

2008-2009 Annual Report

ACTUATION

TELEFILM CANADA
2008-2009 Annual Report



8 Corporate Overview
10 Highlights 2008-2009
14 Message from the Chair

18 Board Members
20 Message from the Executive Director
25 Management Team

26 Report on 2008-2009 Achievements
62 Management's Discussion & Analysis
74 Financial Statements 2008-2009

88 Report on Governance

MANAGE

Over the past four decades, Telefilm Canada (Telefilm) has developed unparalleled expertise in managing a growing range of activities designed to support the development and promotion of Canada's audiovisual industry. Throughout its history, Telefilm has kept step with this constantly evolving industry and manages today programs worth approximately \$400 million, in particular: the Canada Feature Film Fund, the Canada New Media Fund and of which

approximately \$287 million is on behalf of the Canadian Television Fund. As the Canadian government's financial instrument of choice for fostering the talent and skills of the audiovisual industry, Telefilm carries out its mandate with pride and looks to the future with confidence.

ARE AT YOUR SERVICE

The quality of Telefilm's service is a priority. Telefilm provides end-to-end support – from creation to production, marketing and distribution – for a multitude of audiovisual productions, with a particular focus on building industry capacity. Telefilm participates at Canadian and

international festivals and markets to ensure marketing assistance and optimal exposure for Canadian productions and coproductions. In short, Telefilm is present every step of the way!

TEAM UP

To ensure the highest quality service for its clients and to actively contribute to forging a strong audiovisual industry, Telefilm teams up with a whole host of stakeholders who have the industry's collective success at heart. Given the magnitude of the challenges – the multiplatform environment, financing, audience building and more – Telefilm has adopted a partnership approach with broadcasters, publishers, private funds, private partners, distributors, federal

and provincial agencies, and numerous foreign collaborators. This ongoing interaction with key industry players has enabled Telefilm to acquire leading-edge expertise that is shared with its partners. Success in the new media age lies in sharing and complementary efforts.

ARE THERE

Telefilm delivers its services across Canada through offices located in Vancouver, Toronto, Montréal and Halifax. This national presence is expanded by eTelefilm, its online service centre for which some 800 companies are registered. eTelefilm facilitates and accelerates the funding application process and offers a variety of other services. Telefilm's physical and

online offices are supported by a staff of about 200 with extensive industry experience in the legal, financial, communications, information technologies and policy fields. They all share a common vision: to harness creativity and innovation in the service of economic growth by ensuring Canada has a thriving audiovisual industry.

FINANCE

Telefilm is committed to its mission. Telefilm's industry support is provided in the form of investments, including performance-based envelopes, advances and grants. These resources finance feature films of all genres (action, adventure, animation, comedy, documentary, horror, crime, drama) as well as games for consoles, pocket computers, PCs, mobile phones, websites, multimedia installations and multiplatform projects.

RAISE PROFILES

Telefilm helps to enhance Canada's international reputation and raise the profile of Canadian talent abroad. Last year, 58 Canadian productions were supported by Telefilm. Overall theatrically released films garnered 119 awards. Each year, Telefilm handles nearly 700 entries in 17 festivals and events, and provides onsite support at six international markets. Canadian productions are sold in more than 100 countries. To expand their markets and financing

sources, Telefilm administers coproduction agreements with 53 countries and annually certifies approximately 100 coproductions. Coproductions attract foreign funds and enable Canada and its international partners to effectively pool their technical, financial and creative resources.

HAVE IMPACT

In challenging economic times, the impact of Telefilm's financing builds more value for the industry, the government and the Canadian public. Telefilm provides support to more than 1,000 small and medium-sized businesses annually. In 2009, every dollar invested by Telefilm in international markets participation generated almost \$12 in sales. In 2008-2009, every dollar

invested by Telefilm in feature film production generated \$3 in financing from other sources. Every dollar invested by Telefilm in interactive media products generated \$2 in financing from other sources.

CORPORATE OVERVIEW

Since its creation in 1967, Telefilm fosters the development of a vibrant and growing independent audiovisual production industry in Canada. More than forty years later, Telefilm is still a valued partner to the feature film, television and interactive media sectors. its presence felt in all

media sectors, its presence felt in all regions of Canada and on the world stage.

T

elefilm provides assistance throughout the entire value chain of Canadian feature film and interactive media content, from development to distribution and marketing. Financing granted by Telefilm, from the Canada Feature Film Fund (CFFF) and Canada

New Media Fund (CNMF), leverages public and private sector financing at home and abroad, generating economic activity and stimulating job creation. Through highly specialized events and training initiatives, Telefilm provides national and international business development opportunities to Canadian audiovisual companies and professional talent working in the film, television and new media sectors.

Headquartered in Montreal, Telefilm provides services through four Canadian offices, in Vancouver, Toronto, Montreal and Halifax. Most of Telefilm's 200 employees are professionals with extensive experience in the industry or in administration. Its administration and information systems, including *eTelefilm*, allow Telefilm to deliver effectively and efficiently nearly \$400 million in programs for the audiovisual industry, of which approximately \$287 million is on behalf of the Canadian Television Fund.

A Relevant Mandate

Telefilm is mandated through the *Telefilm Canada Act* to foster and promote the development of the Canadian audiovisual industry in Canada and abroad. It acts as an instrument of the Canadian government to provide strategic leverage to the private sector.

Telefilm plays a key role in the international promotion of Canadian talent and the audiovisual industry by facilitating sales and financing for Canadian movies, television programs and interactive media. Telefilm also administers, on behalf of the Minister of Canadian Heritage, the process for international co-production certification for television and film projects.

A Compelling Vision

Telefilm supports the creation of high-quality Canadian content, made by Canadian talent that engages Canadian audiences and the world. Its vision is to assure the long-term sustainability of a thriving Canadian audiovisual culture.

A Focused Strategy

Telefilm's five-year Corporate Plan *2006-2007 to 2010-2011, From Cinemas to Cell phones: Telefilm Canada Responds to the Multiplatform Challenge* focuses its priorities on three strategic objectives:

- Building audiences for Canadian audiovisual productions,
- Building capacity in the industry, and
- Being a good administrator.

HIGHLIGHTS 2008-2009

A

As a partner with Canada's audiovisual industry, Telefilm financed high quality Canadian works that were seen by Canadians across multiple distribution platforms; facilitated international sales activities in the audiovisual sector, supported professional training events and initiatives to develop emerging talent and provided value as a good administrator.

1 ■ Building Audiences

Performance of Canadian Films at the Box Office¹

Last year, the overall performance of the box office in Canada rose to \$919.6 million from \$857.4 million in 2007. Clearly, Canadians continued to enjoy going to the movies despite the economic downturn. Canadian films achieved \$26.3 million in box office but saw their market share decrease to 2.9% from 3.3% in 2007.

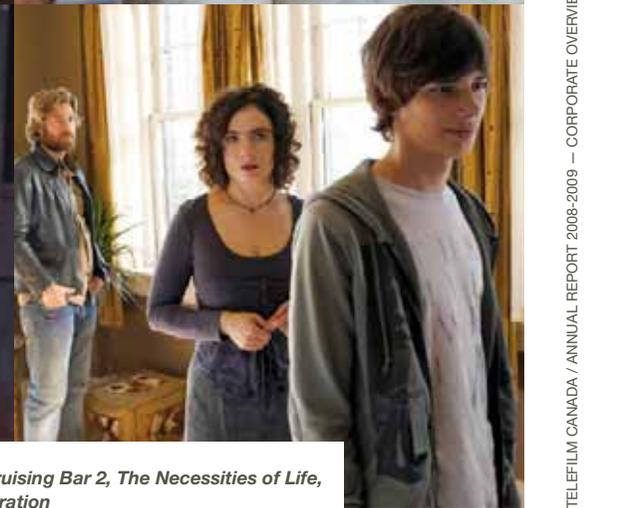
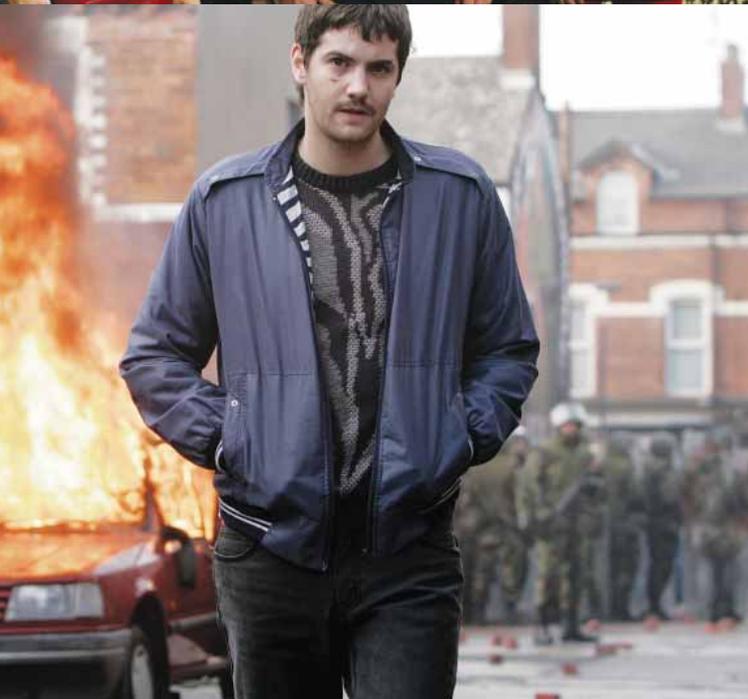
Harnessing the Power of New Technologies: Measuring On-line Audiences²

Telefilm continued to measure on-line audiences for the productions supported through the Canada New Media Fund (CNMF). These projects attracted multiple million page views and hundreds of thousands of visitors every month. Compared to 2007, there was a decrease in the overall audience size to 4.4 million from 5.5 million. This decline is explained in part by a decrease in the number of on-line convergent projects supported through the CNMF.

¹ Box-office receipts are tabulated by the Motion Picture Theatres Association of Canada (MPTAC) on a calendar year basis, from January 1 to December 31. The receipts of films having played in more than one calendar year are ascribed to the year in which they were earned.

² On-line audience measurement is tabulated by Phase 5 on a calendar year basis, from January 1 to December 31.





Pictures from:
Dans une galaxie près de chez vous 2, Cruising Bar 2, The Necessities of Life, Fifty Dead Men Walking, Babine and Adoration

2. Building Industry Capacity

Recognizing that Canadian independent production and distribution companies must compete head-on with foreign content, Telefilm undertook a series of strategic initiative all aimed to help the industry attract financing internationally and pursue multiple markets and platforms. These initiatives help build the capacity of the industry and contribute to its overall long-term sustainability.

Success at Home and Abroad: Growing International Sales¹, Creating Strategic Alliances and the Promotion of Canada

Telefilm's support to Canadian companies at international markets and festivals produced excellent results for the third straight year, increasing the sales of Canadian audiovisual productions and increasing financing for co-production projects.

International sales of Canadian audiovisual products jumped an impressive 21% from the previous year with each dollar invested by Telefilm generating almost 12 dollars in business. These sales help Canada remain competitive internationally as well as helping to promote Canada's brand on the world stage.

Initiatives for Canada's Creative Professionals

- In partnership with the Aboriginal Peoples Television Network, Telefilm launched the Featuring Aboriginal Stories Program. The objective of this program is to increase the number of feature films produced by Aboriginal talent through workshops and development financing tailored to the unique needs of this community.
- Telefilm renewed its initiatives to promote professional development in Canada's official language minority communities.
- The Skills and Screens Program was launched to support the skills development of professionals in communities across the country.
- Telefilm renewed its partnership for three years (2008-2011) with the *Rogers Group of Funds* to support the production of feature length documentaries in Canada.
- The Festivals Performance Program was launched to provide predictable funding to Canadian film festivals that promote Canadian films to Canadians across the country.

¹ Sales at international markets are tabulated by Pollara Inc. on a calendar year basis, from January 1 to December 31.

3 ■ A Good Administrator

A Strong Foundation for the Future

In 2008-2009, the roles and responsibilities of Telefilm's senior management team were realigned to address the realities of the multiplatform environment. This structural change will enhance the flow of information internally as well as with key stakeholders and industry clients. The realignment of the organizational structure also consolidates the steps taken over the past few years to clarify, simplify and improve the administration of the programs managed by Telefilm. It will also reduce the number of extra decision-related steps in most sectors, thus ensuring improved efficiency. This change will also provide the industry with greater standardization of business practices across its regional offices.

In consultation with its employees, Telefilm's corporate values were reviewed and a new Intranet was launched paving the way for strategic and timely internal communications.

Stringent and Prudent Stewardship of Public Funds

In 2008-2009, Telefilm proved once again its ability to adapt to a changing environment. 2008-2009 presented certain challenges as well as opportunities, particularly with respect to the renewal of its Service Agreement with the Canadian Television Fund and the renewal of the Canada New Media Fund Contribution Agreement with the Department of Canadian Heritage. Both renewals were concluded late into 2008-2009.

However, Telefilm continued to maintain a low management expense percentage for its programs. All of the financial targets were reached and operational targets were reviewed to reflect the actual delays related to the project funding. Financial highlights were:

- Prudent budget planning and responsible stewardship of public funds:
 - Reinvestment of administrative budget on feature film programs in 2008-2009 of \$1.1 million
 - Budgetary flexibility for 2009-2010 through funding of prepaid administrative costs in 2008-2009 of \$1.2 million
- Budget targets met:
 - Canada Feature Film Fund / Target met
 - Canada New Media Fund / Target met
 - Administrative budget / Target met and savings of \$1.1 million reinvested back into the Canadian Feature Film Fund
- Improvements made to administrative reports which now include follow-up of amounts related to purchase orders
- Updated travel and hospitality policy

MESSAGE FROM THE CHAIR



Michel Roy





M

More than a year has gone by since I was appointed Chair of Telefilm Canada's Board. I take great pride in representing this Crown corporation which, to my mind, is not well known enough to the Canadian public, but is greatly appreciated by its partners and clients from coast to coast.

Telefilm is the Government of Canada's financial agency of choice for supporting Canadian creative talent, such as screenwriters and directors, but also producers, distributors, performers, technicians, exporters, exhibitors, festival organizers – in other words, all players in this industry's value chain who together propel a creative energy to its public.

Telefilm administers the programs of three main funds with a combined value of roughly \$400 million:

- The Canada Feature Film Fund
- The Canadian Television Fund
- The Canada New Media Fund

Responsible Governance

The scope of our responsibilities demands exemplary governance. And since they involve managing public and private monies, good governance must be based on the principles of integrity and transparency. This is the main focus of our Board, which I describe as “renewed,” since three of the six sitting members – there is room for a seventh – were appointed over the course of this past year.

Telefilm's governance is supported today by a board composed of highly qualified, committed members, who represent all regions of the country. They generously give of their vast experience and complementary skills with a goal to represent the best interests of Telefilm.

We are stewards responsible for overseeing Telefilm's activities, accountable not only to Parliament – through the Minister of Canadian Heritage – but also to the industry and to all Canadians. Our role as Board members is to ensure that Telefilm performs its mandate to foster and promote the development of the Canadian audiovisual industry. Our role is to ensure that Telefilm carries out this mandate effectively, efficiently and responsibly.

The appointment of new members enabled us to form two Board subcommittees this year. First, we reactivated the Audit and Finance Committee, which had been inoperative since 2004, under the chairmanship of Yvon Bélanger, a highly experienced chartered accountant. The purpose of this Committee is to assist the Board members to approve Telefilm's financial information, report production systems and internal control and risk management systems, as well as oversee the Annual Audit Plan and other internal and external audits.

We established a new Nominating, Evaluation and Governance Committee, chaired by Grant Machum, a Halifax attorney specializing in labour relations. As the name indicates, this Committee is mandated to assist the Board in matters pertaining to governance and human resources management, including the appointment, evaluation and compensation policies.

Elise Orenstein, appointed Vice-Chair last year, reviewed the evolution of interactive digital media and shared her expertise with the other members.

Telefilm Canada and Transparency

I am particularly pleased with the results of Telefilm's first public annual meeting, held at the *Cinémathèque québécoise* in Montréal and webcast across the country.

This event allowed us to make Telefilm's priorities and last year's achievements known to the general public, thus helping to make the management of public funds more transparent. It was the first such annual meeting ever held by Telefilm but certainly not the last. We intend to maintain a frank, open, ongoing dialogue about Telefilm's mandate and priorities with industry representatives and Canadians at large.

In the same vein, I want to thank and congratulate the Canada Feature Film Fund (CFFF) Working Groups for their efforts and their contribution to the CFFF's governance. Representing the full spectrum of industry players, unions and guilds, these groups offer Telefilm a valuable forum and encourage enlightened decision-making.

The Challenges

It is our hope that this open dialogue will assist us in meeting the challenges together. I have in mind three challenges in particular, which are interconnected and, I might add, decisive for the audiovisual industry's future.

First, we must persevere in aiming to increase the domestic market share of Canadian films. Year after year, Canadian productions in the English-language market capture a mere 1 to 2 percent of the overall market share. And despite the competitive advantage of language and a well-entrenched star system – largely fostered by television over the past thirty years – Canadian productions in the French-language market are struggling to maintain a 17% share against French-dubbed American films that still hold more than 70% of the market. Our southern neighbour's cinema is obviously invasive, as it is in almost every country in the world, and yet the quality of our films is comparable to that of other countries. But recognition of this is slow to come, even here in Canada.

However, now is not the time for us to give up. While maintaining a healthy balance between quality and broad audience appeal, we absolutely must find ways to promote and enhance the image of Canadian productions so as to attract moviegoers in greater numbers. Canadian cinema is too important, not just economically but culturally; its stories make us aware of who we are and allow us to communicate it to the world.

Our second challenge concerns production financing. It is crucial that new alliances be forged with foreign partners. Close to a quarter of the Canada Feature Film Fund's resources already go to supporting co-productions. This is the basis on which we must build. But co-production is just one aspect of international development and we now need to refine our overall strategy to solidify our presence on the international stage. The Board has made this its top priority.

Our third challenge is the frenzied technological change we are currently experiencing. The industry operates in what is called a multiplatform universe, one in which a single content is distributed by multiple means. Technically, the shift to digital distribution methods represents a substantial challenge for many industry members, and our financial support programs will have to take this new reality into account.

We absolutely must find ways to promote and enhance the image of Canadian productions so as to attract moviegoers in greater numbers. Canadian cinema is too important, not just economically but culturally; its stories make us aware of who we are and allow us to

make us aware of who we are and allow us to communicate it to the world.

Digital entertainment support and a new opportunity for Telefilm Canada

In releasing its five-year Corporate Plan in 2006, Telefilm wanted to encourage the audiovisual industry to make the shift from a film and television sector-based approach to a multiplatform strategy by exploiting the opportunities offered by new technologies, new value systems and new relationships with Canadian audiences.

Thus, the creation of the Canada Media Fund will help support the creation of Canadian content for a variety of distribution platforms, ensuring that programs are available not just in prime time but also on the Internet and mobile devices. The decision of creating this new Fund responds to the reality of the digital media universe to which more and more Canadians are turning to enjoy their favourite shows when and where they please.

The new Fund is the result of the merger of the Canadian Television Fund and the Canada New Media Fund, which Telefilm has successfully administered for the past three and eleven years, respectively.

A Restructured Management Team

In a global, digital audiovisual universe, with audiences seeking distinctive content on multiple distribution platforms and companies needing to react instantly to seize opportunities, Telefilm must have a visionary management team that is in sync with new trends and that can respond rapidly to changing needs.

To this end, Telefilm made important changes to its senior management organizational plan this year. This plan has brought the Executive Director and operations closer together by eliminating a decision-making echelon and expanding the management committee. These changes, which will also facilitate the circulation of information within Telefilm, as well as relations with the Department of Canadian Heritage and with the industry clientele, were done in perfect harmony between the Board and senior management.

The Coming Year – Setting Telefilm Canada’s Strategic Focus

An organization’s mission statement and values serve as references in setting a strategic focus. Defining them is an essential step in the management process. It may appear simple at first glance and the answers may seem obvious. In reality, these questions are almost

always hard to resolve and a consensus can be reached only by means of methodical and detailed analysis.

With Telefilm’s five-year Corporate Plan entering its fourth year, one of our priorities in 2009-2010 will be to develop the next five-year plan. But this cannot be done without first defining a broadly shared vision of Telefilm’s fundamental purpose.

In closing

I would like to thank my fellow Board members for their generosity, eager willingness and warm hearted dedication. And I thank Telefilm’s employees for their competence and contagious enthusiasm. I am firmly convinced that their efforts contribute to the growing viability of Canada’s audiovisual industry.

In closing, I want to pay tribute to the many talented Canadians who set themselves apart in 2008-2009 with productions that have done us proud both at home and abroad.



Michel Roy
Chair of the Board



1.

2.

3.

4.

5.

6.

BOARD MEMBERS

1. MICHEL ROY

Chair of the Board
West-Bolton – Quebec

Appointment effective October 12, 2007

Michel Roy is an administrator and a creator who has served in both the public and private sectors. His career has taken him to Québec City, Montréal, Chicago and Miami. Michel Roy worked in television production in the 1960s and edited more than 60 programs for Radio-Canada. He then joined the Québec Public Service, where he held among others the positions of Deputy Minister of Tourism, Deputy Minister of Communications, and Head of the Québec Delegation in Chicago for twelve Midwest states. Following this, he was a management consultant in the private sector. As a musician and a composer, he produced two jazz albums. He also wrote a biography of hockey goaltender Patrick Roy entitled *Le Guerrier*, which was translated into English under the title *Patrick Roy – Winning. Nothing Else*. Mr. Roy holds a master's degree in Public Administration.

2. ELISE ORENSTEIN

Vice-Chair of the Board
Toronto – Ontario

Appointment effective December 19, 2006

Elise Orenstein is a Toronto lawyer. Ms. Orenstein obtained a BA (Honours) from McGill University, a M. Phil. from Oxford University and a LL.B from Osgoode Hall law school. She was called to the bar of Ontario in 1983 and has been a senior partner in two major Toronto law firms. Ms. Orenstein has practised in the area of corporate and commercial law with special emphasis on intellectual property law. She has represented public and private corporations as well as clients in a broad range of industries, particularly convergent media, knowledge management and entertainment. Ms. Orenstein has served on the Board of several privately held companies and taught law at York University. As a volunteer, she has served on the Boards of various arts organizations and as Chair of the Artists' Health Centre Foundation (AHCF). In addition to her independent legal practice, she currently sits on the Advisory Boards of the AHCF and the Dancer Transition Resource Centre.

3. YVON BÉLANGER

Chair of the Audit and Finance Committee
Quebec City – Quebec

Appointment effective April 11, 2008

Now retired, Mr. Bélangier is a chartered accountant by profession. Over the course of his career, he worked at several major accounting firms, most notably Mallette, where he was employed for more than 25 years. As an audit partner, Mr. Bélangier was responsible for undertaking numerous far-reaching projects, which allowed him to gain significant expertise in issues pertaining to the standardization and reporting of financial statements. Mr. Bélangier is a member of the *Ordre des comptables agréés du Québec* and the *Chambre de commerce du Québec*. Mr. Bélangier lives in Québec City, and enjoys tennis, hunting, fishing, skiing and cycling, among other leisure activities.

4. G. GRANT MACHUM

Chair of the Nominating, Evaluation
and Governance Committee
Halifax – Nova Scotia

Appointment effective May 9, 2008

A lawyer by profession, Mr. Machum is a Partner with the firm Stewart McKelvey. His practice focuses on workplace litigation, dispute resolution, human rights, and employer-employee relations. In addition to his numerous professional affiliations, Mr. Machum has sat on boards of many organizations including the Atlantic Theatre Festival, Prescott Group, Royal Nova Scotia Yacht Squadron as well as the Management Committee of his law firm. Mr. Machum is a Life Member of the Nova Scotia Art Gallery. Married with four children, Mr. Machum is also a skilled and enthusiastic sailor.

5. MARLIE ODEN

Member
Vancouver – British Columbia

Appointment effective July 30, 2008

Originally from Edmonton, Alberta Marlie Oden is now the managing partner of Bridge Communications in Vancouver, BC. Her firm specializes in marketing, strategic planning, public relations and advertising. She has had a long career at the senior management level of major Canadian advertising firms. Extremely active in the cultural community Ms. Oden has sat on the boards of the Arts Club Theatre, Vancouver Jewish Film Festival, Fringe Festival, Stanley Theatre and Vancouver TheatreSports. In 2007, she was awarded the Patron of the Arts Award.

6. TOM PERLMUTTER

Ex-officio Member
Government Film Commissioner and
Chair of the National Film Board
Montreal – Quebec

Appointment effective June 11, 2007

Throughout his career as a filmmaker, writer and producer, Tom Perlmutter has been a fervent advocate of groundbreaking and socially engaged independent cinema. Before joining the NFB in 2001 as Director General, English Program, Mr. Perlmutter enjoyed a prestigious career in the Canadian film industry as the founding head of documentaries at Barna-Alper Productions, and partner in Primitive Entertainment. Mr. Perlmutter previously partnered with one of Canada's most noted documentarians, John Walker, on several award-winning documentaries. Prior to this, he was Director of Creative Development for CineNova Productions and Executive Director of Alliance for Children and Television from 1993 to 1995. He has also worked as a writer and journalist, with many articles and publications to his credit.

BC
M

MESSAGE FROM THE EXECUTIVE DIRECTOR



S. Wayne Clarkson

A

s Telefilm Canada moves into the last few years of its five-year Corporate Plan, *From Cinemas to Cell phones: Telefilm Canada Responds to the Multiplatform Challenge* it is with pride that I share the highlights of an eventful year.

Challenges and Success at Home and Abroad for Canadian Content

Feature Film

In 2008, the Canadian box office¹ was marked by mixed results. The total box office rose from \$857.4 million in 2007 to \$919.6 million indicating that Canadians still enjoy going to the movies. However, Canadian films saw their performance at the box office decrease for a third consecutive year ending the year with only 2.9% market share.

¹ Box-office receipts are tabulated by MPTAC on a calendar year basis, from January 1 to December 31. The receipts of films having played in more than one calendar year are ascribed to the year in which they were earned.

Canadian-made films reached \$26.3 million in box office revenues with receipts from the top 10 Canadian films showcasing an exciting mix of new ideas and returning franchises. In 2008, Paul Gross' World War I epic *Passchendaele* was a box office favourite followed by *Cruising Bar 2*, *Babine* and *Dans une galaxie près de chez vous 2*. *Passchendaele* achieved an impressive \$4.4 million at the box office making it the highest grossing Canadian feature film of last year.

Two Canadian feature films were invited to the Cannes Festival's prestigious Official Selection: Atom Egoyan's *Adoration*; and Fernando Meirelles' *Blindness*, a Canada-Brazil-Japan co-production based on the acclaimed novel by José Saramago which was selected to officially open the festival and *Adoration* won the prize of the Ecumenical Jury. Philip Falardeau's *C'est pas moi, je le jure!* won two prizes for its originality, humour and deeply moving story at the Berlin Film Festival.

Canadian Content on Other Platforms

Once again, Canadian producers were leaders in the development of innovative digital media content covering a wide range of products and services across the country. *This is Daniel Cook* amassed an impressive 1.7 million page views per month while *Cornemuse* broke the one-million-page-views-per-month benchmark.

Telefilm's financial support to content in this sector yielded significant results including *N+*, an action puzzle game described as the indie success story of the year with over 100,000 downloads on Xbox Live Arcade. There was *Jungle Speed*, a card game that has become one of WiiWare's most enjoyable multiplayer downloads and *Akoha* which was nominated for a Crunchie award for "Most Likely to Make the World a Better Place" and *Braincells*, an innovative computer game developed to educate students about cyberbullies and cell phone hackers. More recently, after its first two months on-line, *Braincells* has already been played by 2,600 teachers in 25 countries. All these examples are a barometer of the immense Canadian talent of game designers.

I also wish to acknowledge the commercial success of *MindHabits Trainer* which was selected as the winner of Telefilm's Great Canadian Video Game Competition in September of 2007. Since the launch of the game, the Montreal based company MindHabits has secured distribution deals in North America, South America, Europe, Australia, New Zealand and Russia. This company was named one of the top 25 Canadian companies to watch, a true success story.

Working with the Industry: Partnerships for Long-Term Sustainability

Transition to the Creative Digital Age

Film, television and interactive digital productions represent about \$10 billion dollars a year in economic activity, a source of approximately 178,600 jobs¹. These are compelling statistics and a reflection of the economic importance of the audiovisual industry to the Canadian economy.

Canada continues to move rapidly towards a knowledge-based economy. It is now more opportune than ever to invest in the creative industries as governments try to make the transition to the post industrial society. Telefilm expanded its Service Agreement with the Canadian Television Fund to include the administration of the \$2 million Digital Media Pilot Program aimed at generating a stronger Canadian presence on-line.

Digital technologies are transforming the landscape of the creative industries and film in particular. These changes present significant opportunities to enhance audience access to a far wider and a more diverse range of films. Telefilm has a pivotal role to play in helping feature film transition to the creative digital age, and support talent and business development on behalf of all sectors.

Feature Film on Television Platforms

Around the world, there is increasing recognition of the importance of platforms other than theatrical exhibition for achieving domestic film policy. Theatrical box office numbers, while important, can no longer be seen as the only or even the best measure of the popularity of our films. Given this reality, Telefilm in collaboration with the Canada Feature Film Fund (CFFF) Working Groups of the English-language and French-language markets commissioned a study entitled, *Broadcaster Support For Canadian Feature Film: Expanding the Audience with Television Platforms*. This study will guide the industry in the development of future strategies to ensure that objectives of the Canadian Feature Film Policy are met.

¹ Sources: Profile 2008 CFTPA (TV and Film production budgets represent approximately \$5 billion) and Profile 2006 Canadian Interactive Alliance (Canadian interactive media companies generated \$5 billion in revenues)

Canada continues to move rapidly towards a knowledge-based economy. It is now more opportune than ever to invest in the creative

than ever to invest in the creative industries as governments try to make the transition to the post industrial society.

On the International Front

Along with the help of our provincial partner agencies, Telefilm continued to provide effective support in 2008¹ to developing the potential of Canadian companies. MIPTV saw more than \$5.2 million in completed sales in 2008, almost twice as much as the previous year. Hong Kong was added to our slate of markets this year stimulating more than a million dollars in completed sales for companies using our services provided at the Canada Pavilion. Aggregate closed sales and pre-sales in 2008 reached almost \$14 million. Ongoing and working negotiations at these markets created an additional \$71 million in projected sales deals. This represents a total of \$85 million, up from last year's \$70 million (a 21% increase). This is the third year in a row for which a substantial growth in sales was reported.

Partnerships on all Levels

In 2008-2009, Telefilm was proud to have launched the Featuring Aboriginal Stories Program in partnership with the Aboriginal People's Television Network. This three-year initiative in which Telefilm will contribute \$1.2 million underscores the priority that Telefilm places on fostering a diversity of voices among projects funded through the CFFF.

We also renewed our partnership with the Rogers Group of Funds for three years (2008-2011) to stimulate the production of feature length documentaries. Canadian audiences' appetite for feature-length documentaries continues to grow, as evidenced by the success of such titles as *Le Dernier Continent*, *Manufacturing Landscapes*, and *Les Voleurs d'enfance*, as well as by the critical raves that greeted the release of such productions as *Saving Luna* and *Voyage au bout de la torture*.

Setting the stage for the future

Telefilm is evolving with the industry to better support our Canadian content creators regardless of what media platform they use to tell their stories. We support talented Canadians who create Canadian content that engages and entertains audiences in Canada and around the world. In doing so, we are committed to encouraging a diversity of voices, developing talent, and fostering creative collaboration and financial success.

We recently announced a restructuring of Telefilm's management team. This restructuring solidifies Telefilm's efforts to clarify, simplify and improve its administration. It will ensure a renewed synergy among Telefilm's front-line decision-makers, reducing the number of decision-making stages in all sectors, thus improving the overall efficiency of the organization.

¹ Sales at international markets are tabulated by Pollara Inc. on a calendar year basis, from January 1 to December 31.

Telefilm is committed to improving the services it provides to the industry. To this end, Telefilm uses various consultation mechanisms such as the CFFF Working Groups and the International Initiatives Advisory Committee, thus maintaining a fruitful dialogue with the industry to address key challenges. These consultations will become more important in the coming year as Telefilm undertakes the second instalment of its client survey.

Our priorities for 2009-2010 are focused on our stakeholders and employees:

- A national survey of our clients and stakeholders to receive feedback on our programs and services and provide input to the creation of our next five-year Corporate Plan;
- An excellent service to our television and interactive media stakeholders through a harmonious transition to the new Canada Media Fund in April 2010;
- Increase in co-production activities and exploitation of emerging markets as well as development of new initiatives to increase the access of Canadian films on multiple platforms;
- Respond to the requirements of the Office of the Auditor General in their special audit of Telefilm; and
- The implementation of our Human Resources Master Plan.

In closing

None of our successes would have been possible without the guidance and commitment of Telefilm Canada's Board members, and the dedication and passion of our staff. I express my utmost admiration and heartfelt thanks.

I would like to highlight the generous support from the feature film sector through the CFFF Working Groups. I also extend sincere gratitude to the Department of Canadian Heritage and all of our government partners for their commitment in supporting our efforts to fulfill the mandate of this vibrant agency.



S. Wayne Clarkson
Executive Director

MANAGEMENT TEAM



MICHEL ROY
Chairman of the Board



S. WAYNE CLARKSON
Executive Director



DENISE ARAB
Director – Communications



CAROLLE BRABANT
Director – Administration and Corporate Services



SHEILA DE LA VARENDE
Director – National and International Business Development



DAVE FORGET
Director – Contracts and Certification



ELIZABETH FRIESEN
Director – Strategic Planning and Project Development



JEAN-CLAUDE MAHÉ
Director – Public and Government Affairs



MICHEL PRADIER
Director – Projects Financing

REPORT ON ACHIEVEMENTS

OBJECTIVE

ONE

*BUILDING
AUDIENCES*

Strategic Objectives	Key performance Indicators	Targets	2008-2009 Results
<p>Feature Film Greater number of Canadians enjoy Canadian films</p>	Market share of Canadian box office revenues	Achieve a market share of at least 5% of the Canadian box office	Achieved \$26.3 million in box office down from \$28.1 million in previous year or 2.9% down from previous year's 3.3%
<p>Interactive Media Greater number of Canadians find cultural experience on the Internet and through digital off-line platforms</p>	Number of unique visitors, and page views for online products, sales and revenues of offline products	Establish baseline data for online audiences, determine appropriate approach and methodology for measurement	Telefilm online projects average page views per month totalled 4.4 million; down from last year's 5.5 million
<p>Portfolio Diversification Finance a diverse portfolio of projects</p>	Diversification by genre, budget size, language, region and cultural diversity of content	Establish baseline data for portfolio diversification. Increase number of genres represented in portfolio	Genre diversity in English production has increased year over year. French production portfolio became less diverse
<p>Festivals and Awards Canadian cultural products are promoted to audiences in Canada and abroad</p>	Prizes earned by major Canadian and international festivals	Maintain or increase current levels of awards won	Telefilm supported projects won 119 awards in 2008-2009, which is comparable to last year's results

FEATURE FILM IN CANADA

Canada's overall box office volume in 2008¹ was over \$60 million larger than the previous year. This growth reflects the resiliency of the box office even in times of economic downturn. Going to the movies remains an affordable and accessible form of entertainment that Canadians enjoy.

2008 saw a continuation of the previous year's big budget, Hollywood studio releases, many based on well-established franchises. Moreover, independent films, with the help of two huge hits, *Mamma Mia!* and *Juno*, appeared to recover from the previous year's low.

In this highly competitive market, Canadian films achieved \$26.3 million in revenues, a decline of approximately \$2 million from the previous year.

Annual Box Office by Language Market

2008 (\$)	French	English	Total
Box office total market	125,874,669	793,694,939	919,569,608
Independent product revenues	32,971,581	100,888,173	133,859,754
Canadian product revenues	17,366,978	8,897,328	26,264,306
Market share	13.8 %	1.1 %	2.9 %

Source: MPTAC

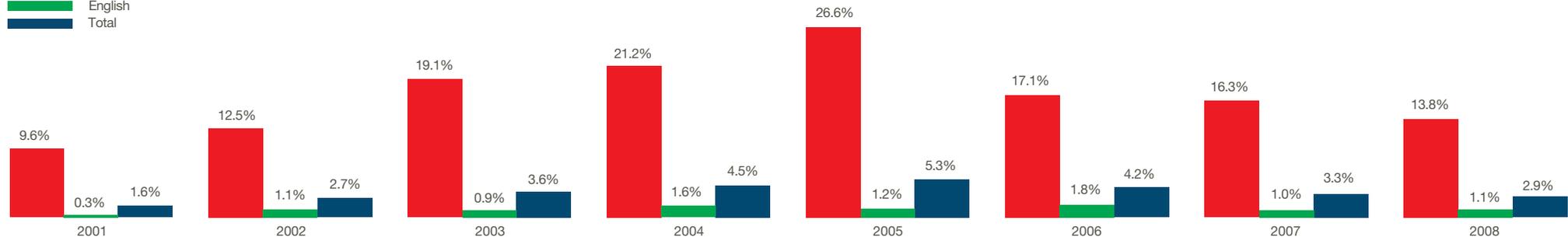
Annual Box Office Comparison

(\$)	2007	2008
Box office total market	857,386,571	919,569,608
Independent product revenues	89,549,758	133,859,754
Canadian product revenues	28,115,852	26,264,306
Market share	3.3 %	2.9 %

Source: MPTAC

Market Share of Canadian Films: Multi-Year Trend since 2001

■ French
■ English
■ Total



Source: MPTAC

¹ All box office receipts are supplied and tabulated by MPTAC on a calendar year basis, from January 1 to December 31. The receipts of films having played in more than one calendar year are ascribed to the year in which they were earned.

Building Creative Capacity in the Film Sector

The overall top ten films in the Canadian box office were worth \$235 million in revenues. Of those ten titles, there were three films that were not sequels or based on already well-established brands (i.e.: comic strips, plays, TV sitcoms, etc.).

Top 10 Films Overall

Title	Brand	2008 Box Office (\$)	
THE DARK KNIGHT	Sequel/Established Franchise	50,756,291	
INDIANA JONES AND THE KINGDOM	Sequel/Established Franchise	28,276,851	
IRON MAN	Sequel/Established Franchise	26,551,175	
QUANTUM OF SOLACE	Sequel/Established Franchise	22,467,164	
HANCOCK	Independent Concept	18,904,392	
MAMMA MIA!	Sequel/Established Franchise	18,683,718	
WALL-E	Independent Concept	17,633,500	
SEX AND THE CITY	Sequel/Established Franchise	17,589,054	
KUNG FU PANDA	Independent Concept	17,258,012	
TWILIGHT	Sequel/Established Franchise	17,197,800	
Value of Independent Concept Films		53,795,904	22.9 %
Value of Established Franchise Films		181,522,053	77.1 %

Top 10 Canadian Films

Title	Brand	2008 Box Office (\$)	
PASSCHENDAELE	Independent Concept	4,430,870	
CRUISING BAR 2	Sequel/Established Franchise	3,467,136	
BABINE	Independent Concept	2,234,641	
DANS UNE GALAXIE PRÈS DE CHEZ VOUS 2	Sequel/Established Franchise	1,931,546	
BORDERLINE	Independent Concept	1,290,569	
LE DERNIER CONTINENT	Independent Concept	889,447	
LA LIGNE BRISÉE	Independent Concept	888,440	
LE GRAND DÉPART	Independent Concept	875,831	
UN ÉTÉ SANS POINT NI COUP SUR	Independent Concept	820,404	
BLINDNESS	Independent Concept	735,494	
Value of Independent Concept Films		12,165,696	69.3 %
Value of Established Franchise Films		5,398,682	30.7 %

Feature Film Success Story 2008

The 2008 calendar year includes some noteworthy highlights that may be an indication of good things to come in 2009. The epic war film, *Passchendaele* was released in 2008, garnering critical praise, as well as pulling in an impressive \$4.4 million in box office revenue. *Passchendaele*, a Canadian film that tells a uniquely Canadian story, placed third among the top contenders in all independent films. In fact, 2008 was a particularly competitive year for non-studio releases due to the star-studded adaption of the hit musical, *Mamma Mia!*, and the surprise independent success story of *Juno*.

Top 15 Independent Films

Title	Country of Origin	2008 Box Office (\$)
MAMMA MIA!	USA	18,683,718
JUNO	USA	13,429,811
PASSCHENDAELE	Canada	4,430,870
ATONEMENT	UK-USA	4,122,578
RIGHTEOUS KILL	USA	3,928,230
NEVER BACK DOWN	USA	3,489,076
CRUISING BAR 2	Canada	3,467,136
THE BANK JOB	UK	3,226,876
TRANSPORTER 3	France	2,835,806
STREET KINGS	USA	2,458,742
MY BEST FRIENDS GIRL	USA	2,444,907
BABINE	Canada	2,234,641
THE EYE	Hong Kong	2,107,164
BANGKOK DANGEROUS	USA	1,950,680
DANS UNE GALAXIE PRÈS DE CHEZ VOUS 2	Canada	1,931,546
% of all independent films represented by top 15		52.8 %
Canadian share of top 15 independent films		17.1 %

Source: MPTAC

Passchendaele

Set against the backdrop of the First World War, *Passchendaele* tells the story of Michael Dunne, a Canadian soldier who sacrifices everything for country, honour and love. Paul Gross wrote and directed this film, which was based on the true war time experience of his grandfather. *Passchendaele* cost \$20 million to make: by Hollywood standards, a small budget, but for an English-language Canadian film, this was a big deal. Telefilm provided one fifth of the budget through the Canada Feature Film Fund.

Passchendaele opened the 33rd Toronto International Film Festival in September 2008. Piers Handling, CEO of the festival stated: "It is rare for Canadians to experience their own history via the moving image, particularly on the big screen." The film was also given a private screening to Canadian troops in Kandahar, Afghanistan in October 2008 before it was released theatrically several weeks later. In its opening weekend, *Passchendaele* grossed \$847,522 on 202 screens in Canada.

Passchendaele took home five of six nominated Genies, a Golden Reel award and produced \$4.4 million in box office in 2008. This was the highest grossing Canadian film of the year which generated half of the total English-language Canadian film box office take in 2008.



Pictures from: *Passchendaele* (photography-Farah Nosh)

Analysis of the French-Language Market

In 2008, French-language Canadian films continued to see their box office revenues decrease. Over the past eight years, Canadian films have achieved on average 17% of the French-language market share and twice have achieved at least 20% market share with a high point of 26.6% in 2005. However, the French-language market have seen almost half of its market share erode over the last three years and the results for 2008 were at a disappointing 13.8%.

The erosion of market share mirrors a decline in the volume of French-language films released in theatres. In 2008, only 12 French-language films supported in the CFFF's main production program were released in theatres; the lowest number of new releases since the creation of the CFFF¹. This decrease of French-language films released in 2008 is a result from fewer supported French-language films in past fiscals combined with a distribution market in difficulty which resulted in delays of their release in theatres. However, an examination of the market share for French-language Canadian films by the volume of films released reveals that the average performance has not declined as much as the market share alone suggests. This indicates that demand is still strong and that the higher volume of French-language films released will most likely result in higher box office share.

Four of the twelve released French-language Canadian films exceeded one million in box office revenue, an impressive rate of success considering that only 33 films overall (including US Studio releases) reached one million dollars in the French-language market out of nearly 300 new releases.

In February of 2007, the provincial government of Quebec injected \$10 million into French-language feature film financing resulting in an increase in the volume of French-language films produced. In 2008-2009, Telefilm supported the production of 21 French-language films; an all time high since the CFFF's inception in 2001. The coming year promises to see an increase in the release of film titles forecasting an optimistic outlook and reversing this downward trend.

1 The highest number of releases supported in the CFFF's French-language production was 22 in 2004.

The ability to tap into established brands and franchises is a significant strength of the Hollywood studio business structure. The French-language market has proven that Canadian brands/franchises can also be successful at the box office. The most notable French-language film franchise has been around for many years; *Les Boys*. In 2008, *Cruising Bar 2* and *Dans une galaxie près de chez vous 2* were released and were amongst the most successful films supported by Telefilm, earning \$3.5 million and \$1.9 million respectively. *Dans une Galaxie près de chez vous 2* was also built on a successful television series.

Analysis of English-Language Market

In 2008, Canadian films captured 1.1% of the English-language market, a modest increase from the 1.0% of 2007.

Last year's big story in the English-language market was the release of *Passchendaele*; it's success demonstrates the importance of 'hit' titles in the English-language market. Like *Away From Her* released in 2007, the English-language market box office is usually driven by one or two strong titles. This immense success is partly due to the strong marketing campaign of the film which began a year before it was released; this best practice contributed to the film's success at the box office.

Blindness came in second with earnings at the box office of more than \$700,000 in receipts. The film, based on a novel by Nobel Prize winning Jose Saramago and written by Canadian Don McKellar, was a Canadian majority co-production with financing from Brazil and Japan. This film achieved approximately \$20 million US in box office worldwide with Telefilm recouping 90% of its financing in the same year the film was released. These revenues will in turn help finance future Canadian films.



Pictures from:
Amal, *The Stone Angel*, *The Necessities of Life* and *Passchendaele* (photography—Farah Nosh)

B.

CANADIAN CONTENT ON OTHER PLATFORMS

Canadian On-line Content



Telefilm has been tracking the audiences of on-line projects financed through the Canada New Media Fund since 2005-2006. Over the past three years, Telefilm has been monitoring audience traffic for independent websites as well as convergent websites tied to other media properties such as television programs and films. No industry-standard for on-line audience measurement has been developed and tracking projects can be a challenge. However, after several years of data collecting, Telefilm can assess that its interactive digital clients are able to attract substantial audiences on-line.

In 2008, Telefilm-financed on-line projects amassed a total of 53 million page views and 6.1 million visits. Of those visits, about 3.5 million of them were unique visitors. It is encouraging to see audience numbers approaching 4 million given the smaller budgets¹ interactive digital media producers work with; the audience illustrate the considerable performance of the granted financing and they reflect the power of on-line media.

Overall for Calendar Year 2008

	Page views	Visits	AVG page views per visit	Unique visitors	# of reporting projects
English-language projects	31,730,388	4,593,750	6.91	2,770,045	12
French-language projects	21,633,814	1,487,656	14.54	739,623	11
Total for all projects	53,364,202	6,081,406	8.77	3,509,668	23

Source: Phase 5 Online Audience Tracking

Average per Month – All Projects – Calendar Year 2008

	Page views	Visits	AVG page views per visit	Unique visitors	# of reporting projects
English-language projects	2,644,199	382,813	6.91	230,837	12
French-language projects	1,802,818	123,971	14.54	61,635	11
All projects	4,447,017	506,784	8.77	292,472	23

Source: Phase 5 Online Audience Tracking

¹ The average production budget for an on-line project is \$250,000 versus an average \$5 million budget for the production of a feature film.

Overall trending is difficult since the number of projects being tracked vary from one year to another. Instead, the average performance per project is analyzed over the course of the year. Despite overall impressive numbers, the average monthly page views and visits are down from the previous year. In 2007, the monthly average page views was 5.5 million compared to 2008's 4.4 million and visits went from 723,000 down to 507,000 per month.

On a per project basis, the average monthly visits are over 22,000 (down from 30,000 in 2007) of which almost 13,000 are unique visitors (down from 18,000).

Average per Month – Average Telefilm Project – Calendar Year 2008

	Page views	Visits	Unique visitors
English-language projects	220,350	31,901	19,236
French-language projects	163,893	11,270	5,603
All projects	193,349	22,034	12,716

Source: Phase 5 Online Audience Tracking

The data for 2008 continued to support the principle that convergent on-line projects (tied to a television show) outperform the 'stand alone' independent websites. Despite representing some 60 percent of the projects tracked, independent websites accounted for barely a quarter of the total visits. This speaks to the continuing difficulty for independent websites to compete with established brands and franchises. Convergent projects enjoy instant marketing through the television, film or other major medium for which it is associated.

Since convergent web properties tend to be more successful at attracting audiences and that television convergent projects are supported in other private or government funds¹, Telefilm has been increasing its support in the development and production of independent web projects in order to diversify the Canadian content on-line. This has resulted in fewer convergent websites being supported through the CNMF (from twelve the previous year to nine in 2008) and as a result, there has been a drop in overall on-line audience traffic.

The most successful Telefilm-financed project remains for the third year in a row: *This is Daniel Cook* which amassed an impressive 1.7 million page views per month. *Cornemuse* also broke the one-million-page-views-per-month benchmark. Both of these projects were funded several years prior, and yet they continue to attract a good level of audience.

Average per Month – Overall Format

	Page views	Visits	Unique visitors*	AVG Visits per Project	# of projects
Convergent Website	3,379,084	395,203	256,721	43,911	9
Independent Website	1,067,933	111,581	35,751	7,970	14

* Unique visitors for independent websites is lower since a top performing project did not have this data available.

Source: Phase 5 Online Audience Tracking

1 New Media Landscape in Canada, Nordicity, November 2008.

Canadian Feature Film on Television

Broadcaster Support for Canadian Feature Film, a report released in early 2009 by Peter Grant and Michel Houle, found that television is a key platform for the exhibition and promotion of English-language Canadian films. Unlike France and the United Kingdom, Canada's public broadcaster does not support the promotion and exhibition of film to the extent that it could:

...Any long-term solution to the difficulties of English-language Canadian cinema in reaching audiences in Canada, inevitably involves a firm and long-term commitment from the national public broadcaster in terms of the financing, acquisition, broadcasting and promotion of Canadian theatrical feature films. The CBC English network must absolutely be called on to develop an overall support strategy, similar to the one introduced by the BBC in Great Britain, or right here by the CBC French network. (Grant/Houle, 2009)

In the past few years, Canadian theatrical films supported by Telefilm have performed well on French-language television. In fact, the top 15 films aired in 2008 were French-language films. No English-language films ranked in the top 15 last year.

Television remains a cornerstone to building brand recognition and to attracting loyal audiences. The top two films on television for 2008 were *Cruising Bar* and *Les Boys IV*. *Cruising Bar* attracted 824,000 viewers. This is comparable to the 908,000 audiences generated by *Les Boys II* in 2007. Telefilm and the members of the CFFF Working Groups will develop over the upcoming year a strategy to increase the airing of Canadian Feature Films, in particular for the English-language market, as the potential to increase audiences to Canadian films still remains untapped on television.

2008 Telefilm Financed Feature Films Performance on Television

Film Title	Channel	Start Time	Average Minute Audience (000)
Cruising Bar	TVA	20:30	823.5
Les Boys IV : Un rêve, une game	TVA	18:30	659.1
Le secret de ma mère	SRC	20:00	652.8
Les Boys II	TVA	18:30	559.4
Maman Last Call	TVA	20:00	550.1
C.R.A.Z.Y.	TVA	21:15	541.0
Les Boys I	TVA	21:00	513.6
Les Boys III	SRC	19:30	438.6
Les Dangereux	TVA	20:00	432.5
Horloge biologique	SRC	20:00	393.8
Ma en vie en cinémascope	SRC	20:00	363.9
Camping sauvage	SRC	19:30	322.1
L'homme à tout faire	TVA	19:00	318.8
Un homme et son péché	SRC	19:30	306.5
La vie après l'amour	TVA	10:00	306.4

Source: BBM Canada

Multi-Platform Success Stories: Great Canadian Video Game Competition

In September of 2007, MindHabits was selected as the winner of Telefilm’s Great Canadian Video Game Competition receiving half a million dollars from Telefilm. That amount was matched by private investors for a total of one million dollars.

Since then, MindHabits has produced a handheld program called *MindHabits Trainer*. This product contains a suite of fun and easy games designed to help players focus on positive social feedback and adopt a more positive attitude toward themselves and others, increasing what scientists call “social intelligence”. As players progress in the game, their outlook score improves along with their immunity to daily stress. *MindHabits Trainer* is designed to be played 10 minutes a day to help reduce players’ stress level and boost their confidence.

The company’s prototype led to a publishing deal with Got Game Entertainment to distribute on PC and Mac platforms. The game was released in August 2008 followed by a Russian version of the game.

C.

A DIVERSE PORTFOLIO OF FILM PROJECTS

Telefilm continues to make it a priority to diversify the genres of its feature film financing portfolio. Historical box office by genre of film confirms that in the English-language market, the audience success in the adult drama genre is typically more difficult to achieve in comparison to other genres. Audiences in the English-language market are drawn to genres such as comedy, romantic comedy and action/adventure. Moving commitment dollars into these underserved genres promises to translate into larger box office revenues. Telefilm was successful at further diversifying its portfolio of projects over this past year.

The final numbers indicated that English-language production commitments saw a shift of dollars into the more lucrative comedy category. In 2007-2008, 51% of all commitments were in drama and only 13% in comedy. For this fiscal year, those numbers are almost reversed: 23% drama, 43% comedy.

However, Telefilm is still interested in supporting productions in the drama category. The drama genre appears to be where many English Canadian filmmakers shine with such notables as David Cronenberg and Atom Egoyan. With last year’s *Away from Her* and this year’s *Passchendaele*, adult drama can also be very successful. A diverse portfolio of projects is simply a balancing act that stacks the odds for more success next fiscal year.

In the French-language market, comedies are equally lucrative at the box office. Although almost 60% of French-language production commitments went to drama, there were some gains in less represented genres such as horror/thriller and historical. Greater genre diversification represents an area of future strategic attention in the French-language market to ensure maximum performance at the box office.

Pictures from: *N+* and *MindHabits Trainer*



Objects

Test Level

Place

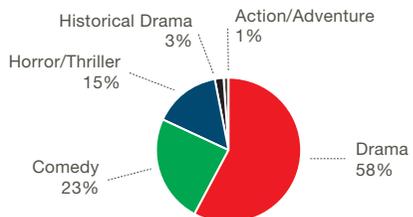
Undo

Remove

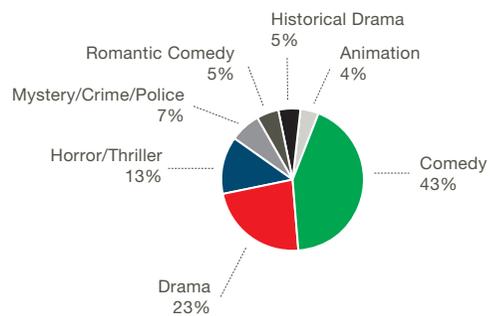
Next

Feature Film Production by Genre

French



English



Picture from: *C'est pas moi, je le jure!*

AWARD AND PRIZES 2008-2009

Canadian Success Stories

ATLANTIC REGION

DOWN TO THE DIRT

- 2008 Atlantic Film Festival**
/ Best Atlantic Feature film
/ Best Screenplay

SHAKE HANDS WITH THE DEVIL

- 2008 Beverly Hills Film Festival**
/ Jury Award for Best Feature

QUEBEC REGION

BABINE

- 2009 Jutra Awards**
/ Best Achievement in Music, Original Score
/ Best Art Direction
/ Best Costume Design
/ Best Make-Up
/ Best Sound

BORDERLINE

- 2009 Jutra Awards**
/ Best Actress
/ Best Direction
/ Best Editing
/ Best Supporting Actress

- 2008 Toronto International Film Festival**
/ Best Canadian First Feature Film
/ Special Jury Citation

FEATURE FILM



- 2008 International Film Festival Mannheim-Heidelberg**
/ FIPRESCI International Critics Prize
/ Ecumenical Prize
/ Special Mention from the International Jury

C'EST PAS MOI JE LE JURE !

- 2008 Atlantic Film Festival**
/ Best Actor
/ Best Canadian Feature

- 2009 Vancouver Film Critics Circle Awards**
/ Best Canadian Film

- 2009 CFTPA Indie Awards**
/ Best Canadian Film

- 2008 Berlin International Film Festival**
/ Crystal Bear
/ Grand Prix (Generation KPlus)

- 2009 Jutra Awards**
/ Best Cinematography

CRUISING BAR 2

- 2009 Jutra Awards**
/ Golden Ticket

ELLE VEUT LE CHAOS

- 2008 Locarno International Film Festival**
/ Best Director
/ Youth Jury Citation

LOST SONG

- 2008 Toronto International Film Festival**
/ Best Canadian Feature Film

MAMAN EST CHEZ LE COIFFEUR

- 2009 Jutra Awards**
/ Film that had the biggest success outside Quebec
/ Best Hairstyle

2009 Vancouver Film Critics Circle Awards

- / Best Performance by an Actress in a Canadian Film

2008 Göteborg International Film Festival

- / Viewer's Choice Award

MESRINE: KILLER INSTINCT

- 2009 César Awards (France)**
/ Best Actor
/ Best Director
/ Best Sound

- 2009 Lumière Awards (France)**
/ Best Actor

- 2009 Étoiles d'Or Awards (France)**
/ Best Actor

- 2009 Tokyo International Film Festival**
/ Best Actor



Pictures from: *Breakfast with Scot*, *C'est pas moi je le jure !*, *Blindness* and *Fifty Dead Men Walking*

THE NECESSITIES OF LIFE

2009 Jutra Awards

- / Best Actor
- / Best Film
- / Best Screenplay

2008 Montréal World Film Festival

- / Public Award for the Most Popular Film of the Festival
- / Public Prize for the Best Canadian Film
- / Special Grand Prize of the Jury

2009 Palm Springs International Film Festival

- / FIPRESCI Award for Best Actor

2009 Genie Awards*

- / Best Achievement in Direction
- / Best Achievement in Editing
- / Best Performance by an Actor in a Leading Role
- / Best Original Screenplay

2009 Vancouver Film Critics Circle Awards

- / Best Performance by an Actor in a Canadian Film

TOUT EST PARFAIT

2008 Giffoni Film Festival

- / ARCA Enel Award

2009 Jutra Awards

- / Best Supporting Actor

2008 Namur International Festival of French-Speaking Film

- / Golden Bayard
- / Best Screenplay
- / New Technology Award (First Works)

2009 Genie Awards

- / Claude Jutra Award

2008 Sarlat International Cinema Festival

- / Youth Jury Prize

2008 Seattle International Film Festival

- / New Director's Showcase Award

RESTLESS

2008 Festroia International Film Festival

- / Best Script
- / CICAIE Prize

UP THE YANGTZE

2009 Genie Awards

- / Best Documentary

ONTARIO AND NUNAVUT REGION

ADORATION

2008 Cannes International Film Festival

- / Ecumenical Jury Prize

2008 Filmfest Hamburg

- / Douglas Sirk Award

2008 Toronto International Film Festival

- / Best Canadian Feature Film
- / Special Jury Citation

AMAL

2008 San Francisco International Asian American Film Festival

- / Best Narrative Feature Award

2009 Genie Awards

- / Best Achievement in Music, Original Song

2008 Indian Film Festival of Los Angeles

- / Opening Night Gala Screening
- / Grand Jury Prize for the Best Narrative Feature

BEFORE TOMORROW

2008 Toronto International Film Festival

- / Best Canadian First Feature Film

2009 American Indian Film Festival

- American Indian Movie Award*
- / Best Film

BLINDNESS

2008 Plus Camerimage

- / Silver Frog Award

2008 Cannes Film Festival

- / Opening Night Gala Screening (Official Competition)

2008 Sitges International Film Festival of Catalonia

- / Audience Award
- / Best Production Design

BREAKFAST WITH SCOT

Directors Guild of Canada Awards

- / DGC Team Family Feature Award

THE FORGOTTEN WOMAN

2008 Hollywood Film Festival

- / Best Documentary

* 2009 Genie Awards were held on April 4, 2009.

FUGITIVE PIECES**2008 Newport Beach Film Festival**

- / Best Cinematographer
- / Best Director
- / Best film
- / Best Screenplay

2008 Sydney International Film Festival

- / Audience Award

2009 Sao Paulo Jewish Film Festival

- / Audience Award for Best Film

2008 Kuala Lumpur International Film Festival

- / Best Film by Continent – North America

2009 Genie Awards

- / Best Achievement in Cinematography

HANK AND MIKE**2008 Seattle True Independent Film Festival**

- / Best Comedy

HEAVEN ON EARTH**2008 Dubai International Film Festival**

- / Muhr Award (Best Screenplay)

2008 Chicago International Film Festival

- / Silver Hugo Award (Best Actress)

PASSCHENDAELE**2009 Genie Awards**

- / Best Motion Picture
- / Golden Reel Award
- / Best Achievement in Overall Sound
- / Best Achievement in Art Direction / Production Design

YOUNG PEOPLE FUCKING**2008 Vancouver Film Critics Circle Awards**

- / Best Supporting Actress in a Canadian Film

2009 Genie Awards

- / Best Performance by an Actress in a Supporting Role

WESTERN REGION**CONTROL ALT DELETE****2008 Vancouver International Film Festival**

- / Inspiration Award

FIFTY DEAD MEN WALKING**2009 Vancouver Film Critics Circle Awards**

- / Best British Columbia Film

2008 Vancouver International Film Festival

- / Best Western Canadian Feature Film

2008 WorldFest Houston

- / Gold Remi Award

NORMAL**2009 Genie Awards**

- / Best Performance by an Actor in a Supporting Role

2008 Leo Awards

- / Best Direction in a Feature Length Drama
- / Best Lead Performance by a Female in a Feature Length Drama
- / Best Lead Performance by a Male in a Feature Length Drama

SAVING LUNA**2008 Missoula International Wildlife Film Festival**

- / Best Storyline

2008 Leo Awards

- / Best Documentary

STONE OF DESTINY**2009 Victoria Independent Film & Video Festival**

- / Audience Favourite Award

THE STONE ANGEL**2009 Genie Awards**

- / Best Achievement in Music – Original Score

2008 WorldFest Houston

- / Special Jury Award

WALK ALL OVER ME**AMPIA Awards (Alberta Motion Picture Association)**

- / Best Feature Film

2008 Leo Awards

- / Best Supporting Performance by a Male in a Feature Length Drama

AWARD AND PRIZES 2008-2009

INTERACTIVE MEDIA



Pictures from: *Anash* and *Captain Flamingo*

QUEBEC REGION

AKOHA

2008 Crunchies Awards

/ Most Likely To Make The World A Better Place

CLOSE TO PARADISE

2008 Webby Awards

/ Nominee for the Best Experimental category

GOFRETTE

2008 Alliance for Children and Television Excellence Awards

/ Award of Excellence

ONTARIO AND NUNAVUT REGION

CAPTAIN FLAMINGO: UH-OH

FLAMINGO!

2008 CFTPA Indie Awards

/ Nominee for Best Convergent New Media

ODD JOB JACK

2008 Banff Awards

/ Best Interactive Program at CFTPA Indie Award for Best Convergent Program

2008 Gemini Awards

/ Nominee for Best Cross Platform Program
/ Nominee for Best Comedy Series

WESTERN REGION

ANASH INTERACTIVE

2009 Alliance for Children and TV Awards

/ Best Original Cross-Platform Content

2009 CFTPA Indie Awards

/ Best Convergent New Media

2008 Japan Prize for Educational Media

2008 Davey Awards

/ Gold Award in the Children's Category
/ Silver Award in the Youth Category

2008 Gemini Awards

/ Nominee for Best Cross Platform Project

2008 Alberta Film and Television Awards

/ Best Digital Cross-Platform Project

2008 World Media Festival in Hamburg

/ Silver Award

2008 WorldFest

/ Gold Remi Award in the Children's Interactive category

2008 Omni Intermedia Awards

/ Bronze Omni Award in the Children's category

2008 Web Marketing Association's Web Awards

/ Entertainment Standard of Excellence

REPORT ON ACHIEVEMENTS
OBJECTIVE **TWO**
BUILDING
INDUSTRY CAPACITY

Strategic Objectives	Key performance Indicators	Targets	2008-2009 Results
Invest in audiovisual industry to attract other forms of financing	% of financing from other sources of funding	Maintain or increase % of financing from other sources	Due to the difficult economic times, Telefilm's share of overall budgets has gone up in both feature film (from 31% to 37%) and interactive media (from 28% to 49%)
Companies increase their capacity through sales and business development at markets	Level of sales and business at markets	Maintain or increase Canadian and international sales and business development	Sales at markets are up overall by 21% over the previous year
Industry professionals benefit from high-quality training initiatives	Level of satisfaction and positive career impact due to Telefilm training and development programs and initiatives	Maintain or increase satisfaction levels with training initiatives format and outcomes	With three years of monitoring, satisfaction levels remain strong at 4.2 out of 5
Professionals from Aboriginal, cultural and linguistic minority communities benefit from opportunities to advance in their careers	Level of resources committed to programs and initiatives designed to promote professional development within culturally diverse communities	Maintain or increase the level of financing	The level of financing was increased by \$2.5 million and new professional development initiatives were launched in 2008-2009



LEVERAGING FINANCING

Feature Film

Telefilm’s financing of feature films continues to have a significant impact on the industry’s ability to seek out other partners. An early financing in a film project by Telefilm increases the producer’s ability to attract other investors.

In 2008-2009, Telefilm supported the production of 41 new projects in the main programs of the Canada Feature Film Fund (CFFF). The CFFF was the single most important source of financing and accounted for 36.9% of the production budgets, a 6.2% increase over the previous year. Other government sources (provincial and federal tax credits), were the second most important source of financial participation at 35.6%, a 3.3% increase over last year.

The increase in public financing is mostly the result of a drop in foreign financing from 12.5% to 6.5% of production budgets. Distributors/exporters (decrease 2.8%) and broadcasters (decrease 1.1%) also reduced their financial participation while the private sector’s contribution remained stable. The average total production budget for 2008-2009 is \$4.8 million.

Financial Analysis – Production – New Signed Contracts

	Number of projects	Total Budgets	Budgets **	Canada Feature Film Fund	Broadcasters	Private Sector	Distributors and Exporters	Other Government Sources	Foreign Participants
French	21	105,383,530	82,979,488	32.8 %	1.9 %	7.5 %	8.9 %	44.4 %	4.6 %
English	20	92,434,543	92,434,543	40.6 %	0.4 %	11.9 %	11.1 %	27.7 %	8.3 %
Total	41	197,818,073	175,414,031	36.9 %	1.1 %	9.8 %	10.1 %	35.6 %	6.5 %

** Does not include the foreign share (\$22 million) of official co-production budgets in which Canada is a minority partner.
Source: Telefilm internal database

Interactive Media

As the renewal of the Canada New Media Fund (CNMF) was unclear at the beginning of 2008-2009, Telefilm had to commit more resources to projects in development rather than in production. As with feature film, the production cycle for interactive media can vary between 18 and 24 months.

Interactive media production companies also have significantly less access to infrastructure and traditional streams of financing. The presence of the recession associated to the credit crisis had a material impact

on the production budgets of interactive media projects. There were no foreign investments in the projects supported through the CNMF in 2008-2009 and Telefilm saw its share of financing in these budgets go from 28% in 2007-2008 to almost 49% in 2008-2009.

These figures confirm the importance of seed capital to the Canadian interactive industry.

Interactive Media Financial Analysis – Production – New Signed Contracts

	Number of projects	Total Budgets	Canada New Media Fund	Broadcasters	Private Sector	Distributors and Exporters	Other Government Sources	Foreign Participants
French	14	7,525,974	47.2 %	6.2 %	42.9 %	0.5 %	3.2 %	0.0 %
English	10	2,309,742	54.3 %	0.0 %	29.4 %	4.3 %	12.0 %	0.0 %
Total	24	9,835,716	48.9 %	4.8 %	39.7 %	1.4 %	5.2 %	0.0 %

Source: Telefilm internal database

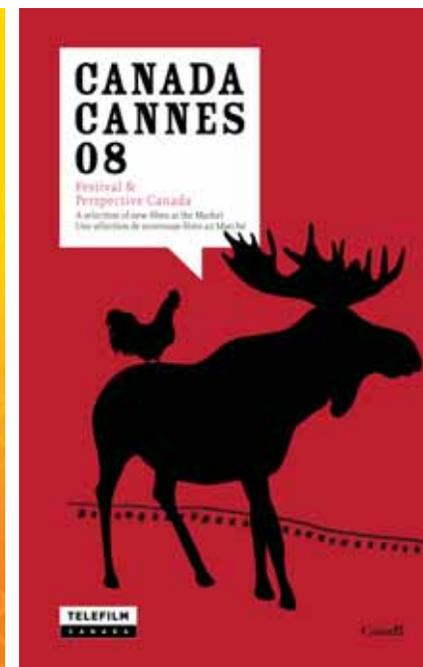
B.

TELEFILM AT INTERNATIONAL MARKETS

A Valuable Business Partner to Canadian Companies Working Abroad

Telefilm has long recognized the importance of building Canada's brand abroad and provided support to the Canadian industry to build their capacity on an international level. Audiovisual media markets around the world present a tremendous opportunity for Canadian film, television and interactive media producers.

For Telefilm's financing in the Canada Pavilion booths and other business development activities held at international markets, there is a substantial return in the form of media sales. Canadian companies have proven they are capable of building a Canadian brand and have also reported millions of dollars in sales and presales across a variety of international markets and festivals. This past year was particularly exceptional.



Film and Television Markets

For the third year in a row, Telefilm has surveyed the participants at international markets for which a Canada Business Centre was provided.

In total, 283 Canadian companies who participated in the markets were surveyed¹. Of these 283 companies, 203 of them agreed to respond to Telefilm's survey. Findings from the 2008² surveys confirmed the growing importance of Telefilm's involvement at these events.

Canadian participants attending the Berlinale European Film Market, the Hong Kong Filmart, MIPTV, Cannes Film Market and MIPCOM were surveyed in 2008. The Hong Kong Filmart was a new addition and also represents another step in a broader international strategy.

Aggregate closed sales and presales in 2008 reached almost \$14 million. On-going and working negotiations at these markets created an additional \$71 million in likely sales. This is a total (closed deals and working deals) of \$85 million, up substantially from last year's \$70 million (a 21% increase). Since this research was compiled based on a response rate of about 72%, it is more than likely that the \$85 million is a conservative sample of a much larger final sales volume. This is the third year in a row for which a substantial growth in sales was reported.

Results from 2008 further confirmed that Telefilm's presence and financing at these markets provides a significant return to the Canadian audiovisual industry. In total, Telefilm allocated about \$1.2 million³ in financing to help Canadian companies at these markets. In 2008, every dollar invested by Telefilm resulted in almost twelve dollars in completed sales deals for Canadian companies. This is up from 2007's ratio of one dollar-to-nine dollars investment to sales.

The 2008 international market results also reported an impressive list of co-production and co-venture deals, re-affirming the importance of international cooperation in film and other audiovisual production. Across the markets, 75 companies were involved in 133 deals with 21 different countries from around the world. These deals were reported to be worth in excess of \$235 million.

Not only are sales high at these international markets for Canadian companies, but participants are also generally satisfied with the business development activities offered by Telefilm. Overall, 92% of the participating companies used the Canada Pavilion (up 2% from last year's 90%). All centres saw an average cross-market satisfaction score of 7.8 out of 10, and no specific activity or service received less than 7 out of 10.

Interactive Media Markets: Game Connection

During the March 2008 San Francisco Game Connection event, participating Canadian companies were surveyed⁴ to determine their satisfaction with the event and their sales performance. Twenty companies responded to the survey. In December 2008, a second questionnaire was sent out to a smaller contingent of Canadian participants at Game Connection held in Europe. Eight companies responded to this survey.

Sales at these markets were extremely encouraging and add to the larger volume of sales at the film and television markets. One hundred potential or concluded agreements were done in San Francisco for a total value of \$76 million. Of these, seven companies had closed deals of \$3.6 million.

1 2008 Outcome Reports for Hong Kong Filmart, Berlin, Cannes, MIPTV and MIPCOM, Pollara

2 Sales at international markets are tabulated on a calendar year basis, from January 1 to December 31.

3 Not including in-house staff salary

4 Report on Business Benefits and Satisfaction of Participating Companies, JF Arseneau Conseil Inc., March 2008

C

DEVELOPING AN INDUSTRY

Training and Development Initiatives

Telefilm has been surveying participants attending its training and development initiatives since 2005-2006. Specifically by examining satisfaction levels with the initiative, knowledge and skills acquired, and the short term and long term impact the initiative has had on the participants. This research is collected via an on-line survey administered after each initiative followed by a one year 'check-up' designed to determine longer term impact on the participant's professional career.

Because the sample sizes are quite modest, it has taken several years to build a sufficiently large database to confidently report on results. Over the past three years, eight different initiatives were surveyed bringing the sample size to approximately 200 participants. Consequently, it is more useful to analyze the overall performance of the eight training initiatives collectively.

It has been Telefilm's objective to hold the satisfaction levels at a standard benchmark and ideally see them go up. Since 2005-2006, satisfaction levels across several training initiatives have remained solid with an average satisfaction score of about 4.2 out of 5. The survey project has proven to be a success and the data will continue to be collected in coming years.



Picture from: *The Stone Angel*

Along with the satisfaction research, Telefilm has also spent the last few years tracking the outcomes and long term impact of its training initiatives. Surveys are conducted one year after the participant has concluded the training. The participants of the Writer's First Program and the Low Budget Independent Feature Film Assistance Program are also included in this survey. Outcome surveys provide needed insight on whether or not the training development received by the participants had an impact on their career progression.

Similar to the initial satisfaction survey results, the sample sizes have been small for many of these initiatives. However, after four years of conducting surveys, about 150 participants completed the questionnaires.

The results are encouraging; about 78% of screenwriters, 62% of directors and 82% of producers agreed that the initiative they participated in made a positive contribution to their professional development.

Moreover, the majority of the participants felt that the program had a positive impact on their actual career advancement. Some other highlights of the last three years' data include¹:

- More than half of the screenwriters felt the initiative helped them secure funding and improve their relationships with producers;
- Almost a third of the screenwriters were actually able to option more scripts within the first year as a direct result of the initiative;
- Almost 60% of directors agreed that the initiative improved the overall quality of the direction;
- More than half of the directors say they have either directed new projects, or more ambitious projects as a result of the initiative; and
- About 60% of the participating producers agreed that the initiative had a positive impact on their career advancement and helped them better understand their audience(s).

1 Answers represent combined *strongly agree* and *somewhat agree* to read statements

However, as discovered through this research, there is room for improvement:

- Only a third of screenwriters were able to option more scripts as a result of the initiative; and
- Less than a third of producers indicated that they have produced more domestic films as a result of the initiative.

The training survey research will continue in 2009-2010 and is an important tool for Telefilm to adjust if necessary its training and business development strategies.

Client satisfaction levels are one measure of performance. Comprehensive program evaluations of the Low Budget Independent Feature Program and Writer's First Program were also conducted by Telefilm in 2008-2009. Findings indicate that greater administrative efficiency could be found in blending these programs with the main development and production components of the CFFF². Furthermore, scripts supported within the Writer's First Program have not proceeded into production or achieved box office success as originally anticipated. Telefilm will review the results of these findings in consultation with the CFFF Working Groups in 2009-2010 to determine how to improve the effectiveness and efficiency of these programs.

2 *Honing Artistic Vision*, Communications MDR, March 2009

D

NURTURING DIVERSE TALENT: ABORIGINAL, CULTURAL AND LINGUISTIC SUPPORT

In 2008-2009, Telefilm supported 13 initiatives and 79 multicultural/aboriginal/official language minority community projects for a total commitment of \$7.5 million across all funds. This represents a \$2.5 million increase of Telefilm's support from last year's commitments which totalled \$5.0 million.

Aboriginal Story Telling

In 2007, Telefilm created an Aboriginal Task Force with representation from the Aboriginal Peoples Television Network, Aboriginal producers and other representatives from the Aboriginal community. From this task force, the Featuring Aboriginal Stories Program (FASP) was conceived and launched in 2008-2009.

The FASP targets Aboriginal writers and producers working on feature film projects at different stages of development. At each stage, participants benefit from a combination of training and professional development, personalized mentorship activities and an advance in development. Specifically the program encourages and supports Aboriginal filmmakers to develop an original script that will be attractive to producers, financiers and other film industry representatives in the marketplace.

Through the FASP, Telefilm committed about \$181,000 to 11 development projects in 2008.

Multicultural Success Stories

AMAL

First time Indo-Canadian Director Richie Mehta drew accolades from critics when *Amal* was first screened at the Toronto International Film Festival (TIFF) in 2007. *Amal* started in 2004 as a short film, inspired by a true story related to the director through his brother. The short took its first step toward being a feature at Telefilm Canada's *Pitch This!* event at TIFF. Richie Mehta received \$10,000 for his successful pitch and his brother collaborated with him to make this unique story, entirely set in India, blossom into a full length feature film.

The fruit of their labour was realized when the film was released in August of 2008. *Amal* produced a modest box office return of a quarter million dollars in 2008, but drew numerous awards and accolades including five Genie nominations and one Genie award for Best Achievement in Music – Original Song; the San Francisco International Asian American Film Festival's Best Narrative Feature Award, the Phillip Borsos Award for Best Actor at the Whistler Film Festival and the Grand Jury Prize (Opening Night Film) at the Indian Film Festival of Los Angeles.

Richie Mehta represents an important element of the Canadian filmmaking scene. He grew up in Canada watching *Indiana Jones* and *Star Wars*, and as an adult, started to work with other filmmakers of South Asian descent who had similar stories and backgrounds. *Amal* is another success story for Canadian diversity in filmmaking. Moreover, Richie Mehta represents emerging talent, new to the scene and with the help of Telefilm, has started a promising career.



Picture from: *Amal*



Official Language Minority Communities are Jumping in the Action

In 2008-2009, in addition to renewing the *Écrire au long* and Feature It! training initiatives for writers, writer-directors and producers to develop market-driven feature film projects, a new initiative for digital interactive content was launched. This initiative, Multiplatform, Multi-Success, took the form of workshops offered to minority language groups. The workshops were designed to foster the development of cinema, television and new media professionals and provide them with the tools to meet multiplatform challenges and to migrate to new business models.

Additionally, Telefilm committed itself to identify and recruit emerging talents and content creators from Official Language Minority Communities (OLMC). In 2008-2009, Telefilm developed various outreach strategies centred on the creation of a distinct visual image, a slogan (“Jump in the Action”) and a micro website under the Official Languages Activities (OLA) banner to better promote the programs and initiatives aimed at content creators from OLMC. Simultaneously, a media plan focused on OLMC community newspapers and Francophone festivals outside Quebec was implemented to further promote the OLA program’s activities. These combined approaches resulted in an increase of 15% in the number of *Écrire au long* projects received including nearly half from emerging writers. Feature It! saw a similar increase in the number of projects received with almost 60% from new writers.

Finally, Telefilm launched a new production component with the goal to provide OLMC producers and directors the opportunity to produce market-driven feature film projects, and to expand the available pool of these creators in the country. Funding under this initiative was offered in the form of a repayable advance for dramatic feature film productions with a total budget ranging from \$0.25 million to \$1.25 million. The initiative is a logical continuation of the *Écrire au long* / Feature It! programs.

REPORT ON ACHIEVEMENTS

OBJECTIVE

THREE

A GOOD

ADMINISTRATOR

Strategic Objectives	Key performance Indicators	Targets	2008-2009 Results
----------------------	----------------------------	---------	-------------------

To be an efficient and innovative administrator	Management Expense Ratio (MER)	Maintain a low management expense percentage	<p>Program MER was either maintained at the same level or improved:</p> <ul style="list-style-type: none"> • CFFF's MER improved from 9% in 2007-2008 to 8% in 2008-2009 • TBU's MER has improved by 10%, from 3.0% in 2007-2008 to 2.7% in 2008-2009 • CNMF's MER has improved from 26% in 2007-2008 to 17% 2008-2009
To be transparent and accountable	Refine established performance indicators	Optimize operational efficiency by monitoring financial and operational indicators	<ul style="list-style-type: none"> • All financial indicator targets have been reached • Operational indicator targets linked to delays in project funding decisions have been reviewed
To better serve clients	Client satisfaction	Maintain or increase client satisfaction level in comparison with 2005-2006 survey	The Canada-wide client satisfaction survey originally planned for 2008-2009 will be conducted during the next fiscal year



A.

TO BE AN EFFECTIVE AND INNOVATIVE ADMINISTRATOR

Performance Management

Telefilm is committed to client service having published a Client Service Charter in 2003, the first ever for a cultural agency. This Service Charter reflects Telefilm's continued commitment to standards of service and to building mutually beneficial relationships with clients and other stakeholders. Accessibility, fairness and timeliness are the values that Telefilm's clients can expect in the delivery and administration of programs. In line with new roles and responsibilities in program delivery, Telefilm updated its Service Charter last year.

The results-based management accountability framework implemented by Telefilm in 2005-2006 has allowed it to maintain a high level of customer service as well as ensuring an effective and efficient management of public funds. Its objectives include:

- To be an effective and innovative administrator by delivering programs at an attractive cost and by employing modern and integrated performance-management methods;
- To be transparent and accountable by improving established management performance measures; and
- To better serve its clients by conducting client satisfaction surveys on an ongoing basis.

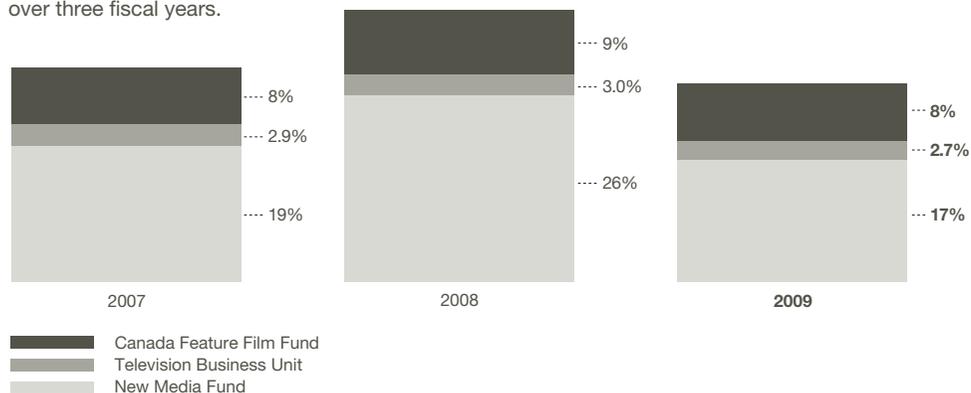
Telefilm has implemented a results-based management framework that promotes accountability, transparency and results at all levels from government policy down through its corporate plan, to program activities and the annual report, and ultimately to clients. The same "Top-Down" approach has been adopted by Telefilm Canada's Board of Directors who have developed a governance structure that allows for oversight of its activities through the Audit and Finance Committee and the Nominating, Evaluation and Governance Committee. As shown in the following graph, Telefilm uses all relevant tools to establish, manage and monitor its environment in order to achieve expected results.



Management Expense Ratio

As a program administrator, Telefilm strives to offer value for money: i.e., the best value to its clients and partners. To this end, the management expense ratio (MER) is a financial indicator that establishes, annually, how administrative resources are used in relation to program financial outputs. The MER corresponds to operating expenses in relation to monies invested in assistance expenses for each of the Corporation's major programs. Detailed operating expenses for the main programs appear in Schedule F of the Financial Statements.

The MERs of the various funding programs are influenced by a number of factors, and as such cannot be compared one with the other. Indeed, each program has its own guidelines, selection methods and evaluation parameters. The following graph shows management expense ratio trends for the main programs over three fiscal years.



Canada Feature Film Fund (CFFF)

The CFFF MER has remained constant over the years, at $\pm 8\%$. This is a noteworthy performance, given the decentralized nature of delivery parameters and the existence of certain selective programs that make up the CFFF.

Television Business Unit (TBU)

In 2008-2009, the MER for the TBU was at precisely 2.7%, representing a 10% improvement from 2007-2008. Telefilm maintains and adapts its business processes in the aim of offering to the CTF and to its clients a service that combines optimal quality and response time with competitive pricing. It should be noted that all service delivery elements are governed by a Service Agreement that sets out, among other criteria, required service levels and expected costs. CTF funding programs are the property of the CTF and are therefore omitted from Telefilm's financial statements.

Canada New Media Fund (CNMF)

The CNMF management expense ratio stands at 17% for 2008-2009, down significantly from 2007-2008 MER, which stood at 26%. The improvement to the MER is mainly attributable to the increase in assistance expenses of \$3.2 million in 2008-2009. The late renewal of the Contribution Agreement, in June 2007, triggered a three-month moratorium which resulted in a significant decrease in assistance expenses in 2007-2008.

Outlook for 2009-2010

Management does not expect any significant changes in terms of expense-ratio forecasts for the main programs in 2009-2010.

Continuous Improvement

Telefilm continually strives to improve its existing systems and practices, and 2008-2009 is not an exception to this rule. The current management team is now benefiting from standardized reports, which allow it to follow up on amounts associated with purchase orders. Telefilm has also updated its travel and hospitality policies which are in line with those proposed across the federal government. Furthermore, the business continuity plan has been improved and conforms better to Telefilm's requirements as well as those of its partners.

Human Resources Master Plan

The HR Master Plan will enable Telefilm to strengthen mentoring, motivating, interpersonal relations, teamwork, work-life balance, training, remuneration and work satisfaction. Several consultations were held with employees and managers. Two priorities were identified:

- Redefining corporate values and identifying expected leadership behaviours; and
- Improving communications between employees and management.

To improve communications between employees and management, Telefilm's Intranet was revamped to encourage regular and timely corporate information to be communicated to employees.

Information and Technology

Telefilm completed the deployment of its IP-based telephone system; as such, its network infrastructure now encompasses its telecommunications infrastructure. Motivated by heightened security needs, compatibility with various suppliers, and by greener management requirements, Telefilm changed its computer operating systems from Windows 2000 to Windows Vista. These two projects will enable Telefilm to make optimal use of new technologies, share its telecommunications infrastructure (network and telephony) and completely eliminate long-distance interoffice costs. Finally, Telefilm reduced by 50% the number of servers it uses and by doing so has achieved cost savings.



B

TO BE TRANSPARENT AND ACCOUNTABLE

Financial and Operational Performance Indicators

In 2008-2009, Telefilm reviewed its performance indicators by calculating working days in order to standardize performance-measurement calculation and by reviewing decision-making turnaround time, particularly when project application deadlines are used. Monitoring performance indicators is one of several ways of ensuring that Telefilm operates effectively and efficiently via financial and operational indicators.

- | | |
|-------------------------------|---|
| Financial indicators | <ul style="list-style-type: none"> Minimal CFFF and CNMF expenses Administrative budget: Maximal threshold |
| Operational indicators | <ul style="list-style-type: none"> Decision timeframes regarding funding of CFFF and CNMF productions TBU service levels Triggering of payments to projects and suppliers Critical IT systems: available hours Critical IT systems: incident-free days |

Some of the above mentioned performance indicators are reported upon to the Board's Audit and Finance Committee on a quarterly basis.

Results on Administrative Performance Indicators

Telefilm established a series of performance indicators aimed at determining the performance levels to be achieved. Its aim in following this management style allows for the establishment of an environment which fosters optimal performance and service for its clients and partners. The compiled results provide an accurate measurement of Telefilm's performance in meeting established targets.

Financial Indicators	Targets	Results	Findings
Minimal expenses of the CFFF	\$84.2M	\$94.5M	Target met
Minimal expenses of the CNMF	\$12.4M	\$13.3M	Target met
Administrative budget: maximum threshold	\$28.8M	\$27.5M	Target met

It is important for Telefilm to meet the financial targets of the CFFF and CNMF. By achieving these targets, Telefilm can ensure that the industry will benefit from the maximum amounts available for the development, production and marketing of Canadian projects and thereby avoiding the lapsing of funds. The administrative budget target represents the maximum amount that can be used to cover Telefilm's operating and administrative costs.

The results from the financial indicators are positive and all targets were met. The CFFF assistance expenses exceeded the established minimum because it benefits from recoveries that can be reinvested. The CNMF did remarkably well and excess expenses were funded through available unused recoveries.

As for the administrative budget, Telefilm saved about \$1.1 million which was redirected to programs¹. In accordance with established policies, management financed part of next year's administrative costs amounting to \$1.2 million. It should be noted that the administrative budget is calculated on a modified cash basis, rather than on an accrual basis, and can therefore not be compared to the operating and administrative expenses appearing in Schedule E of the Financial Statements.

Targets involving response time for production funding decisions with the CFFF and the CNMF have not been met. It is important to note that the volume of applications received affects decision turnaround time, particularly when submission dates are established. Telefilm is currently reviewing its performance related to decision deadlines and will be consolidating the process used to monitor the attainment of the targets.

Along with the financial indicators, Telefilm developed, followed and maintained the following targets tied to key operational indicators.

Operational Indicators	Targets	Results	Findings
Response time for production funding decisions ²			
• CFFF: Decision issued	10 weeks Decision date planned	74% of the time 93% of the time	Target not met Target not met
• CNMF: Decision issued	Decision date planned	82% of the time	Target not met
TBU service levels:			
Response time indicators (in days)	12 targets to meet	10 targets met	Target not met
Project payment triggered	≤ 3 days	3 days	Target met
Supplier payment triggered ²	≤ 20 days	20 days	Target met
Critical IT system hours available	≥ 97.5%	99.6%	Target met
Critical IT systems incident-free days	≥ 90%	90%	Target met

1 No change was made to the minimum CFFF expense target following this fund transfer.

2 The targets were revised in 2008-2009.

Television Business Unit

The parameters of services offered to CTF clientele are outlined by the Service Agreement between Telefilm and the CTF. By meeting deadlines, constancy in service quality is ensured. This year, 10 out of 12 targets were met. The indicators show significant improvements in terms of performance for targets that were not met in 2008-2009. Changes to program guidelines and business processes have also been made over the course of the fiscal year that will help meet service levels for next year.

Payment Processing

With the goal of offering quality service, Telefilm aims to meet reasonable deadlines for processing project payments. As shown in the table, Telefilm complies with a three-day deadline for issuing payments. With regard to paying suppliers, Telefilm met its fixed target of 20 days.

Finally, two critical indicators for Telefilm are used by the IT department in order to evaluate its performance: the number of hours the system is available and the number of incident-free days. The ultimate goal of these two parameters is to ensure the availability of computer applications for the continuous operation of the Corporation. 2008-2009 results were excellent and met expectations.

Internal Audits

Telefilm underwent several audits in 2008-2009. Three audits were commissioned by the CTF. In addition, the three-year internal audit program approved by the Board of Directors in 2007-2008 has carried on. Compliance audits regarding the management processes of the CFFF and CNMF were also conducted. Areas for improvement included:

- Standardization of documents across all offices and programs; and
- Audit trail documentation and quality control of files.

Targeted action plans have been developed to correct the shortcomings found by the audits.

2009 Special Examination

Telefilm is currently undergoing its first Special Examination by the Auditor General of Canada. The purpose of the Special Examination is to provide the Board Members, an independent, objective opinion on whether Telefilm's financial information and control systems, management control and information systems, as well as management practices were applied in a manner that provided reasonable assurance that:

- Its assets are safeguarded and controlled;
- Its financial, human and physical resources are managed economically and efficiently; and
- Its operations are carried out effectively.

The preliminary phase of the special mandate began near the end of 2008-2009, with the auditors familiarizing themselves with Telefilm's business and determining which sectors will be examined. Their mandate will continue throughout 2009-2010.

Comparison and Benchmarks

Telefilm must ensure that it acts in a financially responsible way and, whenever possible, it measures itself against the best available benchmarks. Telefilm ranks well in respect to Public Works and Government Services Canada (PWGSC) standards when it comes to using the space at its head office. Indeed, all employee work stations and common areas are on or above PWGSC standards. In addition, Telefilm compares its IT costs with benchmarks set out by the Gartner firm, "Government and Financial Sectors," as well as with PWGSC standards. Although Telefilm's size is not comparable with organizations measured by these bodies, observed results are generally positive.



TO BETTER SERVE CLIENTS

The satisfaction of its clients and stakeholders is at the heart of Telefilm's actions. All of its initiatives—performance management, financial and operational indicators, improvements deriving from technological advances and internal audits—converge into a single goal: to better serve clients.

Telefilm has traditionally used multiple surveys to measure client satisfaction; however, the Canada-wide survey on overall client satisfaction that was planned for 2008-2009 will be conducted in the next fiscal year.

In 2008-2009, the CTF conducted a study whose goal was to gauge client satisfaction with respect to services offered by the Television Business Unit. The average satisfaction rate was 7.9/10: a very good result and close to 8/10, which would have been deemed excellent. The following positive findings emerged from the survey:

- Courteous personnel who are willing to listen;
- Services offered by support staff, managers, analysts and the accounting department;
- The time taken to obtain a response by phone or e-mail and the constancy of answers from one stage of the process to another.

Renewal of the Canadian Television Fund (CTF) and the Canada New Media Fund (CNMF)

In 2008-2009, Telefilm and the CTF renewed for a one-year period the Service Agreement for the delivery of CTF funding programs. The renewal ensures continuity of services offered to CTF clients. In addition, Telefilm renewed the CNMF Contribution Agreement with the Department of Canadian Heritage for a one year period.

As announced by the federal government in March 2009, the Canada Media Fund (CMF) will be created on April 1, 2010, as a result of the merger of the CTF and the CNMF. Based on its history as a program administrator, Telefilm is well-positioned to support the government and the industry key stakeholders transition to the new CMF.

eTelefilm

It has been shown that the use of eTelefilm for the delivery of programs is a major efficiency vector in terms of data digitization and entry, with employees being called on to edit rather than enter information. The growth of eTelefilm should not come as a surprise as its usage continues to grow:

- To date, 768 companies registered – an increase of 28% from 2007-2008;
- 147 exploitation reports were received in 2008-2009 – 225% more than in 2007-2008;
- 437 applications were received online in 2008-2009 – 11% more than in 2007-2008; and
- Several programs have been added to eTelefilm since the last fiscal year.



A major organizational change to better serve clients

Over the last year, Telefilm reworked its organizational structure at various levels, from its business processes, to its decision-making processes for financing, to the makeup of its management committee.

As such, Telefilm now has a more effective and efficient organizational strategy.

Redesign and realignment of the Executive Management Committee function

In this period of transition toward content that has access to multiple platforms, Telefilm's executive management team must demonstrate, now more than ever, that it has the vision and diverse skills and competencies required.

To this end, Telefilm revised its organizational structure and made important changes to its senior management organizational plan this year. This realignment eliminated a decision-making echelon and expanded the management committee to represent all of Telefilm's activities. Telefilm's three core business lines; projects financing, national and international business development, and contract and certification are an integral part of the Executive Management Committee (EMC) and report directly to the Executive Director. The other members of the EMC represent key corporate service departments: administration and corporate services, strategic planning and project development, public and government affairs, and communications.

This change promises to foster excellent synergy among the Executive Director and all of Telefilm's departments and offices. It will also improve internal communications as well as foster good relationships with its clients and partners in the industry.

Content and business relations

A restructuring of its operations also improved Telefilm's ability to manage risk and to ensure that programs and services are delivered in accordance with its Client Service Charter. This restructuring resulted in the separation of the selective (content) decision-making process and business affairs (handling of requests, contract negotiation and disbursement procedures). By better harmonizing business practices across its regional offices, the change also makes it easier for the industry to do business with Telefilm.

The separation of content and business affairs clarifies the respective responsibilities. The business affairs sector will therefore be able to manage contracts more effectively, whether in the area of standard business processes or simply when following up on projects. In 2008-2009 Telefilm achieved its financial targets ahead of schedule, and the new structure has been a key factor in this achievement.

All of these changes strengthen Telefilm's efforts to clarify, simplify and improve its administration. They guarantee that a renewed synergy prevails among Telefilm's front-line decision makers, thereby reducing the number of steps involved in decisional processes for most sectors. This will serve to facilitate decision making and improve the organization's overall effectiveness.



MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S

Declaration of Reliable, Up-To-Date Information

The Management's Discussion and Analysis (MD&A) is prepared by management for the purpose of providing information complementary to the financial statements, reporting on Telefilm's past performance and future outlook. The content is factual and based on meaningful, relevant and reliable information. The MD&A is submitted to the Executive Management Committee and to the Audit and Finance Committee and then approved by the Telefilm's Board. It supplements the Report on 2008-2009 Achievements – Strategic Objective #3: A Good Administrator and the Financial Statements audited by the Auditor General of Canada. The Financial Statements are presented on page 74 of the Annual Report.

Important Accounting Estimates

Within the context of preparing financial statements, management makes estimates and assumptions that have a major impact on the reported amounts. The assessment of the allowance for bad debts, the calculation of severance benefit obligation and the assessment of contingent liabilities are among the most important elements.

Adoption of New Accounting Standards

On April 1, 2008, Telefilm adopted the following sections in the Canadian Institute of Chartered Accountants Accounting Handbook:

- Section 1400, *General Standards of Financial Statement Presentation*
- Section 1535, *Capital Disclosures*
- Section 3862, *Financial Instruments – Disclosures*
- Section 3863, *Financial Instruments – Presentation*

The application of these new standards had no impact on the Telefilm's financial results.

International Financial Reporting Standards (IFRS)

With regard to applicable accounting standards, for the fiscal year ending March 31, 2012, Telefilm must present its financial statements according to IFRS. Comparative data must also be presented in accordance with IFRS. With this in mind, Telefilm has begun developing a plan to integrate and transition to IFRS. Under the plan, it will be ready to begin gathering financial information in compliance with IFRS by April 1, 2010, for the purposes of comparative data.

Telefilm is currently completing an evaluation of the differences between the generally accepted accounting principles and the applicable IFRS. Telefilm has identified certain elements liable to significantly impact its financial statements and will call on qualified accounting experts to thoroughly examine these elements.

Financial Review

Fiscal 2008-2009 should be characterized as positive, with total assistance expenses having grown by \$5.1 million to \$113.7 million, up from \$108.6 million in fiscal 2007-2008. This is attributable to increased expenses of \$4.3 million for the Canada Feature Film Fund (CFFF) and of \$3.2 million for the Canada New Media Fund (CNMF). Recoveries on investments and advances declined to \$12.7 million, down from \$15 million in fiscal 2007-2008. The \$2.3 million decrease is due mainly to an increase in bad debt losses for the CFFF and to the termination of recoveries from the Canadian Television Fund (CTF) Equity Investment Program.

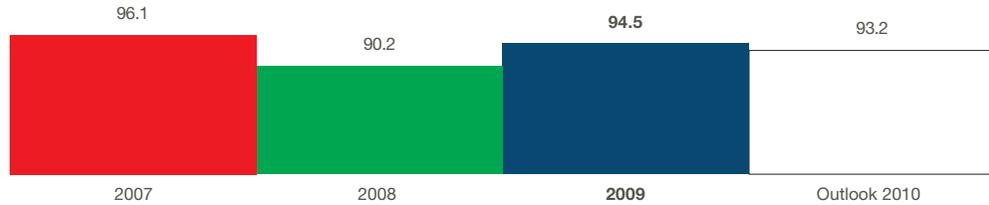
The following sections summarize the assistance expenses, funding sources, recoveries and future outlooks for the CFFF and the CNMF. They also include analysis of trends and variances in the operating and administrative expenses, government funding and revenues, net results, balance sheet, cash flow and risk management. Where deemed pertinent, a comparison of three fiscal years is presented.

Canada Feature Film Fund

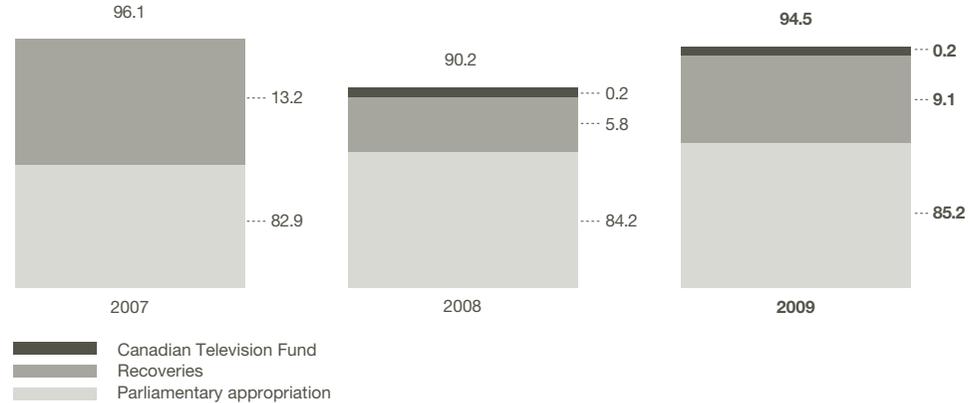
CFFF assistance expenses exceeded those from the previous year, rising from \$90.2 million to \$94.5 million. The increase is due primarily to financing through the production, distribution and marketing programs and the low budget independent feature film assistance program. Assistance expense details are presented in Schedule A of the Financial Statements. The assistance expenses graph shows a low level of variance over time, with the maximum variance over three fiscal years representing only ±6% in absolute value. This is an indication of management's constant efforts to invest all available amounts annually.

The following graph shows the funding sources of used for the CFFF. The main source is the parliamentary appropriation, which accounts for 90% of the total. The fluctuations in parliamentary appropriation result from internal budget transfers. Telefilm also used \$9.1 million obtained from recoveries to ensure the financing of additional projects. The capacity to reinvest recoveries is important for Telefilm and for the industry as it produces a multiplier effect for publicly funded projects.

CFFF: Assistance Expenses (\$M)



CFFF: Assistance Expenses Funding Sources (\$M)

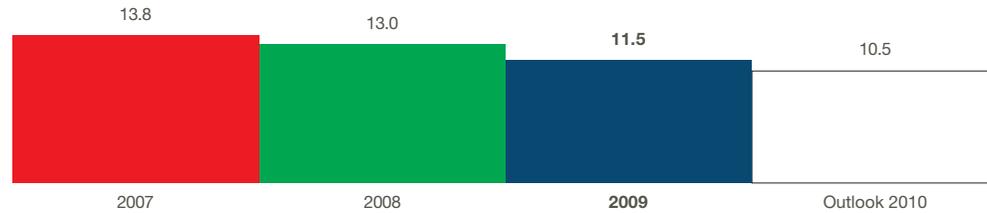


Canada New Media Fund

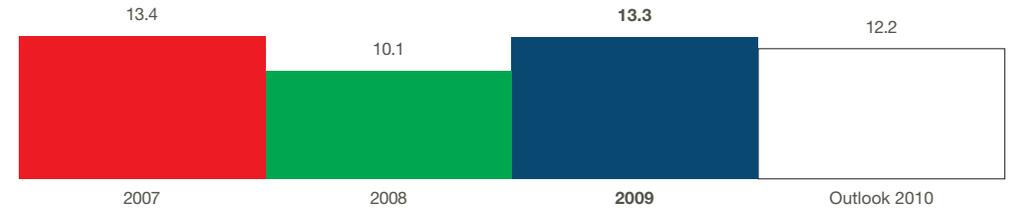
Fiscal 2008-2009 recoveries fell by \$1.5 million, due mainly to significant bad debt losses connected with the distribution sector. However, disregarding bad debt losses, the total recovery amount for the year is comparable to fiscal 2007-2008. Telefilm makes conservative revenue forecasts similar to previous years to avoid overstating its budgetary targets. Accordingly, and considering current economic conditions, Telefilm does not anticipate any significant drop in future recoveries.

In fiscal 2008-2009, CNMF assistance expenses rose by \$3.2 million, up 32% compared with fiscal 2007-2008. This significant increase is attributable to the late renewal of the Contribution Agreement for fiscal 2007-2008, signed in June 2007, which led to a three-month moratorium on the Fund's activities, thereby reducing the expenses recorded for that year. As shown, fiscal 2008-2009 expenses are comparable to those in fiscal 2006-2007.

CFFF: Recoveries (\$M)



CNMF: Assistance Expenses (\$M)

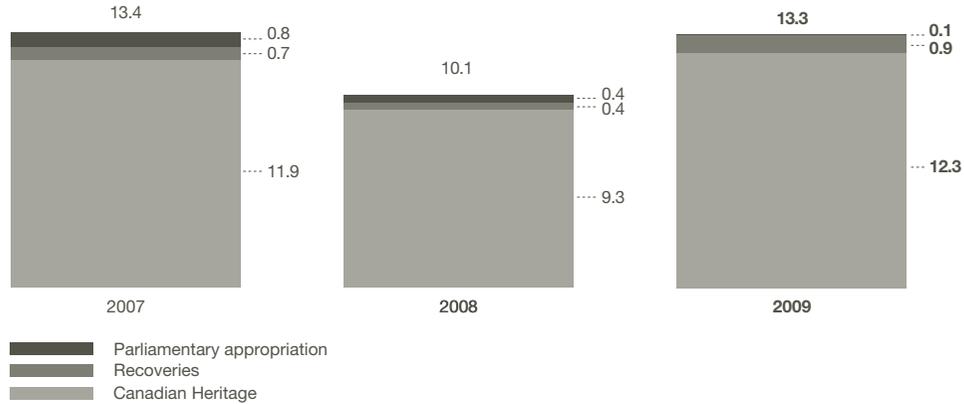


As of fiscal 2007-2008, Telefilm must remit all CNMF recoveries to the Consolidated Revenue Fund of Canada, which explains why no recoveries are shown in Schedule B of the Financial Statements. In accordance with this requirement, Telefilm remitted recoveries close to \$0.5 million to the federal government in fiscal 2008-2009.

With the Canada Media Fund to be created in 2010-2011, fiscal 2009-2010 will be the CNMF's last year of operation.

CNMF expenses were funded by \$12.3 million (92%) under the Contribution Agreement with the Department of Canadian Heritage and by recoveries from pre-2007-2008 fiscal years. Supplemental funding for CNMF expenses concerning a special initiative was provided through Telefilm's parliamentary appropriation.

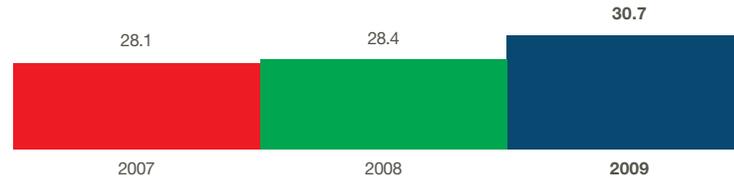
CNMF: Assistance Expenses Funding Sources (\$M)



Operating and Administrative Expenses

All operating and administrative expenses are presented in Schedule E of the Financial Statements. For fiscal 2008-2009, these expenses amounted to \$30.7 million, an increase of 8% compared with \$28.4 million for fiscal 2007-2008. This increase is directly attributable to salaries and professional fees. Expenses associated with professional fees were particularly high in fiscal 2008-2009. Telefilm incurred certain expenses and called upon external experts for services not available in-house, notably in connection with internal audits and the application of *Access to Information Act*. It should be noted that the other expenses have decreased in fiscal 2008-2009. Telefilm anticipates a reduction in operating and administrative expenses for fiscal 2009-2010.

Operating and Administrative Expenses (\$M)

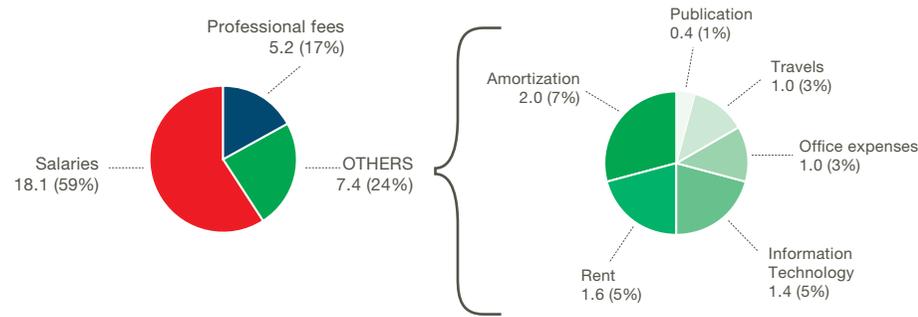


Government Funding and Revenues

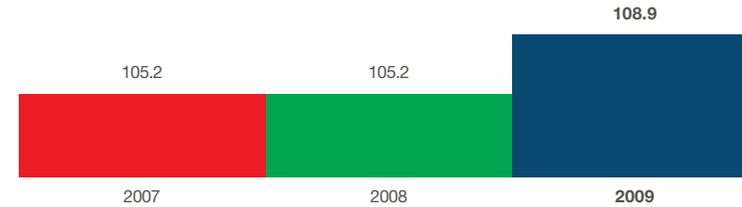
The following chart expresses the operating and administrative expenses in monetary terms and according to their importance. It bears noting that more than 72% of these expenses are considered directly related to program delivery.

Telefilm's funding derives from several sources, the main ones being parliamentary appropriation, Contribution Agreements with the Department of Canadian Heritage and management fees from the CTF.

Operating and Administrative Expenses \$30.7 M



Parliamentary Appropriation (\$M)

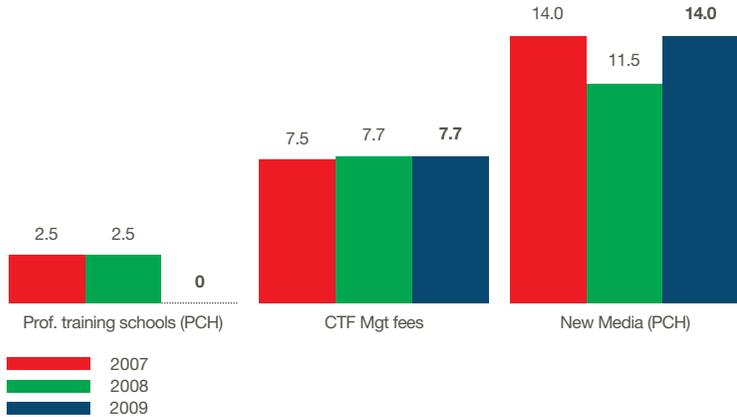


For fiscal 2008-2009, the parliamentary appropriation rose by \$3.7 million. The parliamentary appropriation comprises the amounts shown in the results and deferred government assistance in Note 8 of the Financial Statements. The increase is due to an adjustment for compensation and to a transfer from the Department of Canadian Heritage to fund the final year of the National Training Program for the Film and Video Sector.

There were also major variances in the other funding sources. CNMF funding increased by \$2.5 million in 2008-2009, thereby rising back to the level of 2006-2007.

It bears recalling that, because of the late renewal of the Contribution Agreement, all CNMF expenses and funding were revised downward for fiscal 2007-2008. For 2009-2010, Telefilm will have a budget similar to the fiscal 2008-2009 budget.

Other Funding Sources (\$M)



CTF management fees remained stable. This revenue represents fees for the delivery of the CTF funding programs.

Lastly, funding for the professional training schools program was previously provided under a specific Contribution Agreement with the Department of Canadian Heritage. For fiscal 2008-2009, funding was secured through parliamentary appropriation. This program will not be renewed for fiscal 2009-2010.

Net Result

Net operating results amounting to \$1.4 million represent a \$5.9 million decline compared with fiscal 2007-2008. The net result is impacted primarily by the amount of recoveries reinvested each year. Production calendars span more than one fiscal year and, as a result, do not match Telefilm’s fiscal year. This peculiarity substantially affects fund outflows and, inevitably, the net results. The net operating results graph presents the surplus or deficit amounts broken down by fund. Recoveries received during the fiscal year but not reinvested in the same period produce net positive results. This is the case for the CFFF and for the Other Funds in fiscal 2008-2009, demonstrating that Telefilm did not fully use the fiscal year’s recoveries.

Net Operating Results \$1.4M



Notwithstanding the above, the results are good, particularly for the CFFF and the CNMF. The CFFF result reflects the fact that management reinvested close to 80% of the year’s recoveries in assistance expenses. The surplus consists of amounts still to be reinvested. As for the CNMF, the result shows that Telefilm funded some expenses through accumulated recoveries from previous fiscal years.

Furthermore the fiscal year deficit shown for administrative expenses is calculated on an accrual basis method rather than on the method commonly known as “modified cash basis” which is used to achieve the budgetary balance of administrative expenses. The administration deficit derives from the recording of accounting provisions that will be funded when disbursed.

Balance Sheet

Significant variances in millions of dollars	2009	2008	Δ\$
ASSETS			
Receivable from Canada	47.3	37.4	9.9
Accounts receivable	4.8	6.2	(1.4)
Receivable from the Canadian Television Fund	2.4	2.2	
Contributions receivable from the Department of Canadian Heritage	0.7	5.6	(4.9)
Prepaid expenses	1.9	1.9	
Long-term accounts receivable	–	0.2	
Property and equipment	3.7	4.4	
Intangible assets	2.5	3.6	(1.1)
	63.3	61.5	1.8
LIABILITIES AND EQUITY			
Accounts Payable and accrued liabilities	4.6	2.3	2.3
Deferred lease inducements	0.6	0.8	
Severance benefit obligation	1.5	1.4	
Deferred government assistance	6.2	8.0	(1.8)
Equity of Canada	50.4	49.0	1.4
	63.3	61.5	1.8

Total assets increased by \$1.8 million during the year. This increase is mainly attributable to treasury activities related to the balance receivable from Canada, which jumped by \$9.9 million to a total of \$47.3 million. This amount represents 75% of Telefilm's assets, confirming the soundness of its balance sheet. It will be used to fund the contracted commitments for funds and programs (Note 10, Financial Statements). The cash balance increase is discussed in the following section: Cash Flow.

The other major items of the balance sheet are the \$4.8 million in accounts receivable and the \$2.4 million receivable from the CTF. These accounts derive from current activities.

Accounts receivable and contributions receivable from the Department of Canadian Heritage declined significantly. This is due in the first case to the settlement of a large overdue account and an increase in the bad debt allowance, and in the second case to diligent follow-up on amounts recoverable from the Department of Canadian Heritage.

The amortization of intangible assets (software and licenses) accounts for the last variance seen in assets.

The significant increase seen in accounts payable and accrued liabilities is attributable to the increase in amounts payable for services rendered for production projects as at March 31 and to the recording of expenses incurred for certain claims.

Deferred government assistance is reflected in the results and amortized on the same basis as property and equipment and intangible assets, which mainly accounts for the \$1.8 million variance.

Equity of Canada amounts to \$50.4 million, representing 80% of Liabilities and Equity of Canada. The variance is directly attributable to the year's net positive result of \$1.4 million. The Equity is composed mainly of accumulated recoveries on investments and advances that have not yet been reinvested in results as assistance expenses. It bears noting again that the production calendars of funded projects are not synchronized with Telefilm's fiscal year, which results in both financial commitments (Note 10, Financial Statements) and temporary Equity of Canada surpluses.

Cash Flow

Operating activities generated positive cash flows of more than \$9.9 million in fiscal 2008-2009. The \$1.4 million net positive result for the year and stringent management of accounts receivable, in particular from the Department of Canadian Heritage, helped maintain this cash flow position as at March 31. The \$47.3 million cash balance is the highest cash position recorded to date. The accumulated amounts will be used to fund projects for which Telefilm has made contractual commitments.

In millions of dollars	2009	2008	Δ\$
Receivable from Canada at the beginning	37.4	24.3	+ 13.1
Operating activities	9.9	13.1	- 3.2
Financing activities	0.2	1.9	- 1.7
Investing activities	(0.2)	(1.9)	+ 1.7
Receivable from Canada at the end	47.3	37.4	+ 9.9

Risk Management

Risk management is based on the principles laid out in the *Integrated Risk Management Framework* guide issued by the Treasury Board of Canada Secretariat.¹ The guide suggests four basic elements for consideration: developing Telefilm's risk profile, establishing an integrated risk management function, practicing integrated risk management, and ensuring continuous risk management learning.

The Board is responsible for developing Telefilm's risk profile for which Management contributes to its development by evaluating external and internal factors and scanning the environment in which Telefilm operates, taking into account its mandate, objectives and expected results. This step serves to identify the primary risks and to assess Telefilm's capacity to respond to them.

The integrated risk management function is assigned to a committee composed of Operations, Finance and Administration executives. This committee is responsible for identifying and assessing risks in relation to the strategic objectives and the organizational risk profile. It is also responsible for promoting the risk management principles and for clearly communicating the related practices and procedures. The committee is supported by the Information, Performance and Risk department, which is responsible for putting in place an annual risk management plan by defining the necessary controls, regularly monitoring their implementation and subsequently measuring their effectiveness. It is also responsible for ensuring consistent explanations and communications in regard to risk management.

¹ *Integrated Risk Management Framework*, Treasury Board of Canada Secretariat, April 2001. Available at www.tbs-sct.gc.ca/rm-gr

Risk Management Process

Risk management is integrated to Telefilm's operations and into every level on an ongoing basis. Once a year, the risk management committee identifies and assesses risks liable to affect the continuous running of operations and the achievement of expected results based on the probability of their occurrence and their impact on Telefilm. The results of this exercise serve to develop an action plan, which is approved by the Executive Management Committee and communicated throughout Telefilm. The plan ensures that resources are effectively allocated according to corporate priorities and objectives.

Telefilm faces four major kinds of risk: strategic, organizational, financial and operational.

Strategic risks are those that interfere with achieving Telefilm's objectives. Factors such as changes in client and partner needs, amendments to Telefilm's governing regulations and mandate, or to its Service Agreement with the CTF could affect Telefilm's ability to achieve its objectives.

This year was marked by the announcement of the Canada Media Fund, which will be created by merging the CTF and the CNMF and begin operating in April 2010. Telefilm is carefully monitoring the regulatory changes in order to minimize their impacts.

Organizational risks pertain to costs and losses arising from a less-than-optimal organizational structure (human resources management, skills and knowledge management, values and codes of conduct). Telefilm's structure is meant to be flexible so that it can adequately respond to market changes while remaining in line with Telefilm's objectives and mandate. With this in mind, the management structure was revised to more clearly define the areas of accountability of each department and thus ensure greater efficiency and transparency.

Financial risks are associated with losses arising from poor management of Telefilm's finances. Telefilm's management relies on systems and practices aimed at ensuring the quality of financial information used for management purposes. Monthly and quarterly management reports ensure rigorous oversight of financial matters such as budgetary monitoring.

Telefilm has taken a proactive stance in regard to the standards and rules governing the presentation and accounting of financial information. To this end, a working group is collaborating with outside experts to assess the impact of applying the IFRS standards.

Operational risks arise from shortcomings in internal control processes or systems associated with day-to-day activities. The documentation and annual review of operational policies and procedures, the annual quality control and policy and procedure compliance program, and employee training programs all help address the inherent risks. Rationalization of the number of procedures, combined with the new operational structure, has contributed to improving the uniformity and efficiency of program management practices, thus reducing operational risks.

Outlook for 2009-2010

With the realignment of its organizational structure, Telefilm is in the process of establishing priorities, tactics and operational plans that ensure its medium to long-term strategies address the needs of the audiovisual industry and Telefilm is committed to consolidating its position over the course of next fiscal year.

Telefilm's priorities for 2009-2010 are focused on its stakeholders and employees:

- Conduct a national survey of its clients and stakeholders to receive feedback on the programs and services and provide input to the creation of the next five-year Corporate Plan;
- Provide an excellent service to the television and interactive media stakeholders through an harmonious transition to the new Canada Media Fund in April 2010;
- Increase in co-production activities and exploitation of emerging markets as well as development of new initiatives to increase the access of Canadian films on multiple platforms;
- Respond to the requirements of the Office of the Auditor General in their special audit of Telefilm; and
- Proceed with the implementation of the Human Resources Master Plan.

OVERVIEW OF THE LAST SEVEN YEARS

Statement of Operations and Comprehensive Income

In thousands of dollars	2009	2008	2007	2006	2005	2004	2003
ASSISTANCE EXPENSES							
Canada Feature Film Fund	94,476	90,179	96,096	74,573	79,304	91,875	78,866
Canada New Media Fund	13,314	10,100	13,356	12,445	8,608	9,737	8,469
Other Funds	5,896	6,167	6,838	5,945	5,690	5,535	7,859
Canadian Television Fund – Equity Investment Program	–	2,170	21,930	107,673	109,890	110,043	114,206
Music Entrepreneur Program	–	–	–	–	5,389	8,797	4,355
Assistance expenses	113,686	108,616	138,220	200,636	208,881	225,987	213,755
Net recoveries	(12,707)	(15,019)	(27,268)	(26,214) ²	(24,764)	(19,823)	(22,392) ¹
Operating and administrative expenses	30,671	28,402	28,066	23,996 ²	23,788	22,413	21,614 ¹
Operating costs	131,650	121,999	139,018	198,418	207,905	228,577	212,977
GOVERNMENT FUNDING AND REVENUES							
Parliamentary appropriation	108,699	103,308	103,053	122,476	126,300	123,419	134,953
Management fees from the Canadian Television Fund	7,740	7,699	7,544	–	–	–	–
Contribution from the Canadian Television Fund	192	1,073	6,930	13,082	2,000	24,509	26,761
Department of Canadian Heritage:							
Canadian Television Fund – Equity Investment Program	–	–	–	49,775	49,775	49,775	47,275
Canada New Media Fund	13,970	11,500	14,000	14,000	8,907	9,656	7,452
Music Entrepreneur Program	–	–	–	175	5,443	9,560	5,740
Professional training schools	–	2,519	2,516	2,550	2,550	2,550	2,795
Other contributions	81	25	135	–	–	–	–
Amortization of deferred government assistance	2,016	2,626	2,540	2,241	2,182	1,961	1,498
Other revenues	364	591	654	933	671	441	909
	133,062	129,341	137,372	205,232	197,828	221,871	227,383
Net result from operations and comprehensive income	1,412	7,342	(1,646)	6,814	(10,077)	(6,706)	14,406

¹ Financial data have not been adjusted to conform to the presentation format adopted in 2006 and 2005

² Financial data have been adjusted to conform to the presentation format adopted in 2007

Balance Sheet

In thousands of dollars	2009	2008	2007	2006	2005	2004	2003
ASSETS							
Receivable from Canada	47,279	37,365	24,348	35,238	14,783	–	8,854
Receivable:							
Department of Canadian Heritage	725	5,571	6,210	4,656	18,502	30,664	15,381
Canadian Television Fund	2,365	2,164	9,154	–	2,000	24,509	26,761
Accounts receivable, prepaid expenses and loans	6,737	8,162	7,283	7,500	6,771	8,289	10,108
Long-term accounts receivable, loans and investments	–	182	55	268	164	243	428
Property and equipment	3,688	4,409 ¹	8,741	9,135	8,991	9,194	6,714
Intangible assets	2,532	3,601 ¹	–	–	–	–	–
	63,326	61,454	55,791	56,797	51,211	72,899	68,246
LIABILITIES AND EQUITY OF CANADA							
Payable to Canada	–	–	–	–	–	8,551	–
Accounts payable and accrued liabilities	4,573	2,290	3,247	2,072	3,639	6,544	6,388
Deferred leasehold inducements	646	791	943	1,167	1,183	1,322	1,292
Severance benefit obligation	1,481	1,369	1,208	1,125	914	727	585
Deferred government assistance	6,220	8,010	8,741	9,135	8,991	9,194	6,714
Equity of Canada	50,406	48,994	41,652	43,298	36,484	46,561	53,267
	63,326	61,454	55,791	56,797	51,211	72,899	68,246

1 Only these financial data have been adjusted to conform to the presentation format adopted in 2009

FINANCIAL STATEMENTS

Year ended March 31, 2009

75	Management Report
75	Auditor's Report
76	Statement of Operations, Comprehensive Income and Equity of Canada
77	Balance Sheet
77	Statement of Cash Flows
78	Notes to Financial Statements

Other Information:

85	Schedule A – Canada Feature Film Fund
85	Schedule B – Canada New Media Fund
86	Schedule C – Other Funds
86	Schedule D – Canadian Television Fund – Equity Investment Program
86	Schedule E – Operating and administrative expenses
87	Schedule F – Operating expenses for principal programs
87	Schedule G – Contributions from the Department of Canadian Heritage

FINANCIAL

MANAGEMENT REPORT

The financial statements of Telefilm Canada 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 accounting, financial, information and management control 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. The internal control systems are periodically reviewed by the Corporation's internal auditors. These systems and practices are also designed to provide reasonable assurance that transactions are in accordance with Part VIII of the *Financial Administration Act*, chapter F-10 of the Revised Statutes of Canada 1970, as it read immediately before September 1, 1984, as if it had not been repealed and as if the Corporation continued to be named in Schedule C to that Act, with the relevant sections of Part X of the *Financial Administration Act*, with the *Telefilm Canada Act* and with the by-laws and policies of the Corporation.

The Board of Directors is responsible for ensuring that management fulfills 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 and may make recommendations to the Board of Directors with respect to these and/or related matters. In addition, the Committee periodically meets with the Corporation's internal and external auditors, as well as with management, to review the scope of the audit and to assess the reports on their audits.

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



S. Wayne Clarkson
Executive Director

Montréal, Canada
June 5, 2009



Carolle Brabant, CA, MBA
Director, Administration and Corporate Services

AUDITOR'S REPORT

To the Minister of Canadian Heritage and Official Languages

I have audited the balance sheet of Telefilm Canada as at March 31, 2009, and the statements of operations, comprehensive income 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, 2009 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 *Financial Administration 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, 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 applicable provisions of Part X of the *Financial Administration Act*, the *Telefilm Canada Act* and the by-laws of the Corporation.



Sylvain Ricard, CA auditor
Assistant Auditor General
for the Auditor General of Canada

Montreal, Canada
June 5, 2009

STATEMENT OF OPERATIONS, COMPREHENSIVE INCOME AND EQUITY OF CANADA

Year ended March 31, 2009

In thousands of dollars	Schedule	2009	2008
Assistance expenses			
Canada Feature Film Fund	A	94,476	90,179
Canada New Media Fund	B	13,314	10,100
Other funds	C	5,896	6,167
Canadian Television Fund – Equity Investment Program	D	–	2,170
		113,686	108,616
Net recoveries	A,B,C	(12,707)	(15,019)
Net assistance expenses		100,979	93,597
Operating and administrative expenses	E	30,671	28,402
Cost of operations		131,650	121,999
Revenues			
Management fees from the Canadian Television Fund		7,740	7,699
Investment revenues		245	293
Contribution from the Canadian Television Fund		192	1,073
Interest and other revenues		119	298
		8,296	9,363
Net cost of operations before government funding		123,354	112,636
Government funding			
Parliamentary appropriation		108,699	103,308
Contributions from the Department of Canadian Heritage	G	14,051	14,044
Amortization of deferred government assistance (Note 8)		2,016	2,626
		124,766	119,978
Net result from operations and comprehensive income		1,412	7,342
Equity of Canada at the beginning		48,994	41,652
Equity of Canada at the end		50,406	48,994

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

BALANCE SHEET

March 31, 2009

In thousands of dollars	Note	2009	2008
Assets			
Current assets			
Receivable from Canada		47,279	37,365
Accounts receivable	4	4,813	6,222
Receivable from the Canadian Television Fund		2,365	2,164
Contributions receivable from the Department of Canadian Heritage		725	5,571
Prepaid expenses		1,924	1,940
		57,106	53,262
Long-term accounts receivable		-	182
Property and equipment	5	3,688	4,409
Intangible assets	5	2,532	3,601
		63,326	61,454
Liabilities and equity of Canada			
Current liabilities			
Accounts payable and accrued liabilities	6	4,573	2,290
Long-term liabilities			
Deferred lease inducements		646	791
Severance benefit obligation	7	1,481	1,369
Deferred government assistance	8	6,220	8,010
		8,347	10,170
Equity of Canada	9	50,406	48,994
		63,326	61,454

Commitments (Note 10)

Contingencies (Note 12)

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

Approved by the Board:



Michel Roy, Chair

STATEMENT OF CASH FLOWS

Year ended March 31, 2009

In thousands of dollars	2009	2008
Operating activities		
Net result from operations and comprehensive income	1,412	7,342
Items not affecting cash:		
Amortization of property and equipment	721	577
Amortization of intangible assets	1,295	1,708
Loss on write-offs of property and equipment	-	341
Decrease in deferred lease inducements	(145)	(152)
Increase in the severance benefit obligation	112	161
Amortization of deferred government assistance	(2,016)	(2,626)
	1,379	7,351
Changes in non-cash working capital items:		
Decrease (increase) in accounts receivable	1,409	(472)
Decrease (increase) in receivable from the Canadian Television Fund	(201)	6,990
Decrease in contributions receivable from the Department of Canadian Heritage	4,846	639
Decrease (increase) in prepaid expenses	16	(407)
Increase (decrease) in accounts payable and accrued liabilities	2,283	(957)
Decrease (increase) in long-term accounts receivable	182	(127)
	9,914	13,017
Financing activities		
Parliamentary appropriation – government assistance	226	1,895
Investing activities		
Acquisition of intangible assets	(226)	-
Acquisition of property and equipment	-	(1,895)
	(226)	(1,895)
Increase in liquidity	9,914	13,017
Receivable from Canada at the beginning	37,365	24,348
Receivable from Canada at the end	47,279	37,365

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

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2009

1. Authority and activities

The Corporation was established in 1967 by the *Telefilm Canada Act*. The mandate of the Corporation is to foster and promote the development of the audiovisual industry in Canada, including feature film, television and new media industries. The Corporation may also act through agreements with the Department of Canadian Heritage for the provision of services or the management of programs relating to audiovisual or sound recording industries.

The Corporation is a Crown corporation subject inter alia to the provisions of Part VIII of the *Financial Administration Act*, chapter F-10 of the Revised Statutes of Canada 1970, as it read immediately before September 1, 1984, as if it had not been repealed and as if the Corporation continued to be named in Schedule C to that Act. The Corporation is also subject to certain provisions of Part X of the *Financial Administration Act*.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies followed by the Corporation are as follows:

a) Assistance expenses

Assistance expenses include all forms of assistance granted to activities related to feature film, television and new media industries. Assistance expenses are carried out mainly through investments, forgivable advances and grants; they are accounted for as follows:

- i) Investments granted in return for a share in operating revenues and forgivable advances are recorded in operations in the year in which the funds are paid or have become payable; they are all recorded as assistance expenses due to the uncertainty of the amounts that can be recovered.
- ii) Grants are recorded in operations in the year in which the funds are paid or have become payable.

b) Recoveries

Recoveries come from recovered advances and shares in operating revenues resulting from investments. Recoveries are recorded in operations once they have become due. Any recovery of investment that exceeds the amount invested is recorded as investment revenue. Recoveries are shown net of bad debt losses and costs incurred to recover them.

c) Revenues

Management fees

The management fees correspond to the reimbursement of expenses relating to the administration and the delivery of the Canadian Television Fund financing programs. The fees are recorded on an accrual basis.

Contribution and interest and other revenues

The contributions and the interest and other revenues are recorded on an accrual basis.

d) Government funding

The Corporation obtains funds by means of parliamentary appropriation and contributions from the Department of Canadian Heritage. The amount of parliamentary appropriation used to finance the assistance expenses and the operating and administrative expenses is recorded on the Statement of Operations, Comprehensive Income and Equity of Canada. The portion of parliamentary appropriation used to finance the acquisition of property and equipment and intangible assets is recorded as deferred government assistance on the balance sheet and is amortized on the same basis as the related assets. Parliamentary appropriation is recorded up to the amount of allowable expenditures incurred.

The contributions from the Department of Canadian Heritage are recorded on the Statement of Operations, Comprehensive Income and Equity of Canada up to the amount of allowable expenditures incurred.

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2009

2. Significant accounting policies (cont.)

e) Amount receivable from Canada

The Receiver General for Canada processes the financial operations of the Corporation through the consolidated revenue fund, thus the absence of bank accounts. For the purposes of the financial statements, the result of banking operations appears on the balance sheet as an amount receivable from Canada.

f) Property, equipment and intangible assets

Property, equipment and intangible assets are recorded at cost. They are amortized on a straight-line basis based on their respective useful life using the following rates:

Asset	Rates
<u>Property and equipment</u>	
Leasehold improvements	Terms of the leases
Technological equipment	20%
Furniture	10%
<u>Intangible assets</u>	
Software and licenses	14% and 20%

Assets related to work in progress are not subject to amortization. When work in progress is completed, the amounts relating to assets are reported under the appropriate property and equipment and intangible assets category and are amortized in compliance with the Corporation's policy.

g) Employee future benefits

Pension plan

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contributions as employer reflect the full cost for the Corporation. This

amount is based on a multiple of the employees' required contributions and may change over time depending on the financial situation of the Plan. The Corporation's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Corporation. The Corporation is not required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

Severance benefits

Employees are entitled to severance benefits as provided for under their conditions of employment. The cost of these benefits is accrued as employees render the services necessary to earn them. Management determines the severance benefit obligation using a method based upon assumptions and its best estimates. The main assumption is related to the estimate of the percentage of employees who will benefit from maximal admissible severance, that is related to the number of years of service and to the reason for employment termination. This assumption is revised annually. These benefits represent the only obligation of this nature for the Corporation that entails settlement by future payment.

h) Financial Instruments

Financial assets and liabilities are initially accounted for at fair value. Their subsequent measurement depends upon their classification, as described below. Their classification depends upon the objective when the financial instruments were acquired or issued, their features and their designation by the Corporation.

Classification

The amount receivable from Canada is classified as held for trading. Any change in fair value during the period is recognized in operations.

Amounts receivable from the Canadian Television Fund, Contributions receivable from the Department of Canadian Heritage and Accounts receivable are designated as held for trading. Any change in fair value is recognized in operations. When the value of the return is not significant due to short-term maturities, the amounts receivable are accounted for at the amount of the initial invoice, net of the allowance for bad debts.

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2009

2. Significant accounting policies (cont.)

Long-term accounts receivable, net of the allowance for bad debts, are designated as held for trading. Any change in fair value is recognized in operations.

Accounts payable and accrued liabilities are designated as held for trading. When the value of the return is not significant due to short-term maturities, the amounts payable are accounted for at the amount of the initial invoice.

i) Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, government funding and expenses during the reporting period. The allowance for bad debts, the useful life of property and equipment and intangible assets, the severance benefit obligation and the contingencies are the most significant items where estimates are used. Actual results could differ from those estimates and such differences could be significant.

3. New accounting standards adopted

On April 1, 2008, the Corporation adopted the following sections in the Canadian Institute of Chartered Accountants (CICA) Accounting Handbook: Section 1400, *General Standards of Financial Statement Presentation*, Section 1535, *Capital Disclosures*, Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*.

Section 1400, *General Standards of Financial Statement Presentation*, was modified to include measurement and presentation requirements regarding an entity's ability to continue as a going concern. These changes, including disclosure requirements, had no impact on the Corporation's financial statements.

Section 1535, *Capital Disclosures*, establishes guidelines for presenting quantitative and qualitative information to enable financial statement users to assess the entity's capital management objectives, policies and procedures. The adoption of this Section deals with presentation matters only and has no impact on the Corporation's financial results.

Sections 3862 and 3863 replace Section 3861, *Financial Instruments – Disclosure and Presentation*. Under these Handbook sections, additional disclosures must be provided regarding categories of financial assets and liabilities and a detailed analysis must be performed of the risks related to the entity's financial instruments including how the entity manages these risks. The application of these Handbook sections did not have any impact on the Corporation's financial results. The additional disclosures required are presented in Note 13, Financial Instruments.

Future accounting changes

a) Goodwill and intangible assets

In February 2008, the CICA released Section 3064, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets*. This Section applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008. This Section establishes recognition, measurement and disclosure standards for goodwill and intangible assets.

The Corporation is presently evaluating the effect that the adoption of these new requirements will have on its future financial statements.

b) International Financial Reporting Standards

In February 2008, the Accounting Standards Board of Canada confirmed that, starting on January 1, 2011, Canadian publicly accountable enterprises will have to start applying International Financial Reporting Standards (IFRS) released by the International Accounting Standards Board. IFRS are based on a conceptual framework similar to that for Canadian generally accepted accounting principles, although there are some major differences regarding recognition, valuation and disclosure requirements. The Corporation is assessing the possible consequences that adoption of IFRS will have on its future financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2009

4. Accounts receivable

In thousands of dollars	2009	2008
Accounts receivable related to recoveries	2,129	3,637
Taxes to be recovered	2,515	2,401
Other accounts receivable	169	184
	4,813	6,222

5. Property, equipment and intangible assets

In thousands of dollars	2009		2008	
	Cost	Accumulated Amortization	Net Value	Net Value
Property and equipment				
Leasehold improvements	4,595	1,636	2,959	3,546
Technological equipment and furniture	1,159	430	729	863
	5,754	2,066	3,688	4,409
Intangible assets				
Software and licenses	14,499	11,967	2,532	3,601
	20,253	14,033	6,220	8,010

6. Accounts payable and accrued liabilities

In thousands of dollars	2009	2008
Accounts payable related to assistance expenses, trade payables and accrued liabilities	4,326	2,052
Current portion of deferred lease inducements	143	161
Current portion of severance benefit obligation	104	77
	4,573	2,290

7. Employee future benefits

a) Pension plan

The Corporation and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation's and employees' contributions to the Public Service Pension Plan were as follows:

In thousands of dollars	2009	2008
Corporation contributions	1,860	1,903
Employee contributions	916	876

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2009

7. Employee future benefits (cont.)

b) Severance benefit obligation

The Corporation provides severance benefits to its employees based on years of service and final salary at end of employment. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Benefits will be paid from future parliamentary appropriations and other funding sources. Useful information about the plan, as at the balance sheet date, is as follows:

In thousands of dollars	2009	2008
Balance at the beginning	1,446	1,345
Cost for services rendered during the year	297	252
Benefits paid during the year	(158)	(151)
Balance at the end	1,585	1,446
Short-term portion (included in accounts payable)	104	77
Long-term portion	1,481	1,369
	1,585	1,446

8. Deferred government assistance

The amount presented on the balance sheet consists of the following items:

In thousands of dollars	2009	2008
Balance at the beginning	8,010	8,741
Parliamentary appropriation for government assistance	226	1,895
Amortization of deferred government assistance	(2,016)	(2,626)
Balance at the end	6,220	8,010

9. Capital management disclosures

The Corporation defines its capital as the Equity of Canada. The Corporation cannot contract loans, as defined in Part X of the *Financial Administration Act*, from persons other than the Crown.

The Corporation manages the Equity of Canada by carefully monitoring its revenues, expenses, assets, liabilities and general financial transactions to ensure that it effectively achieves its goals and objectives while continuing as a going concern.

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2009

10. Commitments

a) Projects

The Corporation is contractually committed to disburse sums in the following funds:

In thousands of dollars	Total
Canada Feature Film Fund	32,583
Canada New Media Fund	738
Other Funds	532
	33,853

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:

In thousands of dollars	Total
2010	1,328
2011	1,913
2012	1,811
2013	1,594
2014	1,249
2015 – 2016	703
	8,598

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 amount which is the amount established and agreed to by the related parties.

12. Contingencies

The Corporation is occasionally a defendant in claims and legal actions which arise in the normal course of business, the outcome of which cannot be predicted with certainty. Management has, in the pertinent accounts, made provisions that it deems sufficient and is of the opinion that the outcome of such contingencies should not have an important negative impact on the financial situation of the Corporation.

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2009

13. Financial Instruments

Fair value

The amount receivable from Canada, Accounts receivable, Contributions receivable from the Department of Canadian Heritage, the amount receivable from the Canadian Television Fund and Accounts payable and accrued liabilities are part of the normal course of operations of the Corporation. The carrying amount of these financial instruments approximates their fair value due to the relatively short periods to maturity of the instruments.

The fair values of long-term accounts receivable have been established by discounting the drawdowns expected in the repayment agreements based on the average Bank of Canada discount rate as at the balance sheet date.

Objectives and policies in relation to financial risk management

As a result of its operations, the Corporation is exposed to various financial risks. Management of financial risks is overseen by the Corporation's management. The Corporation does not enter into financial instruments contracts, including derivatives, for speculative purposes.

Interest rate risk

Interest rate risk is defined as the Corporation's exposure to a loss in interest revenue or a loss in value of financial instruments resulting from a change in interest rate. As substantially all the Corporation's financial instruments are short term, any change in interest rate would not have a material impact on the Corporation's financial statements. The Corporation's interest rate risk exposure is not significant.

Liquidity risk

The Corporation has contractual commitments (Note 10) and financial liabilities (Notes 6 and 7b). Consequently it has a liquidity risk exposure.

The Corporation believes that the future funds to be generated by operating activities and the additional liquidities resulting from parliamentary appropriations and contribution agreement will be sufficient to meet its obligations. Under the supervision of senior management, the Corporation manages its liquidities according to its financial forecasts and expected cash flows.

Credit risk

Due to its financial instruments, the Corporation may be exposed to a credit risk concentration mainly due to the amount receivable from Canada, Accounts receivable, Contributions receivable from the Department of Canadian Heritage, the amount receivable from the Canadian Television Fund and Long-term accounts receivable.

There is no concentration of Accounts receivable from any client in particular, due to the nature of the clientele and its geographic coverage. The Corporation is therefore protected against credit risk concentration. As at March 31, 2009, the maximum credit risk exposure with respect to Accounts receivable is equal to the carrying amount.

The Corporation establishes a bad debt allowance and regularly reviews the credit of all of its clients. As at March 31, 2009, approximately 13% (2008: 43%) of Accounts receivable were outstanding for more than 90 days, while approximately 58% (2008: 55%) were current balances (less than 30 days). The bad debt allowance amounts to \$1,268,618 as at March 31, 2009 and \$85,582 as at March 31, 2008. The bad debt loss amounts to respectively \$1,368,020 as at March 31, 2009 and \$6,083 as at March 31, 2008.

14. Comparative figures

Some of the 2008 figures have been reclassified to conform to the presentation adopted for 2009.

SCHEDULES A AND B – OTHER INFORMATION

Year ended March 31, 2009

A – Canada Feature Film Fund

In thousands of dollars	2009	2008
Assistance expenses		
Production assistance	63,951	62,160
Distribution and marketing assistance	10,953	10,128
Development assistance	9,257	9,217
Low budget independent feature film assistance	2,752	1,776
Screenwriting assistance	1,169	1,214
Official coproduction assistance	763	686
Versioning and subtitling assistance	497	492
	89,342	85,673
Complementary activities		
Industrial and professional development	3,665	3,383
Participation in foreign festivals and markets	1,387	1,041
Advertising, promotion and publications	82	82
	5,134	4,506
	94,476	90,179
Recoveries	(11,902)	(13,248)
Recovery fees	401	280
	(11,501)	(12,968)
Net assistance expenses	82,975	77,211

B – Canada New Media Fund

In thousands of dollars	2009	2008
Assistance expenses		
Production assistance	7,844	5,250
Development assistance	3,795	1,514
Distribution and marketing assistance	415	773
	12,054	7,537
Complementary activities		
Industrial and professional development	921	1,532
Participation in foreign markets	187	231
Video game competition	137	775
Advertising, promotion and publications	15	25
	1,260	2,563
	13,314	10,100
Recoveries	97	–
Net assistance expenses	13,411	10,100

SCHEDULES C, D AND E – OTHER INFORMATION

Year ended March 31, 2009

C – Other Funds

In thousands of dollars	2009	2008
Assistance expenses		
Official coproduction assistance – Television	353	325
Production and development assistance	172	444
	525	769
Complementary activities		
Grants to professional training schools	2,470	2,399
Industrial and professional development	2,037	2,347
Participation in foreign markets	820	620
Advertising, promotion and publications	44	32
	5,371	5,398
	5,896	6,167
Recoveries	(1,350)	(1,495)
Recovery fees	47	32
	(1,303)	(1,463)
Net assistance expenses	4,593	4,704

D – Canadian Television Fund – Equity Investment Program

In thousands of dollars	2009	2008
Assistance expenses		
Production assistance	–	2,079
Versioning and subtitling assistance	–	57
Development assistance	–	34
	–	2,170
Recoveries	–	(588)
Net assistance expenses	–	1,582

E – Operating and administrative expenses

In thousands of dollars	Operating	Administrative	2009	2008
Salary and employee benefits	14,786	3,315	18,101	17,452
Professional services	1,673	3,481	5,154	2,681
Amortization of property, equipment and intangible assets	1,664	321	1,985	2,591
Rent, taxes, heating and electricity	1,355	274	1,629	1,769
Information technology	1,177	205	1,382	1,130
Office expenses	751	301	1,052	1,206
Travel and hospitality	646	349	995	1,083
Advertising and publications	179	194	373	490
	22,231	8,440	30,671	28,402

Operating expenses represent expenses incurred to deliver the programs. Administrative expenses represent expenses associated with corporate activities inherent to responsibilities vested to the Corporation.

SCHEDULES F AND G – OTHER INFORMATION

Year ended March 31, 2009

F – Operating expenses for principal programs

In thousands of dollars	Canada Feature Film Fund	Television Business Unit	Canada New Media Fund
Salary and employee benefits			
Management, administration and delivery	3,467	3,890	1,121
Shared services departments	1,220	1,137	318
Departments in support of operations	1,965	2,487	571
Other costs	1,070	226	198
Operating expenses for principal programs before amortization and write-offs	7,722	7,740	2,208

Management, administration and delivery of programs and departments with shared services

Management, administration and delivery of programs fees consist of labour charges inherent to the managers responsible for the funds, administrative employees in support of operations and employees specialized in program delivery activities. The costs of departments with shared services come from wages and fringe benefits relating to the departments that service all of the programs, such as Finance, Communications and Policy, Planning and Research.

Departments in support of operations

These costs present the expenditures incurred to support all the employees designated to management, administration and delivery of programs as well as employees offering shared services. They correspond to expenses relating to human resources, data processing and material resources departments. These fees consist mainly of wages, professional fees, rent and information technology costs.

Other costs

Other costs are derived from operating expenses, other than wages and amortization, and are generated by management, administration and delivery of programs, as well as the shared services departments.

G – Contributions from the Department of Canadian Heritage

In thousands of dollars	2009	2008
Canada New Media Fund	13,970	11,500
Other contributions	81	25
Professional training schools	–	2,519
	14,051	14,044

REPORT ON GOVERNANCE

REPORT ON

Objectives in the Public Interest

Telefilm is of real benefit to Canada and to Canadians. Telefilm encourages Canadian creators to produce high-quality works for consumption at home and abroad, thereby helping to raise Canada's international profile. Telefilm contributes to creating thousands of highly skilled jobs in the audiovisual sector which also benefits the next generation of talent.

Stewardship of Telefilm Canada

Each year, the Executive Management Committee (EMC) submits a corporate plan to the Board for approval. The Board and the EMC work together and share the inherent responsibilities of ensuring Telefilm's smooth operation. To this end, in 2006, the Board adopted a mandate statement that details its responsibilities.

Telefilm Canada's Board

Telefilm's Board is statutorily composed of six members and the Government Film Commissioner. The Governor in Council appoints the Chair from among the members. The Board works with the EMC to define Telefilm's strategic directions and ensures that all efforts are made to achieve the stated objectives. The Board also sees to it that the management practices and audit systems in place safeguard Telefilm's assets and produce reliable results.

BOARD COMPOSITION

Michel Roy, Chair

Appointed effective October 12, 2007

Elise Orenstein, Vice-Chair

Appointed effective December 19, 2006

Yvon Bélanger, Chair, Audit and Finance Committee

Appointed effective April 11, 2008

Grant Machum, Chair, Nominating, Evaluation and Governance Committee

Appointed effective May 9, 2008

Marlie Oden, Member

Appointed effective July 30, 2008

Tom Perlmutter, Ex-officio Member, Government Film Commissioner and Chairperson of the National Film Board of Canada

Appointed effective June 11, 2007

The following table summarizes the Board's charter and main activities in 2008-2009:

Summary of the Board's charter and responsibilities	Highlights of the Board's activities
<ul style="list-style-type: none"> • Adopt and review a strategic framework and a corporate plan. • Establish Telefilm's priorities. • Oversee the implementation of the corporate plan. • Approve budgets and financial statements. • Approve the annual report submitted to the Minister. • Monitor Telefilm's governance and structural vision and adjust as needed. • Evaluate the Executive Director's performance. 	<ul style="list-style-type: none"> • Appointment of Elise Orenstein as Vice-Chair of the Board. • Adoption of the Audit and Finance Committee charter and appointment of members. • Adoption of a new organizational structure for Telefilm's operations. • Creation of a new Nominating, Evaluation and Governance Committee, adoption of its charter and appointment of its members. • Approval of the financial statements as at March 31, 2009. • Approval of the 2007-2008 annual report. • Approval of a salary and incentive bonus plan. • Invitation to the Office of the Auditor General of Canada to conduct a special examination of Telefilm for fiscal 2009. • Approval of an overtime policy. • Approval of budgets. • Approval of the Service Agreement with the Canadian Television Fund.

Training and Documentation

Based on specific needs identified by the Board, members have the opportunity to participate in training courses on a variety of pertinent topics, including governance. In 2008-2009, a Board handbook was produced, setting out the basic governance information applicable to the members. In addition, an online portal was created to document the meeting minutes of the Board and its committees.

The Committees

As of March 31, 2009, the Board had two committees: the Audit and Finance Committee and the Nominating, Evaluation and Governance Committee. The following tables summarize their charters and main activities in 2008-2009:

AUDIT AND FINANCE COMMITTEE

This committee has three members: Yvon Bélanger, Chair, Michel Roy and Elise Orenstein. In 2008-2009, it held nine meetings.

Summary of the Audit and Finance Committee's charter and responsibilities	Highlights of the Committee's activities
<ul style="list-style-type: none"> • Review financial information. • Oversee risk management and internal controls. • Acknowledge of the audit procedures to be performed by external auditors. 	<ul style="list-style-type: none"> • Adoption of an audit plan. • Approval of the financial statements as at March 31, 2009. • Consultation on the application of IFRS at Telefilm. • Discussion of the audit stages related to the special examination with representatives of the Office of the Auditor General of Canada. • Approval of budgets.

Meeting Canadians' Expectations

NOMINATING, EVALUATION AND GOVERNANCE COMMITTEE

This committee has three members: Grant Machum, Chair, Michel Roy and Elise Orenstein. In 2008-2009, it held three meetings.

Summary of the Nominating, Evaluation and Governance Committee's charter and responsibilities

- Evaluate the Executive Director's performance.
- Oversee general human resources practices.
- See to the Board's composition and evaluation of its members.
- Ensure compliance with Telefilm's By-Laws.
- Deal with all matters relating to governance.

Highlights of the Committee's activities

- Revision of a provision of the Conflict of Interest Code.
- Review of the policy on harassment.
- Evaluation of the Executive Director's performance.
- Review of various human resources policies, including those on overtime, employment equity and workplace health and safety.

Board and Committee Attendance

	Board	Audit and Finance Committee*	Nominating, Evaluation and Governance Committee*
Number of meetings	9	9	3
Attendance:			
Michel Roy	9	9	3
Elise Orenstein	9	9	3
Tom Perlmutter	7	1	0
Yvon Bélanger	7	9	2
Grant Machum	6	3	3
Marlie Oden	5	2	1

Note: Past Vice-Chair Felix Fraser attended two meetings of the Board during the year.

* Attendance for non-committee members is optional.

Public Annual Meeting

Pursuant to amendments to the *Financial Administration Act* and the guidelines of the Treasury Board of Canada Secretariat, Telefilm prepared its first public annual meeting during fiscal 2008-2009. The purpose of this event was to allow interaction among audiovisual industry stakeholders, the general public and the Board's members. The first public annual meeting was held on April 8, 2009.

Code of Conduct

A few years ago, the Board adopted a *Conflict of Interest and Post-Employment Code* for employees and senior management. Each year, all Telefilm employees must declare that they are in compliance with the Code.

The Board members are subject to the *Conflict of Interest Act* as well as to Section 5 of the *Telefilm Canada Act*, which states that "no person who has, directly or indirectly and individually or as a shareholder, partner or otherwise, any pecuniary interest in the audiovisual industry is eligible to be appointed or to hold office as a member of the Corporation." Furthermore, if a member were to have a material interest in a contract with Telefilm not covered by Section 5, he or she would be required to declare such interest, as per the provisions of Telefilm's By-Law 1.

Public Servants Disclosure Protection Act

Telefilm is subject to the *Public Servants Disclosure Protection Act*. As a small organization, Telefilm is eligible for an exception that permits disclosures related to the Act to be made directly to the Public Sector Integrity Commissioner. All employees have been informed of this in writing.

Communications and Consultations

Telefilm maintains a communications and consultations plan for its various clients, partners and key stakeholders in order to elicit their viewpoints and feedback on a regular basis. In addition, Telefilm regularly conducts client satisfaction surveys and evaluations on the relevance of the programs it administers.

TELEFILM CANADA OFFICES

HALIFAX

1717 Barrington Street
Suite 400
Halifax, Nova Scotia
B3J 2A4
Phone: (902) 426-8425
Toll-free: 1-800-565-1773
Fax: (902) 426-4445

MONTRÉAL*

360 St. Jacques Street
Suite 600
Montréal, Quebec
H2Y 1P5
Phone: (514) 283-6363
Toll-free: 1-800-567-0890
Fax: (514) 283-8212

TORONTO

474 Bathurst Street, Suite 100
Toronto, Ontario
M5T 2S6
Phone: (416) 973-6436
Toll-free: 1-800-463-4607
Fax: (416) 973-8606

VANCOUVER

609 Granville Street
Suite 410
Vancouver, British Columbia
V7Y 1G5
Phone: (604) 666-1566
Toll-free: 1-800-663-7771
Fax: (604) 666-7754

*Head office and Quebec office

This annual report is produced
by Telefilm Canada.

LEGAL DEPOSIT

Bibliothèque et Archives nationales du Québec
Library and Archives Canada

Design: CG3 Inc. | Communications | Graphisme

Photography: F2.8

Printing: L'Empreinte

www.telefilm.gc.ca



Mixed Sources
Product group from well-managed
forests, controlled sources and
recycled wood or fiber
www.fsc.org Cert no. SGS-COC-2332
© 1996 Forest Stewardship Council

THE END