiences: the selective component of the CFFF, based on comparative project assessment, now prioritizes films with good audience potential and considers criteria such as the distributor's financial contribution to a film's release. Moreover, we have clearly set out our marketing and promotion requirements, and the minimum hurdle rate of our investments in cases where they exceed \$1 million.

Should we be rethinking our support for television along the lines of the comprehensive, script-to-screen approach adopted for features, with a more pronounced audience focus? One thing is sure: we are looking for better rating methods than those currently available, which give partial and sometimes contradictory results. To define effective strategies for the future, it is essential that we have an accurate picture of program reach – by genre, by category, by region, by type of broadcaster and by language.

Priority to SMEs, at Home and Abroad

The fall 2001 survey delivered a clear consensus on the need to support the growth of Canadian small and medium-sized businesses more effectively. Important steps in that direction were taken during the year.

The performance-based component of the CFFF provides envelopes for companies that do well at the box office and allows them to produce the films of their choice. Within the Canadian Television Fund, Telefilm created the SME Distribution Program to provide distributors with envelopes for acquiring the rights to big-budget productions. And in conjunction with the CTF and the Interdepartmental Partnership with Official-Language Communities (IPLC), Telefilm instituted a support program for television project development, which is reserved for Francophone SMEs in linguistic minority situations.

The Corporation's international support is focused on SME development. Our European office organized the annual immersion session in Paris, giving more than 35 SME representatives the opportunity to forge valuable ties with coproduction partners. At certain major markets, Telefilm and a dozen Canadian associations and agencies joined forces in the Canada Pavilion, thus drawing more SMEs to these events, making it possible to offer them better rates and services, and enhancing their visibility in a competitive environment. It certainly bears mentioning that *Moving Pictures* magazine voted the Canada Pavilion best of the 2002 Cannes Film Festival!

Fast, Efficient, Transparent Processes and Communications

We have begun to simplify our administrative processes, and a working group on due diligence has been struck for this purpose. The formalities required of smaller companies and of any company applying for support in a modest amount will be considerably reduced. Furthermore, as part of standardizing our processes nationwide, we will develop a customer service charter that defines what the industry can expect from us, and what Telefilm expects from the industry.

Our new website, launched in the spring of 2002, is more informative and more interactive; in short, more effective. Each of our Canadian offices has its own portal, a direct, privileged connection to its clientele. We are also working on the gradual implementation of an extranet that will enable us to further automate business contacts with our clients.

Compelling Annual Results

Telefilm's commitments in 2001-02 amounted to \$208.3 million, up 17% from the year before. This result is attributable to the new funding for feature films and new media. The administrative expenses represent 9.5% of these commitments, a reasonable percentage if you take into account the introduction of new industry support programs and new information systems.

Telefilm financed 956 production and development projects, a record number. The Corporation allocated 65% of its resources to projects in English, 34% to projects in French and 1% to projects in Aboriginal languages.

In closing, I want to congratulate François Macerola for his contribution to Telefilm this year, first as Executive Director, then as Chair of the Board. My thanks go to the Telefilm Board, our colleagues at the Canadian Television Fund, the Feature Film Advisory Group, the New Media Advisory Committee and the industry for their collaboration. And I warmly salute all of Telefilm's employees, some of whom valiantly held down interim positions this past year: as last fall's survey has shown, their expertise and commitment constitute one of our agency's most valuable assets.



Richard Stursberg

2001-02 Commitments

| | Commitments for New Projects In millions of dollars | Amendments to Previous-Year Contracts In millions of dollars | Total In millions of dollars |
|--|---|---|---------------------------------|
| Canadian Television Fund | | | |
| Equity Investment Program | | | |
| Production | 103.1 | 0.2 | 103.3 |
| Development | 4.5 | 0.4 | 4.9 |
| Total | 107.6 | 0.6 | 108.2 |
| Canada Feature Film Fund | | | |
| Development, Production and Marketing Programs | | | |
| Production | 37.2 | (0.8) | 36.4 |
| Development | 2.7 | 1.2 | 3.9 |
| Marketing (disbursements) | 9.7 | 1.8 | 11.5 |
| Official coproductions (mini-treaties) | 1.1 | 0.0 | 1.1 |
| Subtotal | 50.8 | 2.1 | 52.9 |
| Complementary Activity Programs | 4.1 | 0.5 | 4.6 |
| Screenwriting Assistance Program | 1.9 | 0.1 | 2.0 |
| Low Budget Independent Feature Film Assistance Program | 2.0 | 0.1 | 2.1 |
| Total | 58.9 | 2.8 | 61.6 |
| Canada New Media Fund | | | |
| Product Assistance | 9.1 | (0.2) | 9.0 |
| Distribution Assistance | 0.1 | 0.0 | 0.1 |
| Sectoral Assistance | 1.0 | 0.0 | 1.0 |
| Total | 10.2 | (0.1) | 10.1 |
| Production Revenue Sharing Program | 0.8 | 0.1 | 0.8 |
| Official coproductions – mini-treaties (television) | 0.6 | (0.1) | 0.6 |
| Versioning (television) | 1.5 | 0.0 | 1.5 |
| Other funds and programs | | | |
| Regular Fund | 0.2 | 0.0 | 0.2 |
| International Marketing | 0.7 | 0.0 | 0.7 |
| Market Participation (television) | 0.7 | 0.0 | 0.7 |
| Grants to Canadian Festivals (television) | 0.2 | 0.1 | 0.3 |
| Industrial and Professional Development | 1.1 | (0.1) | 1.0 |
| National Training Program in the Film and Video Sector | 0.7 | 1.7 | 2.4 |
| Other forms of support | 0.3 | 0.0 | 0.3 |
| Total | 3.9 | 1.6 | 5.6 |
| Administrative expenses¹ | - | - | 19.8 |
| Total | 183.6 | 4.8 | 208.3 |

1. Excludes expenses related to the Canadian Television Fund's Board of Directors.

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

From Coast to Coast



ATLANTIC REGION
Ralph Holt, Director

Atlantic Canada upheld its tradition of quality production in 2001-02, with television again accounting for the bulk of the crop. Several series found favour with both domestic and international audiences. The long-running *Made in Canada* continued to perform well; the notoriously funny *Trailer Park Boys* was renewed for a third season; and *Trudeau*, a mini-series exploring the legacy of the most enigmatic prime minister in Canadian history, drew critical acclaim and in excess of 1.75 million viewers per night.

Atlantic documentaries ring with fervour, telling the region's stories, recounting its history and revealing its people. Among this year's notables are *Eastern Tide*, an anthology series that gives voice to untold tales of the Wabanaki people (primarily Mi'kmaq), and *Fool Proof*, a humorous and intriguing look at the world of clowning.



TRUDEAU
Big Motion
Pictures Ltd.

The year's features include *The Bay of Love and Sorrows*, in which a young man attempts to live on both sides of the railway track with tragic results; *Marion Bridge*, a traditional Eastern tale of bittersweet homecoming; and the first three films from the "Seats 3A & 3C" collection, shot on digital video: Tricia Fish's *dragonwheel*, Thom Fitzgerald's *The Wild Dogs* and Daniel MacIvor's *Past Perfect*. *Rare Birds*, funded in 2000-01, won the Atlantic Film Festival Audience Award prior to its cross-Canada release.

In its fourth year of operation, the Emerging Filmmaker Program – an Atlantic office initiative – supported promising talent from New Brunswick, Newfoundland and Nova Scotia with funding for strong first works: Justin Sims's *Ashore*, Shandi Mitchell's *Baba's House*, Jonathan Collicott's *Pale Blue Glass*, and Jay Dahl's *The Wedding Video*.

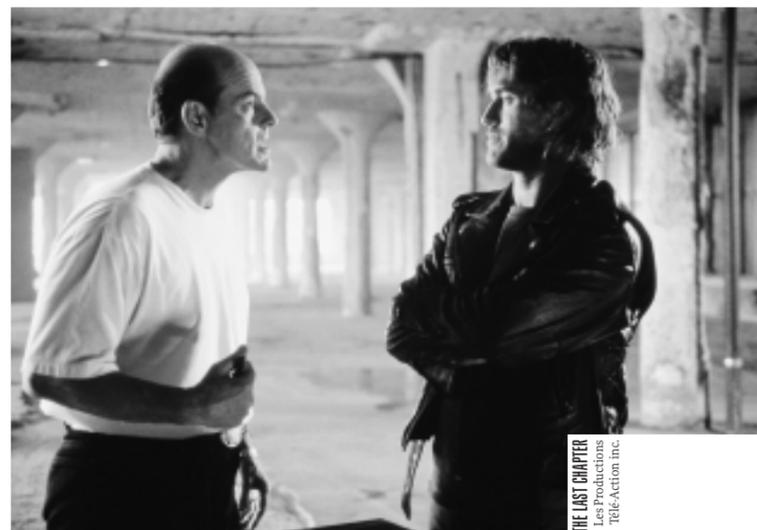
Many innovative new media products were financed, among them *Made in Canada Online*, a website that takes users into a wholly "made in Canada" world, and *Project Ecolab*, a site where children learn about natural evolution by creating unique life forms for release into a virtual environment.

QUEBEC

Michel Pradier, Director

Quality and innovation remained the watchwords for the Quebec industry. On television, series like *Fortier*, *Willie* and *The Last Chapter/Le Dernier Chapitre* drew an average of 1.5 million viewers, while new drama such as *Tabou* and *Cauchemar d'amour* earned enviable ratings. *Ayoye!* and *Ramdam* joined *Bonjour Madame Croque-Cerise* and *Cornemuse* on the children's program hit parade. Documentaries explored human relations (*Entre père et fils*), mental illness (*Oppression III*), famous people and events (*100 Québécois qui ont fait le XX^e siècle*, *1701 La Grande Paix de Montréal*), nature (*L'Esprit des lieux*) and culture (*Claude Jutra, portrait sur film*).

Six features released during the year chalked up over \$12 million in combined box-office receipts: *Les Boys III*, *Le Collectionneur*, *K2*, *La Mystérieuse Mademoiselle C.*, *Nuit de noces* and *Savage Messiah*. As well, films such as *15 février 1839*, *L'Ange de goudron* and *Un crabe dans la tête* garnered awards at home and abroad.



THE LAST CHAPTER
Les Productions
Tele-Action Inc.

The eagerly awaited features financed in 2001-02 include first works – *Québec-Montréal* by Ricardo Trogi and *Comment ma mère accoucha de moi durant sa ménopause* by Sébastien Rose – as well as second features – *20 h 17* by Bernard Émond and *La Turbulence des fluides* by Manon Briand – and new films from seasoned directors like Léa Pool (*Mariposa Azul*), Denise Filiatrault (*L'Odyssée d'Alice Tremblay*) and Charles Binamé (*Un homme et son péché*).

The Canada New Media Fund drew strong demand, with Quebec producers making their mark in games and convergence project design. The Quebec office also supported the new media training program run by the Institut national de l'image et du son (INIS).

Lastly, this office maintained its support for Francophones outside Quebec through the Interdepartmental Partnership with Official-Language Communities (IPOLC), encouraging project development, training and professional development.



ONTARIO

Karen Franklin, Director

The Ontario office's commitment to increasing audiences for Canadian cinema paid off in 2001-02, with supported films garnering not only awards, but the attention of moviegoers across the country and around the world. Paul Gross's *Men With Brooms* hit domestic screens in March 2002 and grossed close to \$4 million in two months. The Cannes Film Festival selected two Ontario productions for its 2002 official line-up: *Ararat* by Atom Egoyan, a dramatization of the Armenian genocide, and David Cronenberg's *Spider*, adapted from Canadian author Patrick McGrath's novel.

On Their Knees, a feature from writer-director-star Anais Granofsky supported in 2000-01 out of the successful Low Budget Independent Feature Film Assistance Program of the Canada Feature Film Fund (CFFF), won the Best Director Award at the Reel Black Gala and the Best Canadian Feature Award at the ReelWorld Film Festival. This program has financed many Ontario productions, some of which will be seen in upcoming festivals. The English-language component of the Screenwriting Assistance Program (CFFF) selected 53 projects from the region for financing. The Toronto office hosted the juries, made up of industry peers, for the three submission deadline dates.

In the area of new media, there was a marked increase in the quality of projects this year. The websites *GirlStuff*, *BoyStuff*, *Juno Beach Virtual Museum*, *degrassi.tv* and others show great promise. And in order to increase showcase opportunities for new media products, Telefilm Canada was a major sponsor of DigiFest, Ontario's newest interactive digital media festival.



MEN WITH BROOMS
Serenity
Point Films

Television production continued to flourish. *Degrassi: The Next Generation* went to air with a new interactive Web component, attracting nationwide audiences; the MOW *Tagged: The Jonathan Wamback Story* drew 1.5 million viewers; and young viewers tuned in faithfully to *Sciences Point Com II*. Two big-budget, groundbreaking documentaries – *Going to the Movies*, by acclaimed director Gail Singer, and Shelley Saywell's *Street Nurse* – were financed, and *The Rings of Saturn*, a dance-drama special whose cast includes Sonja Smits and world-renowned dancer Rex Harrington, also received financing from Telefilm Canada.

In the area of new media, there was a marked increase in the quality of projects this year. The websites *GirlStuff*, *BoyStuff*, *Juno Beach Virtual Museum*, *degrassi.tv* and others show great promise. And in order to increase showcase opportunities for new media products, Telefilm Canada was a major sponsor of DigiFest, Ontario's newest interactive digital media festival.

Events



WESTERN REGION

Lauren Davis, Interim Director

In feature films, it was a great year for the West. *Atanarjuat* picked up the Cannes Golden Camera award for a first feature, nine international awards and six Genies. *Last Wedding*, by Bruce Sweeney, opened the Toronto International Film Festival, where *Inertia* from Winnipeg's Sean Garrity won Best Canadian First Feature Film. At the Vancouver International Film Festival, the Telefilm Canada Award for Best Emerging Western Director went to Robert Cuffley for *Turning Paige*. The Sundance Festival featured *Christmas at Wapos Bay* by Dennis Jackson, *Fubar* by Michael Douse and *Lola* by Carl Bessai. The Berlin Festival also screened *Lola*, as well as Anne Wheeler's *Suddenly Naked*.

In the television field, *Nuclear Dynamite* brought home six international awards from festivals ranging from Beijing, China, to Parma, Italy. *Da Vinci's Inquest* maintained strong audience appeal and picked up Best Dramatic Series and Best Performer by a Lead Actor awards at the Geminis. Eight of the twelve projects pitched at the Mannheim Documentary Market were from Western Canada. Moreover, the Western industry welcomed the Canada New Media Fund with open arms and record-breaking demand for support for innovative, top-flight projects.

A seven-city Western training tour delivered skill enhancement to Aboriginal producers, with expert advisors from Telefilm, broadcasters and public agencies detailing their programs and providing case study information on the intricacies of the television production business.

Telefilm's Asia-Pacific Initiative and the Canadian Consulate in Shanghai presented a Canadian Film Panorama at the 2001 Shanghai International Film Festival. Producers Niv Fichman (*Last Night*), Shan Tam (*Lunch with Charles*) and Claude Gagnon (*Winter Stories*), along with director Michael Parker (*Lunch with Charles*), participated in festival and market events. At the 2001 Banff Television Festival, a Canada-Singapore Networking Lunch drew 27 Singapore producers and 40 Canadians. Seven Canadian companies participated in Telefilm's umbrella stand at the 2001 Asia Television Forum in Singapore.



LOLA
Passenger
Films Inc.



MONT-TREMBLANT SUMMIT 2001

In December 2001, Telefilm Canada brought together over 100 Canadian industry players under the banner "Towards Tomorrow."

Tonya Lee Williams (The Publicity Group), Charles Bélanger, Chair of Telefilm Canada, Guy DeRepentigny, Director - Policy, Planning and Research, Shan Tam (Holiday Pictures Ltd.), Julia Keatley (Keatley Films Ltd.)



NATIONAL SCREEN INSTITUTE FILMECHANGE

Charles Bélanger, Chair of Telefilm Canada, Carole Vivier, formerly with Manitoba Film & Sound, Dave Angus, President of the Winnipeg Chamber of Commerce



MEN WITH BROOMS SCREENING

The *Men With Brooms* screening in Ottawa drew the Right Honourable Jean Chrétien, Prime Minister, the Honourable Sheila Copps, Minister of Canadian Heritage, Richard Stursberg, Executive Director of Telefilm Canada and more than 500 guests.



MIPTV 2002

Hosted by Telefilm Canada and partners, the Canada Pavilion was an indispensable business centre!



CANNES FESTIVAL 2002

Atom Egoyan, director of *Ararat*, shown out of competition, with Richard Stursberg, Executive Director of Telefilm Canada

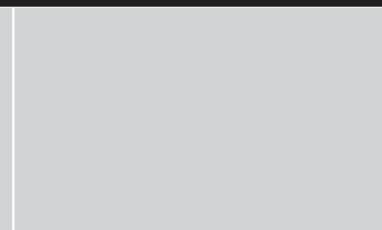
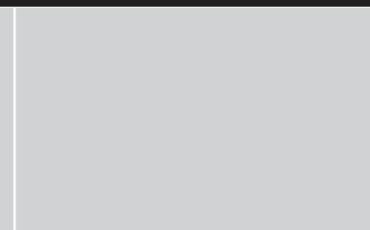
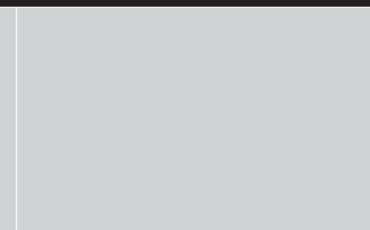


IMMERSION EUROPE 2001

Canadian producers reap business benefits at the Europe immersion sessions organized by Telefilm Canada's European office.

J.J. Lousberg (Film Council), Michael Schmetz (Film Board Berlin Brandenburg), Sheila de la Varenne (Telefilm Canada/Europe), Gail Thomson (UMOC), Bill House (Alliance Atlantis), Diane Dubé (The Completion Guarantors (TGC) Inc.), Bryan Freeman (CBC International Sales), Valerie Creighton (Saskfilm and Video Development Corporation), Suzanne Laverdière (Société Radio-Canada)

Television



Canadian Television Fund – Equity Investment Program

Projects contracted – Production, screenwriting and development

| | Number of Projects ¹ | Total Budgets ² In thousands of dollars | Telefilm Canada In thousands of dollars |
|--|---------------------------------|---|--|
| French | | | |
| Production | 115 | 149,986 | 33,937 |
| Amendments – Production ³ | – | – | 315 |
| Subtotal | 115 | 149,986 | 34,252 |
| Screenwriting and development | 81 | 5,116 | 1,517 |
| Amendments – Development ³ | – | – | 89 |
| Subtotal | 81 | 5,116 | 1,606 |
| Subtotal - French | 196 | 155,103 | 35,857 |
| English | | | |
| Production | 178 | 312,958 | 68,277 |
| Amendments – Production ³ | – | – | (90) |
| Subtotal | 178 | 312,958 | 68,186 |
| Screenwriting and development | 162 | 7,297 | 2,848 |
| Amendments – Development ³ | – | – | 288 |
| Subtotal | 162 | 7,297 | 3,136 |
| Subtotal - English | 340 | 320,254 | 71,323 |
| Aboriginal languages | | | |
| Production | 16 | 6,236 | 869 |
| Amendments – Production ³ | – | – | – |
| Subtotal | 16 | 6,236 | 869 |
| Screenwriting and development | 9 | 347 | 154 |
| Amendments – Development ³ | – | – | (4) |
| Subtotal | 9 | 347 | 150 |
| Subtotal - Aboriginal languages | 25 | 6,582 | 1,019 |
| Total | 561 | 481,939 | 108,199 |

1. Includes three projects also funded through the Canada Feature Film Fund.

2. Includes total coproduction budgets.

3. Amendments include reductions to previous-year commitments.

Canadian Television Fund Equity Investment Program

The mandate of the Canadian Television Fund (CTF) is to encourage the creation and broadcast of original programs that express Canadian society in all its diversity. The Fund strengthens the role of television as a vital medium of cultural expression and, year after year, makes it possible for Canadians to see hundreds of stories that illustrate their reality, their imagination and their dreams in primetime slots. The programs supported by the Fund are highly popular, winning over audiences in all regions of the country and abroad.



FORTIER
Actors
Productions

Jointly funded by the government of Canada and cable and direct-to-home satellite providers, the Canadian Television Fund comprises the Equity Investment Program and the SME Distribution Program, administered by Telefilm Canada, and the Licence Fee Program and the Promotion of Programming Fund, both administered by the CTF.

Equity Investment Program

Through the Equity Investment Program (EIP), Telefilm supports television program and feature film production, as well as the development and scripting of new projects for television.

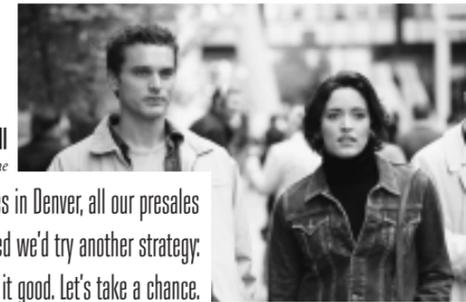
The EIP also administers the CTF envelope devoted to the development and production of projects in Aboriginal languages.

Jordy Randall

Producer, *Tom Stone*

"We were told if we set the series in Denver, all our presales would be solved. We figured we'd try another strategy. Let's make it good. Let's take a chance. Let's do something that doesn't look like everything else."

Globe and Mail, February 19, 2002

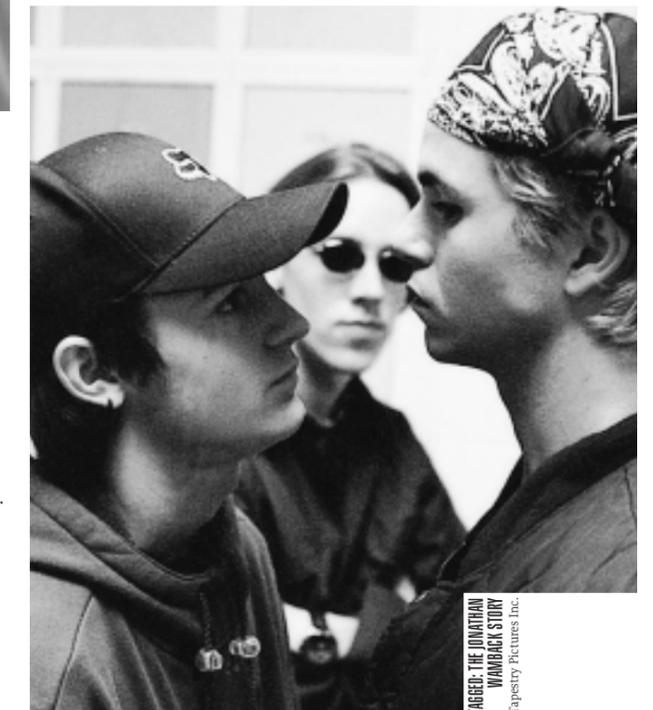


Record-breaking Numbers: 561 Projects, 1,240.5 Production Hours

In 2001-02, the EIP supported 561 projects, up 20% from the previous year and 82% from five years ago. One of the EIP's goals is to offer Canadian audiences an array of products that reflect broad diversity in terms of category, subject matter and regional origin.

To take these projects from script to screen, Canadian producers raised financing for total budgets of \$481.9 million, including the \$9.1 million foreign share of coproductions in which Canada is a minority partner.

This record-breaking activity translated into 1,240.5 peak viewing time production hours, an increase of 15% compared to the previous year. The increase was seen in both English and French production, in the children's program, documentary and variety and performing arts categories.



TAGGED: THE JONATHAN
WAMACK STORY
Tapestry Pictures Inc.



Michel D'Astous
Screenwriter, *Tabou*

"Often, television banks on action and anecdote. With *Tabou*, we wanted to create something very intimate, using close-ups of characters, and delve deep. It's about a couple's quest – ordinary people living an extraordinary situation."

Le Devoir, February 23, 2002

Writing and Development

The EIP supported the writing and development of 252 television projects, compared to 213 in 2000-01. Its participation represented 35% of the total budgets.

The linguistic breakdown is as follows: 63% of commitments was allocated to projects in English, 34% to projects in French and 3% to projects in Aboriginal languages.

In terms of program categories, 52% of the resources went to drama, 37% to documentaries, 9% to children's programs and 2% to variety and performing arts programs.



CEUX QUI ATTENDENT
Productions
Phare Est/Studio
documentaire
Académie (National
Film Board
of Canada)

Production: A Broad Array of Genres and Subjects

In television production (excluding feature films and projects in Aboriginal languages), 58% of the EIP's investments went to drama, 22% to documentaries, 17% to children's programs and 3% to variety and performing arts programs.

100 DAYS IN THE JUNGLE
Imagination Film and
Television Film
Productions Inc./
Secant Entertainment
Group, Inc.



Wayne Grigsby

Scriptwriter, Producer, Executive Producer, *Trudeau*

"He was a guy who made the country go, 'Wow!' – so we needed a film that would make the country go, 'Wow!'"

The Gazette, March 30, 2002

The documentary industry maintained strong growth: 192 documentaries were produced this year, compared to 151 the previous year and 110 two years ago. And for the second year in a row, the number of documentary hours increased by 40%.

A similar upswing occurred in children's programs, where the number of projects rose by 38% and broadcast hours by 28%.

**Canadian Television Fund – Equity Investment Program
Analysis of Financial Participation**

Production only – New projects contracted

| Categories | Number of Projects ¹ | Hours of Production | Total Budgets | Budgets ² | CTF – Equity Investment Program | | Canada Feature Film Fund | | Telefilm Canada Other Funds (PRSP) | | 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 | % | In thousands of dollars | % | In thousands of dollars | % | In thousands of dollars | % |
| French | | | | | | | | | | | | | | | | | | | | | | |
| Drama | 21 | 136.0 | 62,379 | 62,379 | 17,477 | 28.0 | – | 0.0 | – | 0.0 | 12,878 | 20.6 | 16,204 | 26.0 | 1,442 | 2.3 | 140 | 0.2 | 14,238 | 22.8 | – | 0.0 |
| Variety | 8 | 27.0 | 6,049 | 6,049 | 1,458 | 24.1 | – | 0.0 | – | 0.0 | 586 | 9.7 | 1,712 | 28.3 | 917 | 15.2 | – | 0.0 | 1,316 | 21.8 | 60 | 1.0 |
| Children | 12 | 258.8 | 29,240 | 29,240 | 4,225 | 14.4 | – | 0.0 | – | 0.0 | 5,669 | 19.4 | 11,670 | 39.9 | 803 | 2.7 | 242 | 0.8 | 6,587 | 22.5 | 45 | 0.2 |
| Documentaries | 71 | 208.5 | 42,813 | 42,452 | 8,534 | 20.1 | – | 0.0 | – | 0.0 | 8,136 | 19.2 | 10,943 | 25.8 | 1,738 | 4.1 | 272 | 0.6 | 12,116 | 28.5 | 713 | 1.7 |
| Feature films | 3 | 4.9 | 9,505 | 9,505 | 2,242 | 23.6 | 378 | 4.0 | 200 | 2.1 | 500 | 5.3 | 660 | 6.9 | 808 | 8.5 | 1,000 | 10.5 | 3,103 | 32.6 | 614 | 6.5 |
| Subtotal | 115 | 635.2 | 149,986 | 149,625 | 33,937 | 22.7 | 378 | 0.3 | 200 | 0.1 | 27,768 | 18.6 | 41,189 | 27.5 | 5,708 | 3.8 | 1,653 | 1.1 | 37,361 | 25.0 | 1,432 | 1.0 |
| English | | | | | | | | | | | | | | | | | | | | | | |
| Drama | 31 | 170.0 | 165,405 | 161,629 | 37,694 | 23.3 | – | 0.0 | 200 | 0.1 | 29,660 | 18.4 | 39,168 | 24.2 | 17,252 | 10.7 | 13,723 | 8.5 | 21,275 | 13.2 | 2,658 | 1.6 |
| Variety | 5 | 5.8 | 5,161 | 5,161 | 1,565 | 30.3 | – | 0.0 | – | 0.0 | 925 | 17.9 | 1,223 | 23.7 | 623 | 12.1 | 138 | 2.7 | 462 | 9.0 | 225 | 4.4 |
| Children | 17 | 108.0 | 70,612 | 65,676 | 11,558 | 17.6 | – | 0.0 | 319 | 0.5 | 8,413 | 12.8 | 12,206 | 18.6 | 11,714 | 17.8 | 6,011 | 9.2 | 8,815 | 13.4 | 6,639 | 10.1 |
| Documentaries | 121 | 240.9 | 57,985 | 57,985 | 12,685 | 21.9 | – | 0.0 | 10 | 0.0 | 9,490 | 16.4 | 19,351 | 33.4 | 4,153 | 7.2 | 805 | 1.4 | 9,879 | 17.0 | 1,612 | 2.8 |
| Feature films | 4 | 7.0 | 13,795 | 13,795 | 4,776 | 34.6 | 630 | 4.6 | – | 0.0 | 1,294 | 9.4 | 630 | 4.6 | 1,597 | 11.6 | 1,325 | 9.6 | 2,839 | 20.6 | 705 | 5.1 |
| Subtotal | 178 | 531.7 | 312,957 | 304,246 | 68,277 | 22.4 | 630 | 0.2 | 529 | 0.2 | 49,783 | 16.4 | 72,578 | 23.9 | 35,339 | 11.6 | 22,001 | 7.2 | 43,271 | 14.2 | 11,838 | 3.9 |
| Aboriginal languages | 16 | 73.6 | 6,236 | 6,235 | 869 | 13.9 | – | 0.0 | – | 0.0 | 1,704 | 27.3 | 1,321 | 21.2 | 661 | 10.6 | – | 0.0 | 1,680 | 26.9 | – | 0.0 |
| Total | 309 | 1,240.5 | 469,179 | 460,105 | 103,082 | 22.4 | 1,008 | 0.2 | 729 | 0.2 | 79,255 | 17.2 | 115,088 | 25.0 | 41,708 | 9.1 | 23,655 | 5.1 | 82,311 | 17.9 | 13,270 | 2.9 |

1. Includes three projects also funded through the Canada Feature Film Fund.
2. Does not include the foreign share (\$9,073,193) of coproductions in which Canada is a minority partner. All percentages are calculated on these amounts.

List of Tables: Supplemental Information

Telefilm and its Network of Partners

EIP funding, which accounted for 22.4% of the total production budgets this year, is crucial to making projects happen. As the Analysis of Financial Participation table shows, the combined participation of Telefilm and the Canadian Television Fund – counting support from the Corporation's other funds and the Licence Fee Program – amounts to 40% of the budgeted costs, a substantial increase of 36.8% over the previous year.



THE RINGS OF SATURN
Mossanen Productions

Overall, the EIP allocated 34% of its resources to projects destined for CBC/Radio-Canada and 66% to projects destined for other broadcasters.

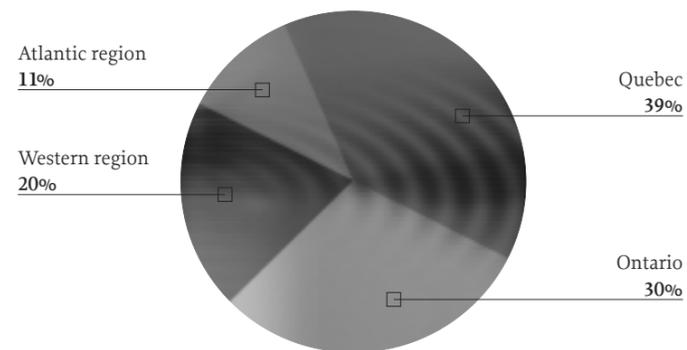
Once again, broadcasters, the private sector (producers, services, funds and private investors), Canadian distributors, other government sources and foreign participants made a very sizable contribution to the vitality of the Canadian television industry.

Broadcaster participation continued to rise, representing 25% of the production budgets. It was proportionately higher for documentaries and children's programs.

Support from other government sources (federal and provincial agencies) in the form of tax credits and investments rose by 10%, resulting in increased production in Newfoundland, Nova Scotia, Quebec, Saskatchewan and Alberta.

Regional Breakdown of Funding

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



Linguistic Breakdown of Funding

The Corporation provided equitable funding for development and production in English (66% of commitments), French (33%) and Aboriginal languages (1%).

Telefilm devoted 15% of its commitments to projects in linguistic minority situations, with \$15.7 million going to 82 projects, nearly double the amount of the year before. A total of 46 projects produced in English in Quebec received \$11.2 million, while 36 French-language projects from New Brunswick, Ontario, Manitoba, Alberta and British Columbia received \$4.5 million.



DA VINCI'S INQUEST
Haddock Entertainment/Barra Alper Productions Inc.

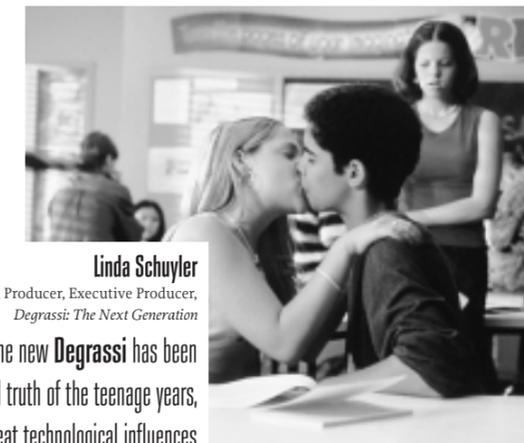


UN HOMME ET SON PÉCHÉ
Cité-Américaine

Feature Films: Seven Productions

The EIP administers half of the Canadian Television Fund's envelope earmarked for feature films, i.e. \$7.5 million. In 2001-02, the EIP supported the production of seven features, four of which were from Montréal: *Un homme et son péché* by Charles Binamé, *The Book of Eve* by Claude Fournier, *Le Piège d'Issoudun* by Micheline Lanctôt and *Le Goût des jeunes filles* by John L'Écuyer. One originated in Vancouver, *The Burial Society* by Nicholas Raczy; another in Toronto, *Long Life, Happiness and Prosperity* by Mina Shum; and *Marion Bridge* by Wiebke Von Carolsfeld was produced in Halifax.

For its part, the Canada Feature Film Fund, which is discussed in the following section of this report, backed the production of 54 features through its Development, Production and Marketing Programs, the Low Budget Independent Feature Film Assistance Program and the mini-treaties with France.



Linda Schuyler
Co-creator, Producer, Executive Producer,
Degrassi: The Next Generation

"So, the challenge of the new *Degrassi* has been to keep the emotional truth of the teenage years, while reflecting the great technological influences on these young people's life."

Globe and Mail, March 13, 2002

Coproduction

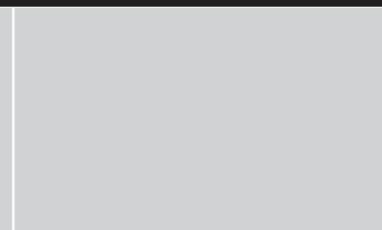
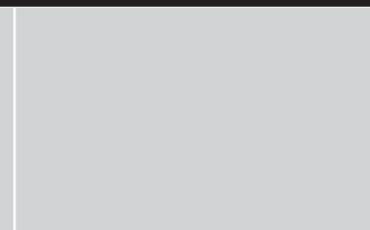
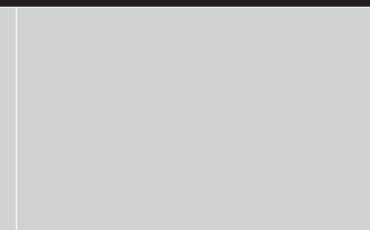
In 2001-02, the EIP helped to finance 16 coproductions with investments of \$9.5 million. Twelve of these works are majority Canadian ventures. The principal coproducing countries were the United Kingdom and France, but coproductions were also produced with Ireland, China, Singapore, Austria and Denmark.

Altogether, the budgets of these coproductions amount to \$59.5 million. The Canadian share is \$38.9 million, with the EIP assuming 23% of that amount.



GIRLSTUFF, BOYSTUFF
Decode Entertainment Inc./Agogo Entertainment Ltd. (Hong Kong)/Agogo Entertainment Ltd. (United Kingdom)

Feature Film



Canada Feature Film Fund

Projects contracted

| | Number of Projects ¹ | Total Budgets ² In thousands of dollars | Telefilm Canada Total Commitments ³ In thousands of dollars |
|---|------------------------------------|--|---|
| Development, Production and Marketing Programs | | | |
| Development | 106 | 6,252 | 2,718 |
| Amendments – Development | – | – | 1,154 |
| Subtotal | 106 | 6,252 | 3,873 |
| Production | 37 | 213,885 | 37,227 |
| Amendments – Production | – | – | (811) |
| Subtotal | 37 | 213,885 | 36,416 |
| Marketing (disbursements) | | | |
| Acquisition of rights to Canadian feature films | 41 | 10,277 | 4,699 |
| Marketing of Canadian feature films | 41 | 10,430 | 5,001 |
| Amendments – Marketing | – | – | 1,762 |
| Subtotal | 82 | 20,707 | 11,462 |
| Mini-treaties with France | 6 | 26,205 | 1,145 |
| Total | 231 | 267,049 | 52,896 |
| Complementary Activity Programs | | | |
| Grants to promotional activities | 2 | 8,087 | 350 |
| Alternative distribution networks | 15 | 5,805 | 476 |
| Canadian festivals | 36 | 27,549 | 1,686 |
| Versioning (theatrical) | 12 | 583 | 454 |
| Participation in foreign markets | – | – | 87 |
| Participation in foreign festivals | – | – | 775 |
| Publicity and publications | – | – | 234 |
| Other | – | – | 48 |
| Amendments – Complementary Activities | – | – | 533 |
| Total | 65 | 42,024 | 4,643 |
| Screenwriting Assistance Program | 146 | 1,939 | 1,939 |
| Amendments – Screenwriting | – | – | 86 |
| Total | 146 | 1,939 | 2,025 |
| Low Budget Independent Feature Film Assistance Program | 12 | 6,735 | 2,010 |
| Amendments – Low Budget Features | – | – | 50 |
| Total | 12 | 6,735 | 2,060 |
| Total | 454 | 317,747 | 61,623 |

1. Includes three projects also funded through the CTF Equity Investment Program.

2. Includes total coproduction budgets.

3. Includes amendments to previous-year commitments.

Canada Feature Film Fund

The Canada Feature Film Fund (CFFF), which began operating in April 2001, is the cornerstone of the Canadian Feature Film Policy. The CFFF increases and re-centres government support by adopting an integrated approach to financing that covers all aspects of film industry activity, from screenwriting to international marketing.

The CFFF takes over from the Feature Film Fund, the Feature Film Distribution Fund and other complementary film support programs previously administered by Telefilm Canada. The new fund is focused on performance. Its primary objective is to build larger audiences for Canadian features in order to see them capture a 5% share of the domestic box office by 2006.



During its first year of operation, the Fund supported Canadian feature film writers, directors, producers and distributors through programs and financial instruments tailored to the industry. The result has been top-quality movies made with bigger budgets on average, and launched with more effective marketing. The Corporation has also refined its support strategies for festivals and markets to ensure that these events help Canadian creators connect with audiences.

Annual Budget and Commitments

The Canadian Feature Film Policy has doubled the resources for Canadian cinema, which now stand at \$100 million. Excluding the Canadian Television Fund's \$15-million envelope earmarked for features – half of which is administered by Telefilm through the Equity Investment Program – and the nearly \$5 million administered by organizations other than Telefilm, the budget of the Canada Feature Film Fund is close to \$80 million. This amount includes the administrative expenses related to program delivery.

David Cronenberg
Director, *Spider*

"I've integrated [in my work] numerous influences in cinema from around the world, but I think that my films are above all fundamentally Canadian, and lastly guided by my personal vision of the Canadian soul."

Les Cahiers du cinéma, May 2001



The CFFF has four sections, which made the following commitments during the year:

- *Development, Production and Marketing Programs* (also called Main Program), each of which includes a performance-based component and a selective component: \$52.9 million
- *Screenwriting Assistance Program*: \$2 million
- *Low Budget Independent Feature Film Assistance Program*: \$2.1 million
- *Complementary Activity Programs*: \$4.6 million



SAINT MONICA
Fado Films Inc./
Sienna Films Inc./
Day For Night
Motion Pictures
Inc./Rave Film



THE DAY OF LOVE AND SORROWS
Trippych Media Inc./
Second Wave Productions Inc.

In the Fund's first year, to facilitate the transition from the Feature Film Fund, the Department of Canadian Heritage and Telefilm agreed to adopt a flexible approach to managing the Main Program's two components. This allowed producers entitled to a performance-based envelope to use it over more than one year, which partially explains why the resources available in 2001-02 were not fully committed. The year's total commitments amount to \$61.6 million. Exceptionally, the Treasury Board has agreed that nearly \$20 million of the Parliamentary appropriation be carried over for future-year projects.



Rock Demers
Producer, Regina

"I decided I wanted to make films to give (youngsters) an appetite to live."

The Gazette, June 8, 2002

DEVELOPMENT, PRODUCTION AND MARKETING PROGRAMS

In these programs, the CFFF provides support through two components, one performance-based and the other, selective.

**1) Allocation of Resources:
Performance-based Component and Selective Component**

Overall Results

The performance-based component provides envelopes to companies with a good track record at the domestic box office. In 2001-02, 39 production and distribution companies had access to envelopes for use in the projects of their choice, based on their interests and assessment of the market.

The selective component allows other companies to access the Fund and thus contribute to the diversity and success of Canadian cinema. Project selection is made on the basis of comparison and takes into account the creative and financial aspects, the production team, Telefilm's investment recoupment position, audience potential and the applicant's corporate development.

In all, the two components of these programs helped to finance:

- 106 new development projects (performance-based 29; selective 75; both components 2)
- 37 new productions (performance-based 5; selective 14; both components 18)
- 82 new feature film distribution and marketing projects (performance-based 53; selective 27; both components 2)

**Canada Feature Film Fund
Development, Production and Marketing Programs**

Projects contracted

| | Performance-based Component | | Selective Component | Total of Both Components | | |
|---|-----------------------------|---------------|-------------------------|--------------------------|--------------------------|-------|
| | Telefilm Canada | Total | | Telefilm Canada | Total | Total |
| | Commitments | Commitments | Commitments | Budgets ² | Commitments ³ | |
| | In thousands of dollars | | In thousands of dollars | | | |
| Development | | | | | | |
| French | 409 | 424 | 28 | 2,158 | 833 | |
| Amendments to previous-year projects ⁴ | 229 | 223 | — | — | 452 | |
| English | 462 | 1,423 | 78 | 4,095 | 1,885 | |
| Amendments to previous-year projects ⁴ | 209 | 493 | — | — | 703 | |
| Subtotal | 1,310 | 2,563 | 106 | 6,253 | 3,873 | |
| Production | | | | | | |
| French | 5,900 | 7,161 | 14 | 59,874 | 13,061 | |
| Amendments to previous-year projects ⁴ | — | 240 | — | — | 240 | |
| English | 8,825 | 15,341 | 23 | 154,011 | 24,166 | |
| Amendments to previous-year projects ⁴ | 449 | (1,500) | — | — | (1,051) | |
| Subtotal | 15,174 | 21,242 | 37 | 213,885 | 36,416 | |
| Marketing | | | | | | |
| Amendments to previous-year projects ⁴ | 8,463 | 1,236 | 82 | 20,707 | 9,700 | |
| Amendments to previous-year projects ⁴ | 1,740 | 23 | — | — | 1,762 | |
| Subtotal | 10,203 | 1,259 | 82 | 20,707 | 11,462 | |
| Total | 26,687 | 25,064 | 225 | 240,844 | 51,751 | |

1. Includes three projects also funded through the CTF Equity Investment Program.
 2. Includes total coproduction budgets.
 3. Total excludes \$1.1 million allocated through coproduction mini-treaties with France.
 4. Amendments include reductions to previous-year commitments.



QUÉBEC-MONTREAL
Go Films



TURNING PAIGE
CHAOS a film
company inc./
At Shepherd Park
Productions Inc.

Development and Production

Through the performance-based and selective components, the CFFF committed a combined total of \$40.3 million in production and development. The linguistic breakdown shows that 64% of the committed resources went to projects in English and 36% to projects in French. These results are in line with the Fund's Memorandum of Understanding (MOU), which states that at least one third of development and production resources shall be devoted to projects in French.

Of this \$40.3 million, 41% was allocated in the form of performance-based envelopes and 59% through the selective component. The objective for the year set by the MOU was 50/50. Telefilm demonstrated flexibility by allowing producers with a performance-based envelope to retain a portion of the envelope for future projects.

Rodrigue Jean

Scripwriter, Director,
Executive Producer, *Yellowknife*

"I have the feeling that my cinema draws its inspiration directly from life, that it seeks a truth through the characters."

Progrès-Dimanche, March 10, 2002



The two components fostered the creation and telling of a diverse array of excellent stories. Some of the supported projects, such as *Men With Brooms* by Paul Gross and *La Mystérieuse Mademoiselle C.* by Richard Ciupka, have already won over Canadian moviegoers, while Atom Egoyan's *Ararat* and David Cronenberg's *Spider* were selected at the 2002 Cannes Film Festival. Other directors of note this year include well-known names like Deepa Mehta (*Bollywood/Hollywood*), Claude Fournier (*The Book of Eve*) and Robert Morin (*Le Nèg*), promising newcomers like Sébastien Rose (*Comment ma mère accoucha de moi durant sa ménopause*), Kim Nguyen (*Le Marais*) and Katie Tallo (*Posers*), and Manon Briand (*La Turbulence des fluides*), back with her second feature, a Canada-France coproduction.



BOLLYWOOD/HOLLYWOOD
Bollywood/Hollywood Productions

Marketing

Altogether, \$10.2 million was disbursed through the performance-based component (89%) and nearly \$1.3 million (11%) through the selective component. It should be noted that Telefilm agreed to the distributors' request to maintain envelopes of at least \$500,000 for distributors who enjoyed a line of credit under the former Feature Film Distribution Fund in 1999-2000. These envelopes were funded through the selective component.

2) Analysis of the Year's Results

Development and Production

The CFFF was highly effective. In production alone, it supported 37 feature films, compared to an average of 26 during the last three years of the Feature Film Fund. This year's \$37.2 million contribution represents almost double the past three years' average of \$18.9 million. The CFFF assumed 20% of the production budgets, which amounted to \$188.8 million. This low percentage is due to coproductions in which the Corporation participated marginally, in compliance with the \$2.5 million ceiling for projects in the selective component. In *Spider* and *Between Strangers*, which have combined budgets of \$30 million, CFFF participation represents 7% and 13%, respectively.



WILD DOGS
imX communications inc/
Atom Films Ltd.
(United Kingdom)

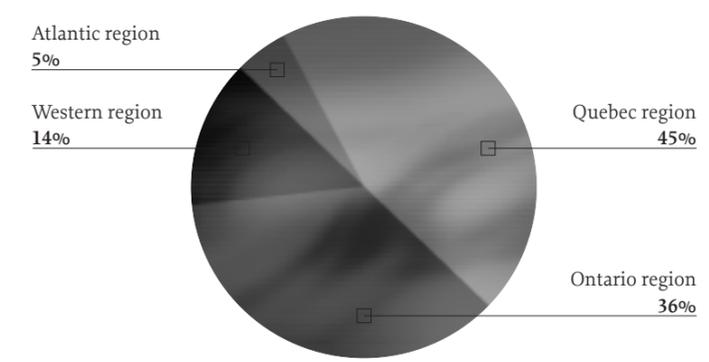
The average feature film budget this year is \$5 million: \$6.3 million for projects in English and \$3.3 million for projects in French. This represents a significant increase over the last three years of the Feature Film Fund, when the average budget was \$3 million. However, the 2001-02 figures must be considered cautiously as they result in part from coproductions with hefty budgets. Of this year's 37 features, 15 are coproductions: 9 of them Canadian majority, 5 Canadian minority and 1 equally financed by the coproducers.

In feature film development, 106 projects were accepted for support, up 3% over the last three years of the Feature Film Fund. The CFFF provided 43% of their combined budgets, development being a high-risk activity for producers but also a highly important activity for everyone, since it ensures the future of Canadian cinema.

This year's 143 production and development projects illustrate creativity from every region of Canada.

Regional Breakdown of Funding

According to the location of the companies with which the Corporation signed production contracts through the Feature Film Fund



Marketing

Through this program, the CFFF provided \$11.5 million in support of distribution company activities, approximately the same amount as in previous years.

At the distributors' request, Telefilm agreed to consider 2001-02 as a year of transition from the practice centred on the acquisition of rights (contribution to the minimum guarantees for producers) to the CFFF's objective, which is to use the available resources solely for product marketing, in line with the Fund's goal to build larger Canadian audiences. The year's results show that 49% of the resources were used to acquire distribution rights, while 51% served to market feature films.

**Canada Feature Film Fund
Development, Production and Marketing Programs – Production Only
Analysis of Financial Participation**

Projects contracted

| | Number of Projects ¹ | Total Budgets In thousands of dollars | Budgets ² In thousands of dollars | Telefilm Canada Other Funds (Mini-treaties and PRSP) | | | | | | Distributors | | Private Sector | | Other Government Sources | | Broadcasters | | Foreign Participants | |
|----------------|---------------------------------|--|---|--|------|---------------------------------|-----|-------------------------|-----|-------------------------|------|-------------------------|------|--------------------------|------|-------------------------|-----|-------------------------|------|
| | | | | Canada Feature Film Fund | | CTF – Equity Investment Program | | 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 | % | | | | | | | | | | | | |
| French | 14 | 59,874 | 43,410 | 13,061 | 30.1 | 142 | 0.3 | 1,005 | 2.3 | 4,951 | 11.4 | 4,027 | 9.3 | 17,412 | 40.1 | 975 | 2.2 | 1,837 | 4.2 |
| English | 23 | 154,011 | 145,433 | 24,166 | 16.6 | 2,668 | 1.8 | – | 0.0 | 27,933 | 19.2 | 20,652 | 14.2 | 21,234 | 14.6 | 3,182 | 2.2 | 45,598 | 31.4 |
| Total | 37 | 213,885 | 188,843 | 37,227 | 19.7 | 2,810 | 1.5 | 1,005 | 0.5 | 32,884 | 17.4 | 24,678 | 13.1 | 38,646 | 20.5 | 4,157 | 2.2 | 47,435 | 25.1 |

1. Includes three projects also funded through the CTF Equity Investment Program.
2. Does not include the foreign share (\$25,041,810) of coproductions in which Canada is a minority partner. All percentages are calculated on these amounts.

List of Tables: Supplemental Information



Robert Lantos

Producer, *Men With Brooms*

"We'd [Paul Gross and I] been talking for a long time about collaborating on a film that would be funny, that would feel good, and be truly Canadian in the fun sense of the word. The way *Due South* was fun. I think we've covered all the bases with this film." *Globe & Mail*, February 23, 2002

It bears noting that significant efforts were made to enhance film marketing. In 2001-02, the CFFF's contribution was in excess of \$5 million. The average marketing budget was \$244,000. The CFFF's targeted average marketing budget is \$500,000.

COMPLEMENTARY ACTIVITY PROGRAMS

Complementary activities help to build and expand audiences at home and abroad. In 2001-02, the CFFF allocated \$4.6 million to activities that enhance and raise the profile of Canadian cinema.

Canadian Festivals and Events

The CFFF supported 36 festivals this year, including Montréal's World Film Festival, the Toronto International Film Festival, the Vancouver International Film Festival and the Atlantic Film Festival, as well as regional festivals, children's festivals, festivals that reflect Canadian diversity and festivals that provide business-building opportunities. The guidelines for assistance to Canadian festivals have been revised to secure prominent positioning for Canadian films and to improve their visibility and promotion. The Fund also supports activities such as the Genie Awards and the Prix Jutra.

International Festivals and Markets

By participating in festivals and markets in other countries, Telefilm helps Canadian films gain the recognition they deserve and encourages international partnerships. The Corporation attends the Berlin and Cannes festivals, and supports Canadian participation at the Independent Film Market in New York and the Sundance Film Festival in Park City. Telefilm publishes production catalogues and special brochures used to promote Canada's industry and products at international events.

Versioning

In 2001-02, 12 Canadian feature films were dubbed into or subtitled in the other official language. Versioning facilitates the circulation of Canadian films in both domestic linguistic markets as well as in foreign markets.

Alternative Distribution Networks

This year, ten feature films benefited from special distribution assistance outside the major circuits. The CFFF also supported the activities of organizations such as Film Circuit in Toronto, Moving Pictures in Vancouver and Réseau Plus in Montréal.



FLOWER & GARNET
Ministry
of Extreme
Circumstances
Films Inc.

LOW BUDGET INDEPENDENT FEATURE FILM ASSISTANCE PROGRAM

This program offers filmmakers the opportunity to create features that are director driven and controlled. In 2001-02, the Program supported 12 films: 9 in production and 3 in post-production. In accordance with the applicable policy, the budgets ranged from \$300,000 to \$750,000, averaging \$560,000.

The Corporation's contribution accounted for 30% of the budgets, the other funding sources being the private sector and private assistance funds, 36%; tax credits and government investments, 21%; distributors, 3%; broadcasters, 5%; and sponsors, 5%.

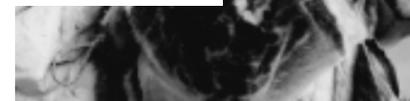
Telefilm directed 30% of its investments to projects in French and 70% to projects in English. The Corporation targets the following breakdown: two-thirds for English-language and one-third for French-language projects. This balance should be achieved in 2002-03.

Norman Cohn

Producer, *Atanarjuat (The Fast Runner)*

"Zacharias often says we're trailblazing. The first person breaks the trail and then it's a little easier for everyone behind. So we have a sense that we have broken a trail."

Toronto Sun, May 21, 2001



This program encourages filmmakers in all regions: 40% of all support went to projects from Quebec, 30% to projects from Ontario, 20% to projects from the West and 10% to projects from the Atlantic region.

The supported features are already adding to the renown of Canadian film: *On Their Knees* was screened at the Toronto International Film Festival and the ReelWorld Film Festival, *Corpus Callosum* at the international Berlin and Rotterdam festivals, *Looking for Leonard* at South by Southwest in Austin, and *Fubar* at Sundance.



LOOKING FOR LEONARD
Frustrated Films Inc.

LONG LIFE, HAPPINESS AND PROSPERITY
Shaftesbury Films/Massey Productions



SCREENWRITING ASSISTANCE PROGRAM

This program encourages recognized screenwriters to pursue their careers and facilitates the emergence of a new generation of storytellers. In 2001-02, the Program's eligibility criteria were expanded to include creators having writing credits for short dramas or point-of-view documentaries.

The year's results are very positive: 146 feature film projects were accepted, including 104 for the treatment stage and 42 for the first draft stage. The projects were selected by two juries composed of screenwriters, directors and distributors, one English-speaking, the other French-speaking. The Corporation's maximum contribution is \$10,500 for stage one and \$14,500 for stage two. For the year, the average per project was \$13,000.

The regional breakdown is as follows: Quebec 46%, Ontario 37%, Western region 15% and Atlantic region 2%. In terms of language, the breakdown indicates that 64% of the resources went to projects in English and 36% to projects in French. The coming year should be fruitful, since the eligibility criteria have been expanded to include professional playwrights, making the program accessible to screenwriters from every cultural horizon.

New Media

| | | |
|--|--|--|
| | | |
|--|--|--|

Canada New Media Fund

Projects contracted

| | Number of Projects | Budgets In thousands of dollars | Telefilm Canada Participation ¹ In thousands of dollars |
|---|-----------------------|------------------------------------|--|
| Product Assistance | | | |
| Pre-development | | | |
| French | 7 | 444 | 156 |
| English | 6 | 315 | 201 |
| Subtotal | 13 | 759 | 356 |
| Development | | | |
| French | 5 | 780 | 301 |
| English | 22 | 2,743 | 946 |
| Subtotal | 27 | 3,524 | 1,248 |
| Production | | | |
| French | 9 | 5,600 | 1,586 |
| English | 20 | 12,494 | 3,711 |
| Subtotal | 29 | 18,094 | 5,297 |
| Marketing | | | |
| French | 11 | 1,678 | 759 |
| English | 17 | 2,906 | 1,329 |
| Subtotal | 28 | 4,584 | 2,088 |
| Subtotal - Product Assistance | 97 | 26,961 | 8,990 |
| Distribution Assistance | | | |
| Marketing | | | |
| French | — | — | — |
| English | 1 | 137 | 66 |
| Subtotal - Distribution Assistance | 1 | 137 | 66 |
| Sectoral Assistance | | | |
| Sectoral development | 6 | 6,847 | 147 |
| Training schools | 2 | 2,218 | 275 |
| Canadian festivals and markets | 1 | 46 | 10 |
| Participation in foreign markets | — | — | 565 |
| Publicity, promotion and publications | — | — | 41 |
| Subtotal - Sectoral Assistance | 9 | 9,110 | 1,038 |
| Total | 107 | 36,208 | 10,094 |

1. Includes amendments to previous-year commitments.

[Table: Regional Breakdown of Projects](#)

Canada New Media Fund

The advent of the Canada New Media Fund (CNMF), which replaced the Multimedia Fund in December 2001, has enabled Telefilm Canada to diversify and consolidate its support for this fast-growing sector. With annual resources that have climbed from \$6 million to \$9 million, the Canada New Media Fund now backs the entire range of industry activities, from creation to domestic and foreign user-base building. To better align creation and distribution efforts, the marketing focus has been reinforced from beginning to end of the new media product life cycle.



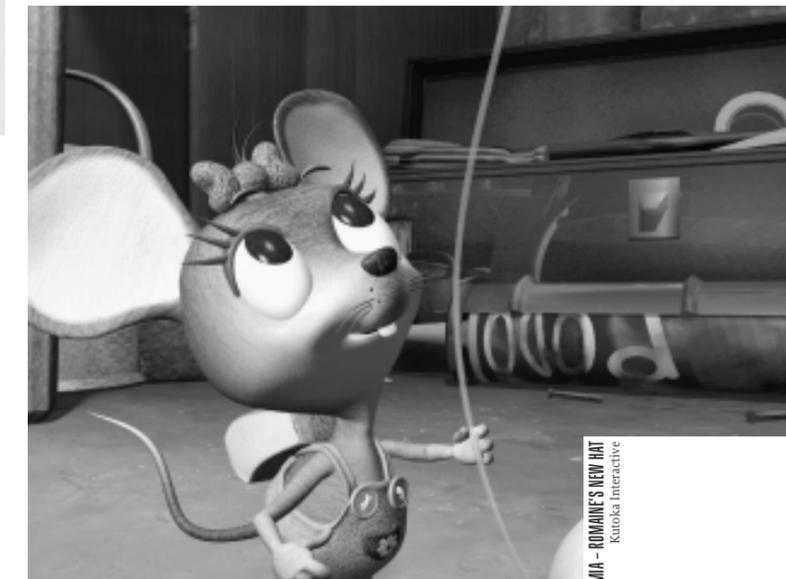
The aim of the Fund is to ensure a strong Canadian presence in the new creation and distribution technologies. In 2001-02, it assisted 107 pre-development, development, production, marketing, online distribution and sectoral development projects, compared to 65 the year before.

Besides the additional resources, several other factors contributed to the upsurge in CNMF applications and augur well for the future: new financial tools (loans, which were constraining for a developing industry, have been replaced by advances repayable from revenues); expanded product eligibility, including products for high-speed and wireless distribution; and the introduction of fixed application deadlines to facilitate industry planning.

Product Assistance

During the year, the CNMF, through the Product Assistance component, encouraged the pre-development, development, production and marketing of original, high-quality new media products that have good commercial potential, come from small and medium-sized companies and reflect the linguistic duality and cultural diversity of Canadian society. These projects cover a wide range of activity: documentaries, reference documents, products for children and youth, and games of all sorts. The favoured platforms include CD-ROMs, DVD-ROMs, websites (often linked to television programs), multimedia installations, products for wireless phone delivery and game consoles.

The CNMF supported 97 projects through this component, compared to 61 the previous year. For the first time, new media support included the pre-development phase, which covers feasibility studies, market assessment, surveys and focus groups, demo production, development of preliminary marketing strategies and other activities. Some 13 projects received support for this phase, while 27 others were assisted in the actual development phase.



In production, Telefilm's contribution shot up by 350%, from \$1.5 million to \$5.3 million, and the number of projects rose from 16 to 29. It bears noting that the average production budget, which was \$360,000 in 2000-01, exceeded \$620,000 this year, illustrating the industry's capacity to develop more ambitious projects with the support of private and public financial partners.

Analysis of the production financing shows that the Fund provided 30% of the budgets; the private sector (producers, distributors, crews, services), 47%; private assistance funds, 12%; federal and provincial tax credits, 6%; broadcasters, 2%; other provincial agencies, 2%; and foreign participants, 1%.

Marketing activities also saw notable growth: the number of projects more than tripled, and the Corporation's contribution rose from \$1.5 million to \$2.1 million, an increase of 40%. The average project budget remained about the same, at some \$160,000 per project. Funding applications for marketing are expected to increase in the coming years, since many new media projects currently in development or production will be completed and ready to conquer new consumers around the world.

The CNMF allocated 69% of this component's resources to projects in English and 31% to projects in French. Montréal and Vancouver have been Canada's leading new media centres for some time, but the Toronto industry also demonstrated remarkable vitality this year.



LIFTOFF SPACE
EFT Entertainment
Technologies Inc.



Online Distribution Assistance Sectoral Assistance

The Distribution Assistance component primarily supports online publishers to bolster the presence and profile of existing new media products on the Internet. A single project was financed for this purpose in 2001-02: *Tyndal Stone Releasing Marketing Program*, a distribution tool out of Vancouver for edutainment products. Telefilm will promote this component more vigorously to ensure that it effectively enhances the distribution of Canada's new media cultural heritage.

Sectoral Assistance support encourages promotion as well as professional and industrial development at home and abroad. The CNMF funded events and activities such as INIS's multimedia training program, the annual Alliance NumériQC conference, the Digifest festival and the Canadian New Media Awards in Toronto, the New Media Institute of the Banff Centre for the Arts and the New Media 2002 section of the Victoria Film Festival. The Corporation also helped finance the Baddeck International New Media Festival in Cape Breton and sponsored one of the most coveted new media awards, which includes a \$5,000 cash prize. The winner was *The Plickey and Muto Series* by Edgar Beals, produced by Eds Head Animation of Halifax.

Telefilm actively supported the international development of Canadian new media companies at MLIA in Cannes, E³ in Los Angeles and the ECTS in London. In addition to promoting Canada's industry and products with ads, brochures and other means, the Corporation acted as an international consultant for the small and medium-sized businesses sharing its umbrella stand. A number of private and public-sector agencies joined forces with Telefilm this year to provide the industry with enhanced services and greater visibility in a highly competitive environment.

Financial Statements

Management Report

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 Canadian 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*, and the by-laws and policies of the Corporation.

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 and Finance Committee, which consists of directors who are not officers of the Corporation. The 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 designated Minister of Canadian Heritage.



Executive Director
Richard Stursberg



Director – Finance and Administration
Danny Chalifour

Montréal, Canada
June 7, 2002

Auditor's Report

To the Minister of Canadian Heritage

I have audited the balance sheet of the Canadian Film Development Corporation as at March 31, 2002, 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 Canadian 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, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Canadian Film Development Corporation Act*, I report that, in my opinion, these principles have been applied 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 *Canadian Film Development Corporation Act* and the by-laws of the Corporation.



Richard Flageole, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 7, 2002

Balance Sheet

As at March 31, 2002

| | 2002 In thousands of dollars | 2001 In thousands of dollars |
|---|---------------------------------|---------------------------------|
| Assets | | |
| Current assets | | |
| Receivable from Canada | — | 37,308 |
| Contributions receivable from the Department of Canadian Heritage | 37,183 | 4,490 |
| Loans (note 3) | 2,007 | 1,601 |
| Accounts receivable | 16,722 | 12,930 |
| Prepaid expenses | 963 | 866 |
| | <u>56,875</u> | <u>57,195</u> |
| Accounts receivable | 409 | 2,049 |
| Loans (note 3) | 245 | 2,062 |
| Investments | 109 | 109 |
| Capital assets (note 4) | 5,664 | 4,322 |
| | <u>63,302</u> | <u>65,737</u> |

See accompanying notes to financial statements.

Approved by the Board:


Charles Bélanger
Chair**Liabilities and Equity of Canada**

| | 2002 In thousands of dollars | 2001 In thousands of dollars |
|--|---------------------------------|---------------------------------|
| Current liabilities | | |
| Payable to Canada | 10,183 | — |
| Accounts payable and accrued liabilities | 6,762 | 22,664 |
| | <u>16,945</u> | <u>22,664</u> |
| Long-term liabilities | | |
| Provision for employees' future benefits | 601 | 518 |
| Deferred lease inducements | 1,231 | 1,069 |
| Deferred capital funding (note 5) | 5,664 | 4,322 |
| Obligation under operating lease | — | 498 |
| | <u>7,496</u> | <u>6,407</u> |
| Equity of Canada | 38,861 | 36,666 |
| Commitments (note 10) | | |
| Contingencies (note 12) | | |
| | <u>63,302</u> | <u>65,737</u> |

See accompanying notes to financial statements.

Approved by Management:


Richard Stursberg
Executive Director

Statement of Operations and Equity of Canada

Year ended March 31, 2002

| | Canadian Television Fund | Canada Feature Film Fund | Canada New Media Fund | Other funds | 2002 Total | 2001 Total |
|---|--------------------------------|--------------------------------|-----------------------------|----------------------------|----------------------------|----------------------------|
| | In thousands of dollars | In thousands of dollars | In thousands of dollars | In thousands of dollars | In thousands of dollars | In thousands of dollars |
| Assistance expenses | | | | | | |
| Production and development | | | | | | |
| Production | 98,427 | 33,725 | 2,435 | 817 | 135,404 | 118,701 |
| Development | 4,485 | 3,608 | 1,541 | 371 | 10,005 | 8,668 |
| Low budget independent feature film assistance | – | 2,246 | – | – | 2,246 | 935 |
| Screenwriting assistance | – | 1,745 | – | – | 1,745 | 449 |
| Official coproductions | – | 946 | – | 483 | 1,429 | 1,400 |
| | 102,912 | 42,270 | 3,976 | 1,671 | 150,829 | 130,153 |
| Distribution and marketing | | | | | | |
| Distribution & marketing | – | 11,517 | 780 | 599 | 12,896 | 14,158 |
| Alternative distribution channels | – | 411 | – | – | 411 | – |
| | – | 11,928 | 780 | 599 | 13,307 | 14,158 |
| Versioning and subtitling | – | 454 | – | 1,402 | 1,856 | 1,255 |
| Complementary activities | | | | | | |
| Grants to professional training schools | – | – | 306 | 2,660 | 2,966 | 2,470 |
| Grants to Canadian festivals | – | 2,136 | 99 | 320 | 2,555 | 2,259 |
| Industrial and professional development | – | – | – | 1,114 | 1,114 | 2,337 |
| Participation in foreign markets | – | 37 | 471 | 590 | 1,098 | 1,018 |
| Participation in foreign festivals | – | 527 | – | – | 527 | 512 |
| Advertising, promotion and publications | – | 234 | 41 | 226 | 501 | 540 |
| Other | – | 388 | 40 | 184 | 612 | 449 |
| | – | 3,322 | 957 | 5,094 | 9,373 | 9,585 |
| | 102,912 | 57,974 | 5,713 | 8,766 | 175,365 | 155,151 |
| Recoveries on investments | (10,948) | (7,065) | (301) | (1,392) | (19,706) | (24,320) |
| Net amount | 91,964 | 50,909 | 5,412 | 7,374 | 155,659 | 130,831 |
| Operating expenses (note 8) | | | | | 20,381 | 16,773 |
| Cost of operations for the year | | | | | 176,040 | 147,604 |
| Revenue | | | | | | |
| Interest on loans | | | | | (24) | (36) |
| Other interest | | | | | (258) | (1,227) |
| Management fees | | | | | (3) | (5) |
| Other contribution (note 7) | | | | | (8,448) | (2,850) |
| | | | | | (8,733) | (4,118) |
| Net cost of operations for the year before government assistance | | | | | 167,307 | 143,486 |
| Government assistance | | | | | | |
| Parliamentary appropriation for operations | | | | | 103,598 | 90,015 |
| Contribution from the Department of Canadian Heritage (note 6) | | | | | 64,975 | 57,350 |
| Amortization of deferred capital funding (note 5) | | | | | 929 | 501 |
| | | | | | 169,502 | 147,866 |
| Net profit from operations | | | | | 2,195 | 4,380 |
| Equity of Canada at the beginning | | | | | 36,666 | 32,286 |
| Equity of Canada at the end | | | | | 38,861 | 36,666 |

See accompanying notes to financial statements.

Cash Flow Statement

Year ended March 31, 2002

| | 2002 In thousands of dollars | 2001 In thousands of dollars |
|--|------------------------------------|------------------------------------|
| Operating activities | | |
| Net profit from operations | 2,195 | 4,380 |
| Adjustments for | | |
| Decrease (increase) in long-term accounts receivable | 1,640 | (2,049) |
| Increase (decrease) in the allowance for loan impairment | (684) | 4,534 |
| Conversion of loans not previously provisionned | 855 | – |
| Write-off of loans not previously provisionned | 82 | – |
| Amortization of capital assets | 870 | 438 |
| Loss on disposal of capital assets | 46 | 63 |
| Increase in the provision for employees' future benefits | 83 | 78 |
| Increase in deferred lease inducements | 162 | 190 |
| Amortization of deferred capital funding | (929) | (501) |
| Decrease of obligation under operating lease | (498) | (498) |
| | 3,822 | 6,635 |
| Variations in non-working capital cash items: | | |
| Increase in contributions receivable from the Department of Canadian Heritage | (32,693) | (4,490) |
| Increase in accounts receivable | (3,792) | (8,840) |
| Increase in prepaid expenses | (97) | (326) |
| Increase (decrease) in accounts payable and accrued liabilities | (15,902) | 15,325 |
| | (48,662) | 8,304 |
| Financing activities | | |
| Parliamentary appropriation for capital funding | 2,271 | 2,710 |
| Investing activities | | |
| Loans | (281) | (3,956) |
| Repayments of loans | 1,439 | 1,506 |
| Acquisition of capital assets | (2,271) | (2,710) |
| Proceeds from disposal of capital assets | 13 | – |
| | (1,100) | (5,160) |
| Increase (decrease) in liquidity | (47,491) | 5,854 |
| Receivable from Canada at the beginning | 37,308 | 31,454 |
| Receivable from (Payable to) Canada at the end | (10,183) | 37,308 |

See accompanying notes to financial statements.

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 responsibility for the management of the Equity Investment Program.

In July 1997, the Corporation was given responsibility for the administration of the funding program in support of pre-professional development and in July 1998, the management of the Canada New Media 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) Amount receivable from Canada or payable to 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, the result of financial operations appears on the balance sheet as an amount receivable from Canada or payable to Canada.

c) Investments and allowance for losses

Investments include all forms of assistance granted for feature films, Canadian programming and new media, 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 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.

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 charged to operations as assistance expenses.

A loan is considered impaired as a result of 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.

The allowance for credit losses includes specific and general allowances.

Specific allowances are established for each impaired loan. The evaluation is based on the receivables taken as security and the borrower's financial situation. The carrying amount of an impaired loan is reduced to its estimated realizable value by discounting the expected future cash flows at the effective interest rate inherent in the loan.

The general allowance represents the best estimate of probable impairment attributable to the deterioration of credit quality in the remaining portfolio for which specific allowances cannot yet be determined. The amount is estimated on previous losses and management's assessment of trends in the credit quality of the loan portfolio.

e) Interest revenue

Interest on loans is recorded as income on an accrual basis except for loans that 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.

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 future benefits

Pension benefits

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Corporation's contribution to the plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represents the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not currently required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Non-pension benefits

The Corporation is required to recognize certain non-pension post-employment benefits over the periods which employees render services to the Corporation. Employees are entitled to specified benefits on termination as provided for under conditions of employment, through a severance benefit plan. The Corporation recognizes the cost of future severance benefits over the periods in which the employees render services to the entity and the liability for these benefits is recorded in the accounts as the benefits accrue to employees.

i) 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 future benefits and contingencies are the most significant items where estimates are used. Actual results could differ from those estimates.

3. Loans and allowance for losses

Loans with a carrying value of \$2,711,806 (\$10,117,350 in 2001) granted for production and marketing projects in the Multimedia Fund are interest-free loans. Generally these loans are repayable in twelve consecutive equal monthly instalments 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 percent. The loans have a term generally not exceeding three years.

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

| | Amount In thousands of dollars | Allowance for losses In thousands of dollars | 2002 Net amount In thousands of dollars | 2001 Net amount In thousands of dollars |
|----------------------|--------------------------------------|---|---|---|
| Loans | 2,252 | — | 2,252 | 3,663 |
| Impaired loans | 2,149 | 2,149 | — | — |
| | 4,401 | 2,149 | 2,252 | 3,663 |
| Less current portion | 3,761 | 1,754 | 2,007 | 1,601 |
| Long-term portion | 640 | 395 | 245 | 2,062 |

The allowance for losses is detailed as follows:

| | 2002 In thousands of dollars | 2001 In thousands of dollars |
|----------------------|------------------------------------|------------------------------------|
| Balance at beginning | 8,695 | 4,161 |
| Conversion of loans | (4,547) | — |
| Write-offs | (1,315) | — |
| Recoveries | (285) | (7) |
| Allowance | (399) | 4,541 |
| Balance at end | 2,149 | 8,695 |

4. Capital assets

| | Cost In thousands of dollars | Accumulated Amortization In thousands of dollars | 2002 Net value In thousands of dollars | 2001 Net value In thousands of dollars |
|-------------------------|------------------------------------|---|--|--|
| Leasehold improvements | 1,499 | 695 | 804 | 868 |
| Software | 4,990 | 555 | 4,435 | 1,095 |
| Computer installations | 1,394 | 1,080 | 314 | 392 |
| Furniture and equipment | 1,098 | 987 | 111 | 139 |
| Work in progress | — | — | — | 1,828 |
| | 8,981 | 3,317 | 5,664 | 4,322 |

5. Deferred capital funding

The amount presented on the balance sheet is as follows:

| | 2002 In thousands of dollars | 2001 In thousands of dollars |
|---|------------------------------------|------------------------------------|
| Balance at beginning | 4,322 | 2,113 |
| Parliamentary appropriation for capital funding | 2,271 | 2,710 |
| Amortization of deferred capital funding | (929) | (501) |
| Balance at end | 5,664 | 4,322 |

6. Contributions from the Department of Canadian Heritage

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

| | 2002 In thousands of dollars | 2001 In thousands of dollars |
|--|------------------------------------|------------------------------------|
| Canadian Television Fund – Equity Investment Program | 56,175 | 49,775 |
| Multimedia | 6,000 | 4,975 |
| Pre-Professional Development | 2,800 | 2,600 |
| | 64,975 | 57,350 |

7. Other contribution

The Corporation received a contribution of \$8,448,000 (\$2,850,000 in 2001) from the Canadian Television Fund – License Fee Program, for the financing of Canadian television programming.

8. Operating expenses

| | 2002 In thousands of dollars | 2001 In thousands of dollars |
|--|------------------------------------|------------------------------------|
| Salaries and employees benefits | 11,287 | 9,649 |
| Professional services | 3,031 | 1,877 |
| Office expenses | 1,860 | 1,460 |
| Rent, taxes, heating and electricity | 1,378 | 1,465 |
| Travel | 1,189 | 881 |
| Amortization | 870 | 438 |
| Advertising and publications | 283 | 160 |
| Telecommunications | 273 | 213 |
| Hospitality | 95 | 99 |
| Relocation | 69 | 68 |
| Loss on assets disposal | 46 | 63 |
| Sub-total | 20,381 | 16,373 |
| Expenses from the Canadian Television Fund Board | — | 400 |
| Total | 20,381 | 16,773 |

9. Employee future benefits

Pension benefit

During the year the Public Service Superannuation Plan (PSSA) required the Corporation to contribute to the PSSA and to the Retirement Compensation Arrangement. Contributions during the year were as follows:

| | 2002 In thousands of dollars | 2001 In thousands of dollars |
|-------------|------------------------------------|------------------------------------|
| Corporation | 1,025 | 945 |
| Employees | 420 | 366 |

Non-pension benefits

These benefit plans are not pre-funded and thus have no assets. The accrued benefit liability recognized in the balance sheet at March 31, 2002 respecting these benefit plans is \$854,298 (\$618,000 in 2001).

The net expense for the Corporation's non-pension benefit plans for the year ended March 31, 2002 is \$400,358 (\$150,471 in 2001).

10. Commitments

a) Projects

As at March 31, 2002, 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 | 16,334 | 13,217 | 29,551 |
| Other programs | 16,433 | 6,379 | 22,812 |
| | 32,767 | 19,596 | 52,363 |

Under the production revenue sharing program and the Canada Feature Film Fund performance based production assistance program, the Corporation has reserved funds totalling \$14,698,998 as at March 31, 2002 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 |
|-------------|-------------------------------------|
| 2003 | 2,918 |
| 2004 | 1,454 |
| 2005 | 1,142 |
| 2006 | 965 |
| 2007 | 963 |
| 2008 – 2015 | 4,972 |
| | 12,414 |

11. 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. The transactions are recorded at exchange value.

12. 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 percent, and eligible security must be obtained from the borrower. The guarantees as at March 31, 2002 totalled \$765,975 (2001 – \$920,196). A provision for losses is recorded when management can estimate that a loss is likely to occur.

In the normal 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.

13. Fair value of financial assets and liabilities

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

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

| | Carrying amount In thousands of dollars | 2002 Fair value In thousands of dollars | Carrying amount In thousands of dollars | 2001 Fair value In thousands of dollars |
|------------------|--|---|--|---|
| Short-term loans | 2,007 | 1,956 | 1,601 | 1,572 |
| Long-term loans | 245 | 229 | 2,062 | 1,796 |

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.

14. Comparative figures

Some of the 2001 comparative figures have been reclassified to conform with the presentation adopted for 2002.