DARING TO CHANGE: DELIVERING

2011-2012 Annual Report

TELEFILM CANADA

Canada

HIGHLIGHTS OF THE YEAR

2011-2012 WAS A YEAR OF DELIVERING FOR TELEFILM AND THE CANADIAN FILM INDUSTRY. TELEFILM'S CORPORATE PLAN SUPPORTS EXCELLENCE IN CANADIAN FILM AND IS BASED ON A STEP-BY-STEP, LONG-TERM STRATEGY. THIS PLAN HAS BEEN LAUNCHED AGAINST A BACKDROP OF ECONOMIC CHALLENGES AND GLOBAL UNCERTAINTY. AND YET, WE ARE PROUD TO REPORT THAT CANADIAN TALENT HAS DELIVERED SUCCESS AFTER SUCCESS. WE BEGIN THIS ANNUAL REPORT BY CELEBRATING SOME OF THE YEAR'S BEST MOMENTS.

DELIVERING CANADIAN FILM TO THE WORLD

ACADEMY AWARDS

The Oscar nomination for Philippe Falardeau's ***MONSIEUR LAZHAR*** as Best Foreign Language Film marked Canada's nod in this category for the second year in a row (Denis Villeneuve's ***INCENDIES*** was one of five finalists in 2011). Also, the minority Polish-Canadian coproduction ***IN DARKNESS*** received a nomination in the same category in 2012.

MOSTRA INTERNAZIONALE D'ARTE CINEMATOGRAFICA

This year's Venice International Film Festival was a record event for Canadian cinema, where five films made their mark: ***A DANGEROUS METHOD***, by David Cronenberg (in competition); ***THE MOTH DIARIES***, by Mary Harron (gala presentation); ***MARÉCAGES***, by Guy Édoin (Critics' Week); ***CAFÉ DE FLORE***, by Jean-Marc Vallée; and ***ANOTHER SILENCE***, by Santiago Amigorena (Venice Days).

INTERNATIONALE FILMFESTSPIELE BERLIN

Kim Nguyen's film ***WAR WITCH*** marked the return of a Canadian director to the **Berlin International Film Festival** official competition, ending a ten-year absence. In what could be our industry's most poignant moment in 2011-2012, the film's lead actress, 15-year-old Rachel Mwanza from Congo, was awarded a Silver Bear—the first for a Canadian film since 2003 at the Berlinale.

SUNDANCE FILM FESTIVAL

Canadian documentaries were in the spotlight at this year's Sundance Film Festival, with three Canadian feature-length docs among the 12 selected for the World Cinema Documentary Competition. In addition, *Telefilm Pitch This!*-winning documentary ***LEONE STARS*** was among the 29 recipients of a Sundance Institute grant for feature-length documentaries.

GUICHET D'OR AWARD, GOLDEN REEL AWARD AND GOLDEN BOX OFFICE AWARD

Ken Scott's ***STARBUCK*** won Telefilm's Guichet d'or, which recognizes the Canadian director and writer of the highest-grossing homegrown French-language film at the 2011 box office. The production, which generated more than $3.5 million at the box office, also took home the Genie Awards' Golden Reel Award for its commercial success. The film was also the winner of audience awards and other prizes at film festivals around the world. Most recently, partners in Hollywood (Steven Spielberg's DreamWorks) and France announced their intention to remake versions of the hit, attesting to the story's international appeal.

Telefilm's Golden Box Office Award, which recognizes the highest-grossing Canadian English-language feature film, went to Richard J. Lewis' ***BARNEY'S VERSION***, which earned over $3.2 million in domestic box-office sales.

INTERNATIONAL SUCCESS

Throughout 2011-2012, Canadian cinema was applauded by festival audiences and juries around the world. Our films garnered a total of 133 prizes and mentions, 61 at the international level.

BREAKAWAY, directed by Robert Lieberman, earned more than $1.9 million in total box office sales in Canada. The film includes cameo appearances and music features from international hip-hop stars Drake and Ludacris, and was dubbed into Hindi under the title ***SPEEDY SINGHS***. It has also been released in a number of international markets, including the UK, Australia, India and South Africa. The producers are currently in development with the Canadian Broadcasting Corporation (CBC) for a television series based on the film.

OUR ACHIEVEMENTS

SUCCESS INDEX

Telefilm launched its Success Index in November 2011. The Index allows the Corporation to effectively measure the commercial, cultural and industrial performance of its portfolio over time. The new Index paints a more accurate picture of the performance of feature films funded by Telefilm. In so doing, this tool will make it possible to better demonstrate the significant contribution of Canadian cinema on the cultural and economic fronts. As well, given the diversity of information it will provide each year, the Success Index will enable Telefilm to provide more strategic, better-targeted support to the industry in the years ahead. For 2011, the Index shows a notable 24% increase over the 2010 score of Telefilm-financed projects.

PROGRAM REDESIGN

Development programs
Telefilm's Development programs went through bold changes and simplification. All previous development programs were merged into one, and the application process was simplified and now supports a single annual submission approach for clients. Administrative costs will be lower, and the decision-making process will be faster. The new approach was launched in April 2012.

Micro-budget program

This new program will finance micro-budget feature films that use innovative production techniques and that will benefit from complementary release strategies to reach audiences across multiple distribution platforms. The program targets emerging talent in Canada's audiovisual industry. Projects that will be submitted to Telefilm for evaluation will come from a diverse group of partners from across the country. The program budget envelope will be set at $1 million for the first year, and its launch is planned for summer 2012.

TALENT FUND

Telefilm's new private donation fund, the Talent Fund, is committed to creating innovative ways to diversify funding sources for the industry. This fund will draw on companies as well as on individual donors interested in supporting the production and promotion of Canadian feature films by both emerging and established filmmakers.

INTERNATIONAL NETWORK

Telefilm continued to expand its international network for the benefit of Canadian industry players. New business relationships were developed with the Indian screen industry, with Telefilm participating in the Ontario Media Development Corporation's (OMDC) Screen Mission to India initiative. Telefilm also extended its network with consulates and embassies. For example, the Corporation organized, for the first time, a Perspective Canada program at the Tokyo International Film Festival in fall 2011. Telefilm also worked in close collaboration with the Consulate General of Canada in Los Angeles on a series of events related to ***MONSIEUR LAZHAR***'s Oscar nomination and also developed a partnership with Quebec's Société de développement des entreprises culturelles (SODEC) to optimize the presence of both agencies at international events. Overall, our delegates attended a total 14 international film festivals, markets and events around the world.

PROMOTION

Over the past year, Telefilm has worked hard to emphasize its role as a promoter. More specifically, it has made use of its brand image and its communication channels on the international scene to give greater visibility to Canadian talent and to the industry's success stories. Telefilm's renewed commitment to promotion included a number of strategic firsts, ranging from the inaugural *Talent to Watch* Q&A series at the Toronto International Film Festival and the launch of the *Not Short on Talent* press event at the Cannes Film Festival, to new proactive media initiatives at the Berlin International Film Festival and a special press focus at MIPCOM on Canadian children and youth productions.

PUBLIC FUNDS MANAGED EFFECTIVELY

Operating and administrative cost efficiencies created savings of $1.2 million, which were reinvested in funding programs for the industry. Cost-containment measures provided, for a third year in a row, a decrease in professional services as well as in travel and hospitality fees. Administrative expenses were kept at 6.0%, among the lowest levels when compared with similar cultural organizations around the world. In addition, recoveries from projects increased by $2.1 million, for a 22% growth over the prior year.

In the last fiscal year, Telefilm supported 75 feature-films through production and post-production support in addition to 62 productions which received marketing funding. Finally, a total of 49 Canadian film festivals were supported.

ABOUT US

VISION AND MANDATE

Telefilm's vision, as clearly articulated in its latest corporate plan, is: "Audiences everywhere demanding screen-based content created by Canadians—accessible anywhere, anytime and on any platform."

Telefilm's mission is directly inspired by its mandate to foster and promote the development of the Canadian audiovisual industry by playing a leadership role through financial support and initiatives that contribute to the industry's cultural, industrial and commercial success.

PURPOSE: A CATALYST FOR SUCCESS

Established in 1967 by the *Telefilm Canada Act*, Telefilm is a Crown corporation reporting to Parliament through the Minister of Canadian Heritage.

Throughout its history, Telefilm has encouraged the Canadian audiovisual industry to achieve new heights of success—and that process is being accelerated. Telefilm financially supports and promotes Canadian productions and Canadian talent, both within Canada and around the world.

TELEFILM MEASURES PERFORMANCE

To ensure a culture of accountability, Telefilm adopted a new performance measurement framework that aligns with its corporate plan. This framework includes:

- Strategic objectives
- Key performance indicators
- Performance targets
- Measured results

Telefilm's Client Service Charter demonstrates its commitment to building beneficial, productive and accountable relationships with its clients. Accessibility, fairness, and timeliness are the Charter's core values. One of the outcomes of its new strategic plan entails that Telefilm more closely measure the performance of its own activities. Some of these new metrics have already been adopted, while others are still in development, as identified in the section Management Discussion and Analysis of the present annual report. Telefilm's management expects to put in place a revised dashboard by the end of 2012 that will track strategic, operational and industry key performance indicators (KPIs).

CORE BUSINESS ACTIVITIES

Telefilm has three major sets of activities:

Funding
Telefilm financially supports the development and production (including treaty coproductions) of feature films that have potential for success in Canada and abroad. Financial participation may take various forms, such as investments or conditionally repayable advances. In addition, Telefilm makes recommendations regarding the certification of audiovisual treaty coproductions to the Minister of Canadian Heritage.

Promoting
Telefilm acts decisively to stimulate audience demand for Canadian audiovisual content at home and abroad. In its role as a promoter, Telefilm:

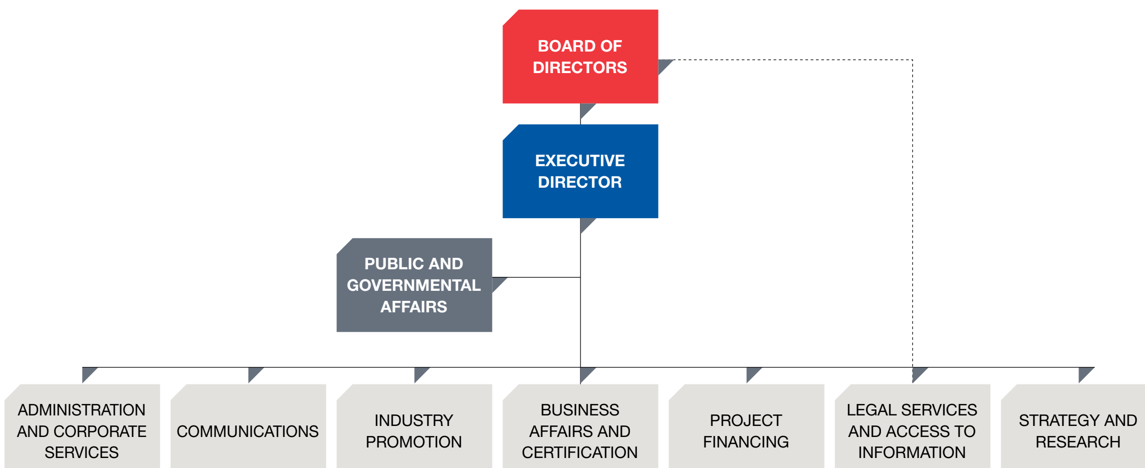
- Supports the marketing and promotion of Canadian feature films, Canadian talent, and Canada's audiovisual industry;
- Participates in industry events such as festivals and markets that help Canadian audiovisual companies showcase and sell their productions;
- Leverages the Corporation's own resources, reputation and partnerships to help the industry promote its productions and talent around the world;
- Promotes diversity and emerging creators from official language minorities and Aboriginal communities.

Administering programs
In addition to administering its own programs and initiatives, Telefilm administers $360 million of program funds for the Canada Media Fund (CMF) through a services agreement. The CMF is a not-for-profit corporation that operates independently of Telefilm.

ACROSS CANADA, AROUND THE WORLD

Headquartered in Montréal, Telefilm employs more than 200 skilled, motivated professionals who serve clients through four offices located in Vancouver, Toronto, Montréal and Halifax. Administrative support functions are based in Montréal. Bilingual services include:

- Providing financial support for select film projects to production and distribution companies;
- Recommending the certification of treaty coproductions;
- Promoting Canadian talent and content at the local, national and international level through events, markets, festivals and ongoing communications activities.



VALUES: THE SPIRIT OF TELEFILM

Telefilm Canada offers its employees a healthy and stimulating work environment that encourages behaviours reflecting four corporate values:

- Respect
- Commitment
- Client focus
- Openness

The extent to which employees take ownership of these values is measured in the annual employee performance review.

By living these values Telefilm is able to attract, motivate and retain a broadly diverse workforce to serve the Canadian audiovisual industry. These solid corporate values allow Telefilm to stand out for the quality of its management and as an employer of choice. The Corporation’s Management Committee has pledged to exemplify and promote these values throughout the organization.

MESSAGE FROM THE CHAIR OF THE BOARD

FOSTERING CULTURAL SUCCESS

Having served as Chair of the Board for five years now, I am very pleased to once again present an accountability report that attests to Telefilm's ability to change and evolve in response to the needs of the industry in which we operate.

Over the past few years, we have redefined our corporate vision, strengthened ties with our clients and partners, and made our business practices more efficient. Our new corporate plan was in its first year of application in 2011-2012, and already the soundness of its orientations is evident: Canadian feature films are garnering growing national and international acclaim.

It bears recalling that Telefilm's corporate plan has four core objectives:

1. Maintain our role as investor in high-quality productions while modifying what we understand by performance—in other words, how we measure success;
2. Stimulate demand for multi-screen Canadian content by creating a movement that attracts audiences to homegrown productions;
3. Become the industry reference source by providing leading-edge strategic information; and
4. Simplify access to funding while maintaining a best practices approach whereby "rigour" does not mean "rigidity."

AN INSPIRING AND STIMULATING VISION

At Telefilm's annual assembly in Winnipeg last November, I had the pleasure of announcing the creation of a new Success Index for Canadian feature films. In addition to box-office results, the new index includes commercial, cultural and industrial criteria. It is a measure that reflects the true value of our cinema and our creative talent.

In 2011-2012, Telefilm pursued contacts and consultations with industry representatives and key partners aimed at more effectively identifying specific needs. Our corporate plan was largely inspired by these exchanges, and our program redesign is driven by the same spirit. Dialoguing with the industry has become common practice at Telefilm—and the Board applauds this!

The members of the Board are also proud of the creation of a private donation fund for production and promotion. The CRTC has recognized this entity as a certified independent production fund, and the Canadian Chamber of Commerce has enthusiastically endorsed the initiative. In the same vein, five prominent Canadian business and community leaders from across the country have agreed to serve as honorary patrons of the fund, for which I wholeheartedly thank them.

BALANCED FINANCES AND MORE PARTNERSHIPS

For Telefilm's Board, the objective going forward is clear: we must ensure that our corporate plan initiatives continue to be carried out with rigour and in harmony.

The coming years will thus be stimulating but also highly demanding. Under the government's Departmental Spending Review, our budget will decline by 10% over the next three years.

We are confident that some savings can be achieved by simplifying our programs. We will strive to take a balanced approach in maintaining as many activities as possible, in order to honour our commitments. And it goes without saying that we will step up our pursuit of partnerships to encourage new financing and, of course, open new markets.

PROMOTING CANADIAN CONTENT TOGETHER

These concerns go hand in hand with the need to stimulate demand for screen-based Canadian content and attract broader audiences for Canadian productions. With distribution channels multiplying almost exponentially, the mission to promote Canadian content must be shared by all industry stakeholders. Canada is not the only country dealing with this issue, but the challenge we face is serious.

In closing, I want to commend our talented creators for their important contribution to Canada's quality of life. You create stories that bring us together, helping to build a unique cultural heritage for the benefit of present and future generations.

I also want to acknowledge the outstanding efforts of our senior management team and the leadership of Telefilm's Executive Director, Carolle Brabant. It is no accident that *The Hollywood Reporter* ranked her among this year's top 13 female entertainment power players. Nor that Canadian Women in Communications honoured her with its Excellence in Leadership Award.

Sincere thanks go to my fellow Board members for their dedication and invaluable guidance. And to the entire Telefilm team, from coast to coast. May our positive and promising vision of Canada's audiovisual industry live on!

Michel Roy
Chair of the Board

MESSAGE FROM THE EXECUTIVE DIRECTOR

In 2011-2012, Telefilm Canada reviewed its programs, operating methods and strategies in the light of its corporate plan, *Fostering Cultural Success*. The bar was high: it called for us to innovate in terms of funding and promotion, to act as a true reference source for the industry and to administer our resources so as to stimulate public demand for Canadian content at home and abroad.

To guide us in developing the changes, we adopted two principles. First, to consult and inform the industry and our partners in an ongoing, transparent manner aimed at real dialogue. Second, to think differently about how to make our investments provide greater leverage for the Canadian audiovisual industry in the coming years.

VALUING CANADIAN SUCCESS WITH CONCRETE MEASURES

Fostering success means recognizing the interdependence of our support for development, production and marketing. It means banking on sure values—established filmmakers and production companies—but also encouraging new talent. And, lastly, fostering success means properly measuring success. These are the assumptions that underlay our initiatives in 2011-2012.

The new Development Program, which consolidates and improves on the previously existing programs, strikes a balance between corporate responsibility and corporate autonomy. To qualify, companies must have theatrically released at least one Canadian feature film in the previous five years. They submit the projects they deem most promising and can act as mentors to facilitate access to the system for emerging talent and filmmakers from Aboriginal or official-language minority communities. And already we can report that the program is simplifying our business dealings and bringing in a wide variety of projects.

We also took concrete steps to diversify the industry's financing sources and stimulate demand. The Talent Fund, created in March 2012, is generating a great deal of interest, due no doubt to the excellent brand image our cinema currently enjoys. The fund will ensure stronger support for promising new filmmakers while helping established filmmakers achieve their full potential in both domestic and foreign markets. Another initiative is the Micro-Budget Production Program, which will enable emerging filmmakers to shoot a first feature film and develop and engage the interest of their audiences by encouraging them, notably, to use digital-media production and marketing methods.

STEPPING UP INTERNATIONAL PROMOTION

On the international front, we shifted from a business model to an industry promotion model that emphasizes the strength of our short films, the vitality of our youth production, the social impact of our documentaries, the richness of our multiplatform concepts and the commercial success of our productions and coproductions. We also organized media sessions with Canadian creators, partnered in tributes, including the Denis Villeneuve tribute at Karlovy Vary, and supported the campaign promoting Philippe Falardeau's *Monsieur Lazhar* for the 2012 Oscars. And to facilitate access to new markets, we joined the Ontario Media Development Corporation's mission to India and attended the Shanghai International Film Festival.

MEASURING CANADIAN SUCCESS MORE BROADLY

Our new Success Index measures changes in the commercial (box office and other sales), cultural (nominations and awards) and industrial (private sector and international contribution) success of our portfolio. We have set the reference year as 2010, with a value of 100. I am happy to report that in 2011, the index showed a strong increase, achieving a value of 123.7. This growth is linked to the commercial factor, which saw Canadian and international gross sales double and domestic box office rise by 11.6%. Our index has drawn significant attention worldwide. It is at once a management tool that allows us to readjust our strategies as needed and a promotional tool that reflects the true value of our cinema.

In this year of innovation, we managed to hold our administrative costs steady at 6%. What's more, improved efficiency allowed us to register savings of $1.2 million. On another note, Telefilm's recoveries on contributions rose by an encouraging $2.1 million in 2011-2012.

CHALLENGES AHEAD

This was a year of many accomplishments, but we still face substantial challenges in stimulating demand for Canadian content. First, as part of its program redesign, Telefilm will continue to generate efficiency gains; the program changes will take production cycles into account; and we will offer transition plans whenever possible. At the same time, we will be focusing on coproduction and foreign sales more than ever before. Furthermore, Telefilm is presently defining a national promotion strategy with the Canada Media Fund. We also plan to hold a forum on ways to better promote our films within the Canadian broadcasting system in late fall 2012.

Working with Canadian entrepreneurs and creators is a privilege. We are all headed in the same direction, toward building ever-larger audiences for Canadian stories at home and around the world.

I want to thank the Board and Telefilm's employees for their steadfast and informed support.

Carolle Brabant
Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

Notice to readers
The content of this Management Discussion and Analysis (MD&A) is factual and based on reliable information. Management maintains effective systems and controls to ensure that all information disclosed does not contain material or misleading errors. This MD&A has been presented to the Management Committee and the Executive Director, to the Audit and Finance Committee, and finally to the Board of Directors.

Fiscal year 2011-2012, is the first year following the release of our four-year corporate plan, *Fostering Cultural Success*. In this plan, our strategic focus has changed significantly, from building industry capacity to stimulating audience demand. To support this change, Telefilm embarked on a review of programs and processes to ensure that they aligned with the new strategic priorities, including performance measurement.

Fiscal year 2011-2012 was a pivotal year and readers must be aware that the continuity of the performance indicators for previous years may not be relevant, suitable or possible. Also some new performance indicators are in development and will be ready for reporting in the next fiscal year. Finally, comparative figures for previous years were not always available for some measures.

AUDIOVISUAL INDUSTRY ANALYSIS

In 2011-2012, Canada's economy performed reasonably well in spite of challenging global economic conditions. Canada has fared better in the financial and economic crisis than most industrialized countries. Austerity measures have shaped the world's economies throughout this period and Canada has not been exempted. Telefilm is responding to this challenge with administrative diligence and service innovations. Cost reductions will be spread across the organization, enabling Telefilm to continue delivering on its corporate plan.

FINANCING THE BUSINESS OF FILM PRODUCTION

Public sector financing is fundamental to Canada's film industry. For Canadian films funded by Telefilm, approximately two-thirds of total financing comes from public funds. Telefilm's main production program supplied 29% of all financing for Canadian films that Telefilm supported in fiscal 2011-2012. Production financing provided by Telefilm leveraged an additional $142.3 million in financing from other public and private sector sources. In fact, every dollar of Telefilm's production financing generated $2.44 in financing from other sources. This leverage allowed Telefilm to support feature film production budgets totalling $200 million. Overall, the Canadian film industry employed 2,800 full time workers in 2011, and created 4,300 spin-off jobs.

CANADIAN FILM: COMING TO A SCREEN NEAR YOU

Cinema

In 2011, 576 new feature-length films from all over the world were released into Canadian commercial cinemas. Non-US foreign films topped the share of total films supplied to the Canadian marketplace with 44%, followed closely by US films at 40%, and Canadian films at 16%.

The 96 Canadian films released in Canada in 2011 captured a box office market share of 2.8%, down slightly from the 3.1% market share experienced in 2010. US films dominated ticket sales at Canadian cinemas with an 87.4% share of box office, though share of tickets sales were down more than 5% from 2010. Canadians shifted some of their 2011 box-office spending to non-US foreign films, notably *Harry Potter and the Deathly Hallows* and *The King's Speech* from the UK. This shift in preferences boosted non-US foreign share to 9.8% of box office in Canada.

Television

Television is the platform on which Canadians view the greatest amount of film. A recent consumer research study conducted by Telefilm found that 67% of Canadians stated they watched movies on television regularly, compared to 26% who patronized movie theatres regularly. Respondents were also twice as likely to have seen a Canadian film on television than at a movie theatre. The Canadian Radio-television and Telecommunications Commission (CRTC) requires broadcasters operating in Canada to allocate a minimum amount of time to Canadian programming. On conventional television, much of the Canadian scripted content is represented by 30-minute and 60-minute drama and comedy series; but on some specialty and most pay television services—the fastest growing services—Canadian feature film programming represents the bulk of the Canadian content obligation. Pay television services in Canada are required to air at least 30% Canadian content during prime time. This differs from cinemas where there are no such requirements, and, as a result, the number of Canadian films viewed on television is many times larger than it is at movie theatres. Telefilm continues to consider television as a strategic opportunity for stimulating audience demand.

Video-on-demand and pay-per-view

Video-on-demand (VOD) and pay-per-view (PPV) services have been growing steadily in the last few years and represent a real opportunity to get Canadians to watch more Canadian films. Rogers VOD alone has seen revenues grow by 75% since 2007. A recent consumer study reported that over one-quarter of Canadians watch a VOD or PPV movie at least once a month and of those who have seen a Canadian film, the most recent title was viewed on these services by almost 10% of respondents—still a small number but not insignificant. Moreover, these services offer another revenue stream for Canadian producers: CRTC licensing obligations require that all revenue from the subscriber purchase of Canadian-produced feature film go directly to the rights holder. The CRTC just recently solidified the importance of this obligation in its 2012 license renewals. Telefilm will continue to work with the CRTC and other partners to grow the Canadian content presence on VOD/PPV and further its use in stimulating demand for Canadian film.

New online platforms

Online platforms for film viewing have entered the Canadian market, heralded by the arrival of Netflix in 2010. Canadians have begun to adopt these new platforms, experimenting with the growing number of "Over-the-Top" (OTT) services such as iTunes, Netflix, Elephant, and First Weekend Club, among others. OTT services, though not regulated for Canadian content by the CRTC, offer the film industry yet another excellent opportunity to reach Canadian consumers. For example, as of March 2012, Netflix was offering its subscribers a library of Canadian films that included 10% of all productions Telefilm has funded since 2007.

International sales and awards

International sales of Canadian films delivered gross receipts of over $50 million in 2011-2012, slightly outpacing domestic sales. This speaks to the burgeoning success of Canadian films on the global stage, and their appeal to international audiences. Telefilm actively promotes Canadian film through international film festivals and trade shows. In 2011-2012, Canadian films were selected for screening at these events a total of 316 times, both nationally and internationally. From these selections, 133 prizes and honourable mentions were garnered, 61 at the international level. Also contributing to international success was Canadian business activity at international trade shows, including sales, co-venture and coproduction deals. The four main markets where Telefilm provides industry trade services are MIPCOM, Cannes, MIPTV and Berlin.

THE DYNAMIC EFFECTS OF COPRODUCTION

Forty-seven Canadian film and television treaty coproductions were certified in 2011 involving 16 partners, and another five are in the pipeline awaiting certification. Audiovisual treaty coproduction has been an important vehicle to bring foreign investment to Canadian film and television producers as well as promoting and exporting Canadian talent.

STRATEGIC PRIORITIES

The strategic objectives introduced by Telefilm's new corporate plan have brought fundamental change to the organization. Telefilm believes it is time to shift focus to stimulating audience demand for Canadian content. Not only must Telefilm continue to engage the industry in its traditional way, it must also apply its resources and reputation to contribute to building audience demand for Canadian talent and success at home and abroad. Furthermore, Telefilm must deploy its funding resources in the most effective way, and manage operations efficiently.

This new way of looking at Telefilm's mandate has led to four strategic priorities:

- Redesign programs to improve client service and reduce bureaucracy;
- Expand our role as promoter of Canadian talent and success;
- Collect, develop and disseminate information relevant to the industry;
- Reinforce organizational excellence to keep Telefilm lean and effective.

2011-2012 PRIORITIES

ACHIEVEMENTS IN PROGRAM REDESIGN

A more efficient, effective Telefilm: Development program redesign
Following numerous information-gathering meetings with the industry, Telefilm made bold changes to its development program. Effective April 1, 2012, nine former development programs were consolidated into one program. Guidelines were simplified, eligibility criteria clarified, and processes automated. Applicants may submit one online application per year for a project or group of projects, at any time of the year. These changes will make Telefilm's response times faster, and save time and money in the process of selecting which productions to support. Telefilm will continue to support both new talent and Aboriginal and minority language communities through mentoring programs with eligible feature film production companies.

Broadening our clientele: Design of a Micro-Budget program
Telefilm seeks to continuously evolve in its approach to investing in Canadian content. Currently, technological improvements allow filmmakers to work with less expensive digital production equipment and to distribute their productions through multiple distribution platforms. Telefilm is encouraging filmmakers to capitalize on these technological developments through a new Micro-Budget program. This program will have a $1 million budget for its first year. It will target emerging talent in Canada's audiovisual industry and will support them in the production and release of their first feature-length film. In 2012-2013, this program will support 8 to 10 projects with a maximum financial contribution of up to $120,000 each. Projects that may be submitted to Telefilm for evaluation and selection will be identified and recommended by a network of knowledgeable partners, consisting of recognized educational and training institutions from across the country that offer film production programs and therefore have special access to the emerging talent in their regions.

Innovation in private sector funding: The Talent Fund
In March 2012, Telefilm launched a new type of funding vehicle that promotes film to the private sector and encourages donations from corporations and individuals. Corporate donors will receive tax deductions for making gifts to Canada, while individual donors will receive tax credits in the same category. Telefilm estimates that the Talent Fund could be endowed with an annual budget of $5 million when operating at full capacity—a significant amount that producers could use to leverage more investment dollars. This unique initiative will help support many more Canadian film projects, develop new talent, and create new partnerships between the private sector and Canada's film community. The Talent Fund is officially recognized by the CRTC and endorsed by the Canadian Chamber of Commerce. It will be managed by Telefilm and championed by Canadian business and community leaders from across the country.

ACHIEVEMENTS IN OUR PROMOTIONAL STRATEGIES, WITHIN CANADA AND ABROAD

To deliver on the strategy to stimulate demand for Canadian content, Telefilm must expand its long-held role as a promoter. New promotional strategies are being developed and deployed to increase awareness and availability of Canadian content, both in Canada and around the world.

In our four regional offices across the country:

- The role of Regional Director has changed from administrator to talent promoter responsible for leveraging industry knowledge, resources and networks for promotional purposes.
- Events and activities are being redefined to shift the focus from business development to promotion.
- Telefilm is implementing an event-based strategy for marketing purposes in Europe, the US and some emerging countries. This strategy for promoting Canadian talent capitalizes on decades of Telefilm presence and credibility at international festivals and award presentations.
- Electronic communications and strategies are being enabled to ensure optimum presence on new platforms such as social networks and specialized Web territories.

ACHIEVEMENTS IN INDUSTRY INTELLIGENCE

Telefilm Success Index measures portfolio performance
In the Canadian film industry, box-office success has proven to be an incomplete measure of overall success when used in isolation. As a new strategic objective, Telefilm sought to create a balanced index to measure success that includes commercial, cultural and industrial factors. Telefilm announced the creation of its new Success Index in November 2011, and now has a tool to measure the overall success of its investment portfolio over time (see the results in the Success Index section).

Gathering and communicating business intelligence
Telefilm has a valuable role to play in gathering, analyzing and communicating business intelligence to film industry players. The companies that make up this industry are often small and lack the resources to perform this analysis on their own. In order to better understand the film industry, consumer trends and new business models, Telefilm created its own internal Strategy and Research department. Its core objective is to deliver meaningful and insightful information to the Canadian audiovisual industry. In order to achieve this, partnerships have been formed with research institutions such as HEC Montreal and the Institut de la Statistique du Québec.

2012-2013 PRIORITIES

Our strategic priorities for the next fiscal year will extend and advance many of the initiatives we began in fiscal 2011-2012.

PROGRAM REDESIGN

Telefilm will continue to redesign and implement programs to better serve the industry, to promote Canadian success, to foster new talent and to ensure effective administration. In year two, this will include the deployment of the new Development program, the launch of the Micro-Budget production program, the introduction of the Promotion program, and the redesign of the Production and Marketing programs.

Production and Marketing Programs
Once redesigned, the Production and Marketing Programs are scheduled to launch in April 2013. Again, Telefilm will engage in extensive industry consultations that will guide the redesign, to ensure both industry buy-in and the satisfaction of clients.

PROMOTION STRATEGY

In order to fulfill Telefilm's objective of stimulating demand for Canadian audiovisual content, Canadian talent and successes must continue to be promoted nationally and internationally. Telefilm will further leverage current promotional opportunities, such as the Toronto International Film Festival, to benefit from international exposure and the potential of co-branded campaigns. Telefilm also intends to further develop its presence with regional events. Exposure on social media platforms will also be a priority.

LEVERAGE PRIVATE FUNDING

Telefilm's early investments in a project often attract additional investment from other public and private sources. This will be encouraged in three ways: through continued partnerships with film project investors, through the newly created Talent Fund, and finally through private partnerships to help fund promotional events. Telefilm will continue to develop partnerships to fund and promote Canadian film, actively engage private donors to build the Talent Fund and support regional promotional events.

ORGANIZATIONAL EXCELLENCE

Accountability and effectiveness are central to the role Telefilm plays, ensuring that the proper administration of our funding programs and our continued quest for organizational excellence will enable the delivery of our strategic priorities, particularly in challenging economic times and in light of reduced federal funding. Further streamlining of processes is a key goal for fiscal year 2012-2013. The benefits of such focus will serve not only Telefilm, but its clients, the industry and Canadian taxpayers.

OBJECTIVES AND PERFORMANCE INDICATORS

SUCCESS INDEX

Year over year scores of the Success Index must be interpreted carefully. Trends over time, on a two to three year rolling average, once data is accumulated, will offer better insight into the performance of Telefilm's portfolio.

In 2001, the Canadian Feature Film Policy began a decade of measuring the success of Canadian films based on their performance at the box office. As the years went by, however, it became evident that the Canadian films that received critical acclaim and won awards were not necessarily the ones earning big box office numbers in theatres.

It was clear that Canadian films needed a more complete measure of success, even though box-office ticket sales should continue to be included in that measure. Given the growing appeal of Canadian films on international screens, emerging digital platforms and on television, Telefilm envisioned a more comprehensive measure that takes three types of success into account: commercial, cultural and industrial. In November 2011, the Success Index was unveiled during Telefilm's Annual Public Meeting.

The Index is a key performance indicator for measuring changes in the overall success of the films Telefilm funds from year to year, extending from a baseline established in 2010. The Success Index is calculated annually, and is expressed as the sum of three weighted sub-indices:

Telefilm Success Index Components

Commercial sub-index
Weight—60%

- Canadian theatre box office (40%)
- Domestic sales on all platforms excluding theatres (10%)
- International sales (10%)

Cultural sub-index
Weight—30%

- Selections and nominations at certain international festivals and events (10%)
- Prizes at some international festivals and events (10%)
- Prizes at some festivals and events in Canada (10%)

Industrial sub-index
Weight—10%

- Share of private and foreign financing in productions supported by Telefilm

In May 2012, Telefilm compiled the results of the Success Index for 2011 compared to the baseline year of 2010. The results showed a strong increase, from a base value of 100 in 2010 to 123.7 in 2011.

Interestingly, the results also showed that the commercial sub-index (2011 score: 90.3) had grown substantially while the cultural (2011 score: 23.9) and industrial (2011 score: 9.5) sub-indices had both declined.

Because of its composition and weighting, the commercial sub-index can affect the overall Success Index more than the other two sub-indices.

The strong growth in the commercial sub-index (+50%) was due mainly to a sharp rise in sales, which more than doubled in Canada and abroad. The remarkable success of the films *Eastern Promises* and *The Imaginarium of Dr. Parnassus* in international theatres and on secondary platforms helped to boost sales. These two films alone accounted for almost one third of the total.

In 2010, Canadian film had an exceptional year on the festival circuit, with films such as *Incendies* and *Barney's Version*. Due to this, the cultural component in 2011 shows a decline (-20%) when compared against this exceptional year.

Finally, a 5% drop in the industrial sub-index did not reflect a significant change in the financing environment for Canadian film.

OBJECTIVE 1: MANAGING A DIVERSIFIED AND PERFORMANT PORTFOLIO TO ACHIEVE SUCCESS

Telefilm is currently in the process of redesigning the funding programs that serve the Canadian film industry. As such, the corporate indicators that will measure our performance in achieving our funding program goals as an organization are also being redesigned.

PORTFOLIO ALIGNMENT

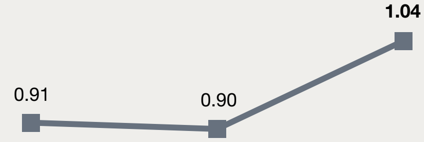
One of the areas where Telefilm intends to improve and adjust its practice in line with the evolving state of the industry is in the management of its portfolio. Every year, Telefilm evaluates many hundreds of requests for funding and concludes over 100 funding agreements with production and distribution companies across Canada. In the past, investment decisions and management were done on a project-by-project basis with little oversight of the overall portfolio.

Telefilm is currently examining how it could create and implement a more relevant and global portfolio management practice. The objectives are to ensure a viable balance of industry sustainability, creative diversity, and representation of minority and regional groups from across Canada. Decisions related to this will be made and put in place by the end of 2012.

INCREASE PRIVATE INVESTMENT TO SUPPORT FILM PRODUCTION

Telefilm has long believed that the Canadian audiovisual industry must diversify its sources of funding for long-term stability and success. Since Telefilm began operating in 1967, public dollars have been the primary source of financing to develop the industry. That public investment has made the industry successful. Telefilm believes it is time for private funding to help take the industry to the next level. One of the objectives in Telefilm's corporate plan is to attract complementary funds from the private sector. These funds will be used in many ways for the benefit of the industry: for film financing, marketing and promotional support.

Indicator	Results		
Private sector to Telefilm financing ratio	2008-2010	2009-2011	**2010-2012**
	0.91	0.90	**1.04**



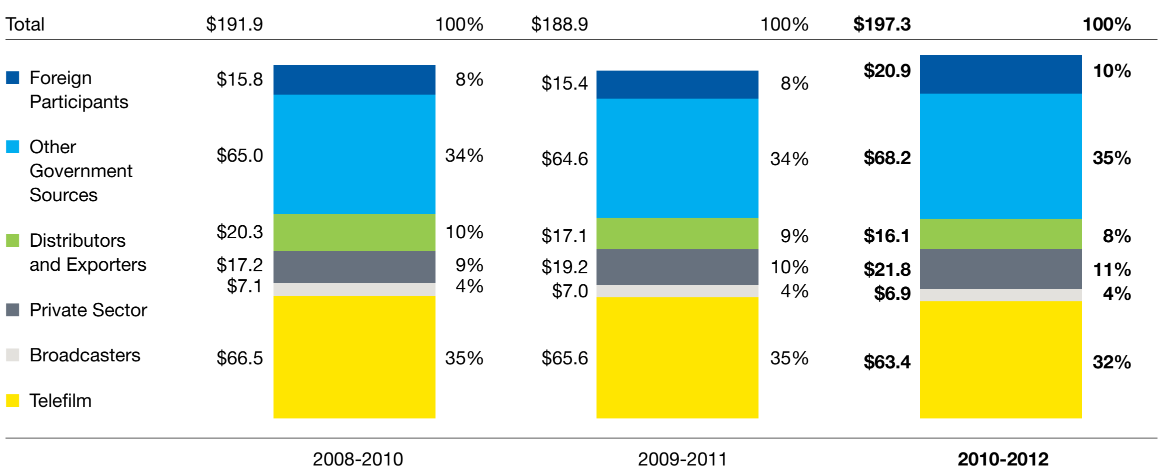
2011-2012 ACTIONS AND RESULTS

Measuring the leveraging effect of Telefilm's investments
Telefilm has created a new indicator based on the ratio of private sector investment to Telefilm's public sector investment. For the production leverage measurement indicator, a three-year rolling average is used to reduce the skewing effect of annual anomalies. Private sector sources include broadcasters, private corporations, distributors, exporters and foreign participants.

For the current three-year reporting period of 2010 through 2012, every dollar invested by Telefilm has attracted $1.04 of investment from the private sector to produce a ratio of 1 to 1.04. This development is encouraging; it was observed, however, that the balance of sources has shifted. Some sources of financing, such as exporters and distributors, fell during this period. Foreign sources of investment stepped up to ease this decrease, and represent 10% of overall financing for Canadian films. Broadcaster support of feature film in Canada has remained steady at 4%, while private investment has exhibited incremental growth.

Innovation in financing: The Talent Fund
Launched by Telefilm in March 2012, the Talent Fund encourages private donations from corporations and individuals that will directly increase funds available to the film industry.

Financial participation
Moving average—3-year trend ($M and %)



2012-2013 OUTLOOK

In its corporate plan, Telefilm pledged to help the industry find new sources of private sector financing to combine with public funds. Strategies to accomplish this will focus on treaty coproduction, dialogue with broadcasters, as well as improved partnerships. Telefilm also has high expectations for its new Talent Fund, which offers a new way to leverage additional financing.

OBJECTIVE 2: INCREASE CONSUMPTION OF CANADIAN AUDIOVISUAL CONTENT

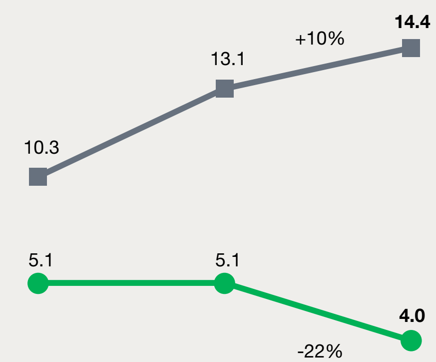
INCREASE AVAILABILITY OF CANADIAN FILMS

Ensuring that Canadian films are widely available is essential to the goal of stimulating audience demand; this is the cornerstone of Telefilm's new corporate strategy. This availability includes broad distribution of Canadian films through theatres, on television (including on-demand and pay-per-view), and via online services. In 2011-2012, Telefilm developed a key performance indicator to measure changes in the availability of Canadian content over time.

Indicator	Results		
Canadian films vs. all films	2009	2010	**2011**

■ Television (time-share)

● Cinema screens (share-of-screens)



2011-2012 ACTIONS AND RESULTS

Cinema screens
In 2011, Telefilm began to assess availability by measuring the number of cinema screens devoted to Canadian films. The share of Canadian films released into the Canadian exhibition marketplace in calendar year 2011 decreased by 14% from 2010. The share of cinema screens devoted to Canadian film fell by 22%, indicating that Canadian films were, in fact, less available to the Canadian public in 2011 than in 2010. Telefilm's expectation going forward is to see an improvement in the balance between the share of Canadian titles released and the share of screens devoted to Canadian film.

Television
Television is a key platform on which Canadians access Canadian film. Canadian feature film content represents about 14% of all feature films on television in this country, an increase of 10% over last year. Pay TV has a higher share of Canadian feature film availability (17%) than network (10%) and cable channels (11%). According to CRTC regulations, Canadian broadcasters must include at least 25%-30% of Canadian content in their programming.

Online platforms
Online platforms were also reviewed in an attempt to measure the availability of Canadian films. With the proliferation of online services becoming available to consumers, Telefilm has not yet been able to develop an accurate, reliable and cost-effective indicator to measure availability on all digital platforms. Some interesting information has emerged from this research, however, including the fact that, as of March 2012, Netflix offered over 10% of Telefilm Canada-supported films produced since 2007 despite being unregulated for Canadian content. Telefilm will continue to monitor the online presence of Canadian titles, with the goal of developing a meaningful and effective indicator of availability on online platforms.

2012-2013 OUTLOOK

Telefilm is developing a new promotion success strategy that includes a framework for creating partnerships and focusing its own promotional resources on increasing the availability of Canadian content. Also underway is the shift of Telefilm's Regional Director role to focus on availability for Canadian film. A regional, national and international action plan will be deployed in 2012-2013.

One area of risk identified is Telefilm's capacity to convince partners to give greater access to Canadian productions on multiple platforms.

INCREASE AWARENESS OF CANADIAN AUDIOVISUAL SUCCESS

Canadian content is well-known and respected internationally. Despite this, many Canadians remain uninformed or have negative opinions about Canadian productions. The Canadian audiovisual industry has achieved worldwide recognition and respect; we believe it is time to improve the market perception at home.

Indicator	Target	2011-2012 Result
Recognition Rate	50% for 2014-2015	**37%**

2011-2012 ACTIONS AND RESULTS

Raising awareness of Canadian film success is the first step in bringing about positive change. To obtain a baseline measurement against which we can compare future developments in awareness, Telefilm commissioned a national opinion survey in early 2012. Canadians were asked several questions related to their perceptions and consumption of Canadian films.

Slightly more than one third (37%) of respondents could recall the name of a Canadian film, when unaided. This is the primary indicator Telefilm will be tracking in our initiative to improve awareness.

Consumer awareness of Canadian film is likely a strong determinant of interest levels. In a prior national opinion survey, 21% of respondents indicated that they were "very interested" in Canadian films. This indicator remained stable in 2012. Telefilm will carefully track this indicator as targeted initiatives attempt to improve the results in years ahead.

Initiatives to improve awareness
Telefilm has already begun deploying initiatives to improve awareness. For example, Telefilm leveraged its international presence by making Canadian talent more available to Canadian arts and entertainment journalists working in foreign locations. Media reporting back to Canada has shown Canadians that our talent is popular and successful on the world stage. Telefilm's media and public relations activities will continue to build on this in the future.

Telefilm has also initiated new, more visible promotional activities to spotlight Canadian talent and productions at events around the world, including film festivals in Berlin, Cannes and the Oscars. At home, our regional offices and their local partners have developed grassroots promotion initiatives in several parts of the country.

In an effort to reach an increasing number of Canadians, Telefilm has made a concerted effort in growing its social media presence. Its Twitter account has consistently grown since its launch in 2009, doubling its number of followers this fiscal year. Telefilm's YouTube channel is increasingly becoming an important promotional tool. Exclusive interviews are regularly shot with homegrown talent at festivals, markets and other events around the world, and are then broadcast on this popular platform.

2012-2013 OUTLOOK

All of these initiatives will be continued and expanded by developing targeted promotional activities with regional partners. For example, we will identify and work with private sector partners to organize promotional events, and realign our communications tools to appeal to a wider variety of audiences. A major promotional undertaking, the Canadian Expansion project, is an innovative partnership with the CMF which will begin a national strategy focusing on the regions to expand audiences and increase awareness of Canadian content in feature film, on television and online. In addition, Telefilm will be launching its first-ever Facebook fan page, which will be used as the organization's primary social media vehicle to reach the general public.

The main risk associated with our promotional initiative lies in our capacity to attract and engage external partners with the same objective: fostering the Canadian film industry. To mitigate this risk we have involved all four of our regional offices, which will enable Telefilm to network within their local business communities and identify opportunities to build partnerships across Canada. Furthermore, we have strengthened relationships with our international partners in order to increase awareness of Canadian successes in film and to seek out additional global opportunities.

FINANCE PROMOTIONAL INITIATIVES THROUGH PARTNERSHIPS

Telefilm is increasingly focused on promoting Canadian film talent at the regional, national and international levels. Due to the growing success of Canadian content, Telefilm is confident that promotional partners can be found within the private sector as well as other areas of the public sector to support the Canadian film industry. Challenging goals have been set to drive promotional efforts right up to fiscal 2014-2015.

A new direction for promotional activities
The restructuring of Telefilm's promotional programs and activities will make resources available to pursue new partnerships and joint initiatives. Examples include the development of new promotional vehicles that have the potential to attract external sponsors, such as Talent to Watch, Eye on TIFF and Not Short on Talent. Telefilm will also develop value-added events with high media visibility to be held in the US and international markets, such as special awards ceremonies and galas to celebrate Canadian talent.

2011-2012 ACTIONS AND RESULTS

Measuring the benefits of partnerships
In fiscal year 2012-2013, Telefilm will begin its strategy to increase the percentage of promotional funding that comes from sources outside the organization. In the initial year of measurement (2011-2012), private sources contributed 1.3% of the total promotion budget while public sector contributions from sources other than Telefilm made up another 11% of the total promotion budget. These "other" public sector sources included provincial partners as well as consulates and embassies.

Promotional partnerships already in place at Telefilm include the popular "Movie Nights on the Hill" hosted by Federal Minister of Canadian Heritage, the Honourable James Moore in partnership with the private sector. These events serve as an example of how public and private funding can effectively come together to promote Canadian film.

2012-2013 OUTLOOK

For partnership activities in 2012-2013, Telefilm's objective is to generate $1.50 of private promotional funding for every dollar Telefilm spends. By the end of the corporate plan period (2014-2015), Telefilm aims to generate $3.00 for every dollar it spends. Achieving this goal will depend on Telefilm's ability to develop effective promotional initiatives that attract additional private financing.

OBJECTIVE 3: ENHANCING ORGANIZATIONAL EXCELLENCE

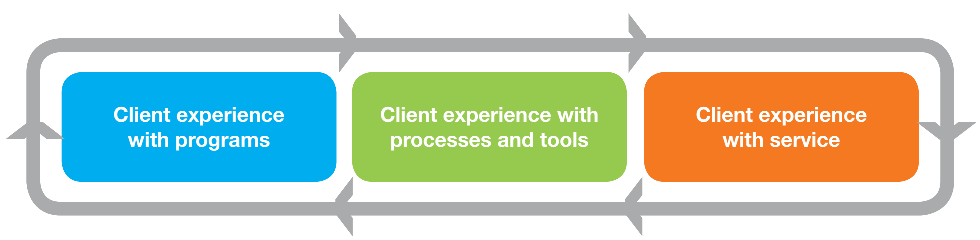
INCREASE CLIENT SATISFACTION

Telefilm understands the importance of increasing client satisfaction. Management intends to take a targeted approach to improvements both in the organization's performance and in the methodologies used to track client satisfaction. Historically, Telefilm's practice has been to survey clients. The most recent survey was conducted by Telefilm in 2009-2010, with the organization scoring 7.2 out of 10 for overall client satisfaction. In addition to this survey, Telefilm implemented operational client service indicators based on the service standards in its Client Service Charter. Telefilm is now ready to go beyond these traditional measures in order to achieve a higher level of client satisfaction.

2011-2012 ACTIONS AND RESULTS

Telefilm believes the organization will benefit from a timely, consistent and reliable measure of client satisfaction that is better aligned with the corporate plan. To that end, the Audit and Finance Committee engaged internal auditors to examine client services. The findings identified areas to target for improvement. For example, there were inconsistent definitions of the primary client across the organization and of the client's role when developing programs, strategies and initiatives. Furthermore, the Telefilm Client Service Charter was not driving client service as intended as the existing performance measures for client services were primarily targeted at decision-making and payment processing, leaving out other important components of the client experience. Based on these results, Telefilm is developing a short-term action plan that includes performance indicators to measure overall client satisfaction in three key areas (see graphic). Clients will evaluate Telefilm in these areas annually; Telefilm's goal will be an overall satisfaction rating of 8 out of 10.

While the organization expects to develop and implement more pertinent client satisfaction measures as part of its action plan in the coming year, basic client service indicators were still in place in 2011-2012. As such, Telefilm monitored seven indicators for fiscal 2011-2012 that covered decisions issued, project payments triggered, CMF administration service levels, and the availability of IT systems. All of these indicators showed stable or improving client service ratings over last year.



2012-2013 OUTLOOK

Telefilm intends to implement the Client Services Action Plan during fiscal year 2012-2013. This plan will ensure timely, ongoing measurement of client satisfaction and will include a communication campaign to employees. Best practices for staff will be identified and reinforced, and Telefilm will implement a practice of automated surveys to gather information from clients. Management has enacted significant process streamlining for the Development Program, and will propose process improvements for other programs as well.

Telefilm recognizes the risk of client dissatisfaction with decisions related to program budget reductions and changes resulting from the consolidation and reorientation of programs. The organization has reached out to clients, stakeholders and industry associations through a series of consultations and information sessions to mitigate this risk.

ENSURE EMPLOYEE ENGAGEMENT

The full engagement of employees is key to the quality of Telefilm's service delivery and especially important to the successful implementation of the organization's strategic shift.

In 2008, Telefilm rolled out a five-year Human Resources plan with the following objectives:

- Define Telefilm's Human Resources vision;
- Establish a leadership model that defines organizational values, expected behaviours and skills;
- Review hiring criteria and the integration of skills within the performance management process;
- Upgrade the skill sets of managers and other employees.

2011-2012 ACTIONS AND RESULTS

Telefilm is moving ahead with its current Human Resources plan, which includes a comprehensive development program to support organizational excellence and employee engagement. The development program includes initiatives such as managerial and leadership courses for new managers, scalable training for office software tools, and orientation sessions. Telefilm also focused on strategies that help attract the best candidates. In addition, the organization implemented two new individual performance indicators: a recruitment "attraction" indicator and an indicator to measure the rate of training investment per employee. Finally, the Telefilm employment contract has been updated to reflect the organization's value proposition.

2012-2013 OUTLOOK

In the next fiscal year, Telefilm intends to complete its five-year Human Resources plan. Part of this will involve developing a performance indicator to measure engagement based on components such as individual alignment with corporate strategy, client vision, personal accountability and consideration.

Meanwhile, the organization faces significant challenges due to employee layoffs resulting first from the strategic changes in Telefilm's new corporate plan and then from the Departmental Spending Review included in the 2012 federal budget. Management has already acted to mitigate the risk of possible declining employee engagement that could affect the quality of Telefilm's strategic shift by ensuring open and regular communication with all employees about any significant organizational change.

MANAGE EFFICIENTLY

At Telefilm, we strive to deliver the best value to our stakeholders. Organizational excellence has become the way of thinking at Telefilm, a way that is valued and shared across the organization.

The key to organizational excellence at Telefilm is a philosophy of continuous improvement. Internal audit reports, risk management approaches, best practices, and key performance indicators are all used to measure and improve administrative performance. The goal is to cut red tape and elevate Telefilm's service level.

Management expense ratio measures administrative cost efficiency
Telefilm uses the expense ratio to assess general efficiency across the organization. A key performance indicator, the expense ratio measures overall operating and administrative expenses (net of amortization) as a percentage of program funding expenses.

The expense ratio is not a perfect measure of performance. For example, some activities such as governance and the process of recommending coproduction certification are not related to program funding, yet have associated costs. Despite this, the expense ratio gives Telefilm a benchmark to measure high-level changes in efficiency over time, and allows performance to be compared with other organizations using the same standards. Telefilm also measures its performance through internal audit reports and performance and quality-management reviews.

Indicator	**Target**	**Results**		
Management expense ratio	Maximum 6.3%	2010-2011	**2011-2012**	2012-2013 Outlook
		6.2%	**6.0%**	6.1%

2011-2012 ACTIONS AND RESULTS

Management expense ratio trends over time
Telefilm has made it a priority to deliver audiovisual industry funding programs at a low cost. As the graph shows, administrative expenses at Telefilm have remained at or near 6% of program funding expenses.

Telefilm is pleased that the 2011-2012 result comes in under its original target of 6.3%. This favourable ratio is explained by tight control over administrative expenses and a significant increase in the CMF program fund.

Internal audit mandates
Telefilm gains great traction in efficiency and performance from internal audit mandates. These mandates generate reports with specific recommendations that provide both insight and a formula for remediating issues.

Four internal audits of specific functions were performed in fiscal year 2011-2012. Recommendations from these audits led to quick solutions and short-term action plans from Telefilm's management team. A fifth mandate involved following up on the implementation of measures recommended in previous internal audits. This review covered seven different internal audit mandates from 2008 to 2010. Telefilm implemented corrections for 96% of the recommendations still outstanding, leaving only two recommendations to be addressed in the next fiscal year.

Performance and quality-management reviews
Quarterly performance and quality-management reviews focus on statistical measurement of errors, issues and related trends in data integrity. Concerns raised in these reviews can be addressed through practical solutions such as training workshops, process improvements and requests for systems upgrades to mitigate risks and improve the overall quality of information.

2012-2013 OUTLOOK

Telefilm does not expect a major variance in the expense ratio for next fiscal year. The challenges for the next year include Telefilm's ability to manage the decrease in program funding, as well as its ability to implement cutbacks while improving efficiency in program delivery. These risks are further explained in the Risk Management section.

FINANCIAL REVIEW

FINANCIAL REPORTING STANDARDS

This financial review supplements information provided in the financial statements and should be read along with the audited financial statements for the fiscal year ended March 31, 2012. The objective is to analyze Telefilm's 2011-2012 financial results and financial outlook for the future.

Telefilm has determined that CICA Canadian Public Sector Accounting Standards are the most appropriate basis of accounting for its financial statements. For fiscal year 2011-2012, the Corporation applied these standards to its financial statements (and comparative figures) for the first time.

The financial statements published under the Canadian Public Sector Accounting Standards are designed to meet the common external user's needs regarding government financial information. This new perspective required significant changes to both financial statements and accounting methods. As such, the Statement of Operations now integrates budget financial information, the balance sheet disclosure has been significantly modified and renamed "Statement of Financial Position," and an additional statement called "Statement of Changes in Net Financial Assets" has been issued. The new standards have also resulted in four transitional changeovers: liabilities relating to financial assistance programs, sick leave related to the liabilities for employee future benefits, deferred government assistance, and deferred lease inducements. These changes are fully disclosed in *Note 5—First-time adoption of Canadian Public Sector Accounting Standards* in the financial statements.

The following financial analysis highlights variance-based thresholds approved by the Audit and Finance Committee. The tables include rounded figures. Budget variances are calculated from actual budget figures in the financial statements.

FINANCIAL INFORMATION: A GLIMPSE

Telefilm managed public funds effectively for the fiscal year ended March 31, 2012. Overall assistance expenses reached $95.8 million, a 7% decrease over last fiscal year. Operating and administrative expenses, at $28.5 million, stayed below budget and on par with last fiscal year, enabling a transfer of $1.2 million to program funding. The parliamentary appropriation stayed stable at $105.7 million and revenues rose by 11%, reaching $21.7 million. Lastly, the CMF service agreement has been renewed for another year.

ASSISTANCE EXPENSES

As defined in the corporate plan, Telefilm divides its program funding in two: first, investment in the development of the Canadian audiovisual industry and, second, national and international promotional support for Canadian content.

Development of the Canadian audiovisual industry

	Outlook	**Actual** ($M)		Variance			
				Budget		Prior year	
	2012-2013	**2011-2012**	2010-2011	$	%	$	%
Production	64.0	**65.1**	69.0	5.7	8	-3.9	-6
Development	6.6	**7.9**	9.6	-1.0	-14	-1.7	-18
Training	0.0	**0.3**	0.5	0.0	0	-0.2	-40
	70.6	**73.3**	79.1	4.7	6	-5.8	-7

Overall expenses for the development of the Canadian audiovisual industry decreased by almost $6 million compared to the previous fiscal year. This decline is mainly related to the production program. Its level of expenses went down by $3.9 million for two reasons: a major project from our selective program component was postponed to next year, and producers holding performance envelopes did not use all their funding—a relatively rare situation given the scarcity of financial resources. These situations also explain the $5.7 million budget surplus for production programs.

Development programs also showed variances. A budget deficit of $1.0 million is related to unexpected funding utilization by performance envelope holders. These producers can choose to draw their funding from the development or the production program.

Expenses for the development programs were $1.7 million lower than in the last fiscal year. This decrease can be explained by reduced requests for development funding by performance envelope holders compared to last year.

Another variance arises from training activities. Actual expenses in fiscal 2011-2012 are 40% lower than last year because certain activities have been phased out in accordance with strategies in the new corporate plan.

Management has carefully planned the 2012-2013 program budget to take into account the impact of the first year of the Departmental Spending Review. Development programs and training activities are affected for the next fiscal year. In line with this strategic and operating review, all development programs have been merged into a single broad program to better meet the needs of our clients and be more administratively efficient.

Promotional support in Canada and abroad

	Outlook	**Actual** ($M)		Variance			
				Budget		Prior year	
	2012-2013	**2011-2012**	2010-2011	$	%	$	%
Marketing	13.8	**13.6**	14.7	1.0	7	-1.1	-7
International events	2.5	**2.6**	2.7	0.0	0	-0.1	-4
National & regional events	7.0	**6.3**	6.7	-0.1	-2	-0.4	-6
	23.3	**22.5**	24.1	0.9	4	-1.6	-7

As a Crown corporation providing funding to diverse recipients at different times, Telefilm expects normal variances between actual expenses and budgets and with prior fiscal year. There are no significant variances related to promotional support activities.

The Corporation believes that promotion of Canadian content and talent is an important way to increase consumption of Canadian audiovisual productions. Accordingly, promotional spending in the 2012-2013 budget is set at the same level as in the previous fiscal year.

OPERATING AND ADMINISTRATIVE EXPENSES

	Outlook	Actual ($M)		Variance			
				Budget		Prior year	
	2012-2013	**2011-2012**	2010-2011	$	%	$	%
Salaries & wages	20.8	**20.0**	19.1	0.7	3	0.9	5
Professional services	2.6	**2.2**	2.9	1.2	35	-0.7	-24
Rent	1.9	**1.9**	1.9	0.0	0	0.0	0
Information technology	1.4	**1.2**	1.2	0.2	14	0.0	0
Amortization	n/a	**1.1**	1.3	n/a	n/a	-0.2	-15
Office expenses	0.8	**0.9**	0.9	-0.1	-13	0.0	0
Travel	0.7	**0.7**	0.8	0.0	0	-0.1	-13
Advertising & publications	0.4	**0.5**	0.5	0.0	0	0.0	0
	28.6	**28.5**	28.6	2.0	7	-0.1	0

In this fiscal year, the Corporation leaned toward efficiencies and controls for administrative expenses. This priority led to both budgetary savings and steady total expenses over last year.

As reported in the financial statements (Schedule A), the approved administrative budget before the transfer of funds to programs needed adjustment for the reduction in CMF revenues at year end. Therefore, the budget disclosed in the financial statements cannot directly be linked to the operating and administrative expenses for the evaluation of surplus. As well, public sector policy requires available surplus to be determined with expenditures calculated on a cash-modified basis instead of an accrual basis.

The Corporation proved for another year its administrative efficiency by transferring $1.2 million of its administrative budget to program assistance for the benefit of the industry. Furthermore, $1.2 million of administrative expenses for next fiscal were prepaid through the 2011-2012 budget.

As a small Crown corporation, Telefilm requires specific expertise and uses consultants to provide professional services at a good value. This fiscal year, Telefilm saved 35% on professional services compared to the budget for these resources. This savings is mostly explained by a reduction in the size of corporate projects, lower expenses for IT consultants, and specific skills drawn from Telefilm employees. Actual expenses are also down by 24% over last year. The decrease mostly comes from professional IT services that are now being provided by full-time employees, the use of one-time contracts for specialized consultants for research and strategy, and cost efficiency in decision making with fewer external readers, for instance.

Information technology expenses proved to be lower than expected and came in under budget due to savings on server updates and telecommunications.

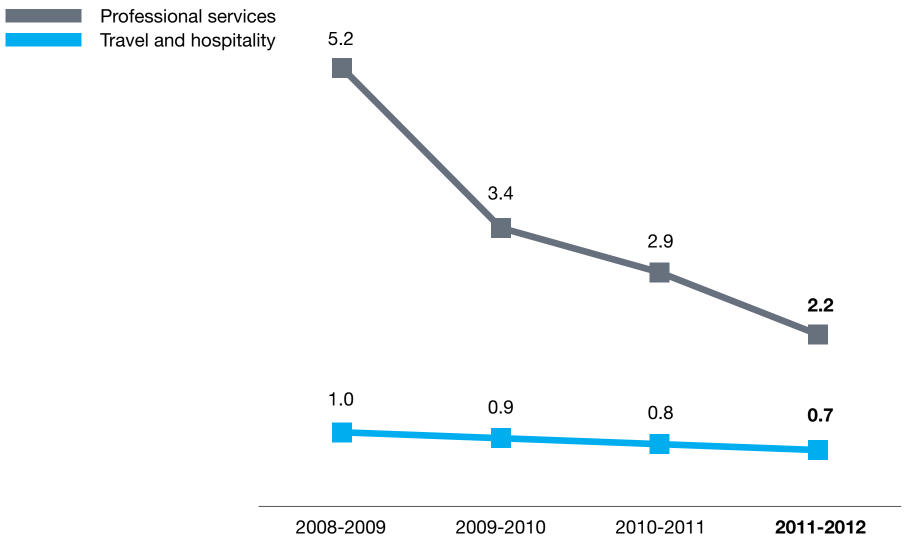
Amortization expenses are non-budgetary costs and are not taken into account for budget purposes. This expense line item decreased by 15% over last year, which can be explained by software assets reaching the end of their useful lives.

Travel expenses are down by 13% from the last fiscal year. The reduction is mostly attributable to lower travel expenses from board members due to fewer face-to-face meetings than last year and the increased use of Web meetings. New technologies such as Web conferencing make Web meetings productive and cost effective.

The Corporation undertook a thorough review of its 2012-2013 budget by line items to achieve efficiencies and to respond to the federal government's Departmental Spending Review.

The Corporation is in compliance with the letter and the spirit of the Treasury Board Secretariat's cost-containment measures. As shown below, professional services (-58%) and travel expenses (-30%) have declined significantly and continuously over the last three years. Given our promotional mandate, our advertising and publications expenses have not been singled out for cutbacks.

Cost-containment measures—Level of expenses ($M)



GOVERNMENT FUNDING, REVENUES AND SURPLUS

	Outlook	**Actual** ($M)		Variance			
				Budget		Prior year	
	2012-2013	**2011-2012**	2010-2011	$	%	$	%
Parliamentary appropriation	103.0	**105.7**	105.7	0.0	0	0.0	0
Management fees from the CMF	10.6	**10.0**	9.6	-0.5	-5	0.4	4
Investment revenues and recoveries	9.0	**11.6**	9.5	2.6	29	2.1	22
Interest and other revenues	n/a	**0.1**	0.4	n/a	n/a	-0.3	-75
	122.6	**127.4**	125.2	2.1	2	2.2	2

Overall, 2011-2012 funding exceeded both annual budget and prior year comparative figures by 2%.

Telefilm's most important funding source, its parliamentary appropriation, has remained stable over the last fiscal year. Significant variances in revenue have come from investment returns and recoveries. These are generated through returns on equity investments in film productions and recoupable advances related to participation in film development and marketing. Overall, these revenues surpassed our budget expectations, which are conservative due to inherent fluctuations in the industry box office.

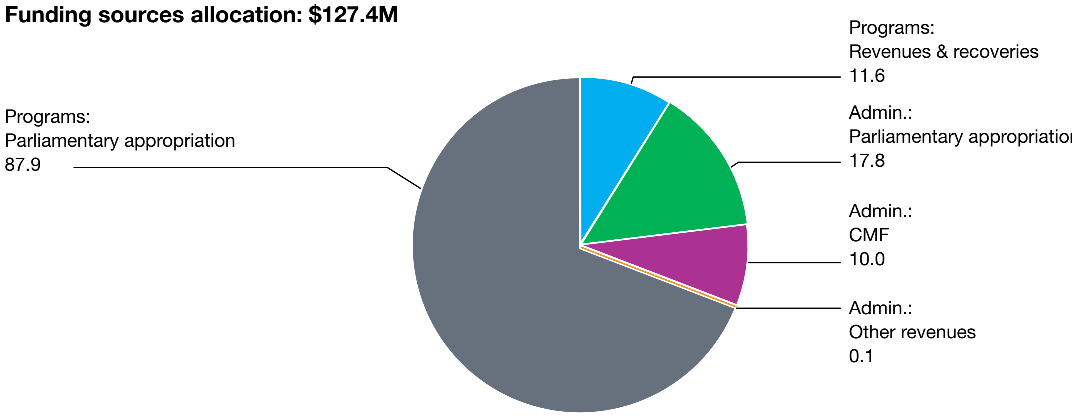
Investment revenues and recoveries rose by $2.1 million—an increase of 22% from last year that comes mainly from the marketing advance recoupment from film distributors. The Corporation recouped, on average, higher remittances on more projects. Returns on investments from producers remained relatively stable.

Another variance comes from “interest and other revenues,” which declined by $0.3 million over last year. This decrease is mainly due to a partnership that ended with a broadcaster.

The funding outlook for the next fiscal year indicates that the impact of the first year cutback from the federal government is expected to be $2.7 million. The CMF services agreement has been renewed for 2012-2013, and the forecast for investment revenues and recoveries is $9.0 million.

As part of its funding allocation mechanism, the Corporation divides its funding among programs and administrative activities. Whenever possible, the Corporation transfers surplus administrative funds from parliamentary appropriation to programs in order to finance more audiovisual projects. As previously mentioned, $1.2 million of parliamentary appropriation for administrative expenditures has been transferred to programs for 2011-2012.

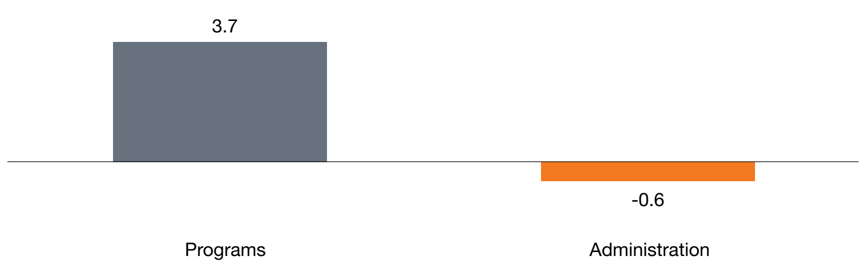
Funding sources allocation: $127.4M



Fiscal year 2011-2012 ended with a $3.1 million financial surplus because program funding exceeded related expenses.

For administrative activities, accrual accounting resulted in a $0.6 million deficit. This deficit can be attributed to a timing difference in funding for some expenses such as amortization, capital assets purchases and non-cash expenses.

Surplus from operations: $3.1M



FINANCIAL POSITION

	Actual ($M)		Variance Prior year	
	2011-2012	2010-2011	$	%
Financial assets				
Cash	**41.1**	37.2	3.9	10
Accounts receivable	**4.0**	3.8	0.2	5
Receivable CMF	**2.6**	3.0	-0.4	-13
Financial liabilities				
Accounts payable	**1.6**	1.8	-0.2	-11
Assistance programs obligations	**33.9**	34.1	-0.2	-1
Employee future benefits	**2.2**	2.1	0.1	5
Net financial assets	**10.0**	6.0	4.0	67
Non-financial assets				
Capital assets	**2.3**	3.3	-1.0	-30
Prepaid expenses	**1.9**	1.8	0.1	6
Accumulated surplus	**14.2**	11.1	3.1	28

The Due from Consolidated Revenue Fund, i.e. Cash is at $41.1 million and its net financial assets are at $10 million. A major difference over the previous year is the changeover in an accounting standard that recognizes the financial liabilities related to Telefilm's assistance programs, amounting to $33.9 million. This new accounting standard allows Telefilm to better reflect its financial position and its obligations (see Note 3 in the financial statements).

A major variance comes from the cash on hand that increased by $3.9 million, directly related to cash inflow from recoveries. The receivable from the CMF fluctuated in a different way, with a decrease of $0.4 million over the last fiscal year. This is largely explained by departments that provide support for CMF programs' operations, the fees were lower due to cost-saving efforts.

For financial liabilities, accounts payable declined by $0.2 million on lower accrued payables. This is attributable to timing differences and diminishing Canada New Media Fund project recoveries that were remitted to the Consolidated Revenue Fund.

In addition, liabilities for future employee benefits include a component for a severance benefit obligation which will change for the next fiscal year. Employees hired after April 1, 2012 will no longer be entitled to a severance benefit, while employees in their positions as at March 31, 2012 will keep their entitlements. Another important fluctuation comes from the net value decrease of $1.0 million in capital assets, principally related to current amortization. Finally, the accumulated surplus has been boosted significantly by the fiscal year's surplus of $3.1 million.

CASH FLOW ACTIVITIES

	Actual ($M)		Variance Prior year
	2011-2012	2010-2011	$
Operating transactions	**4.0**	-0.1	4.1
Capital transactions	**-0.1**	-0.1	0.0
Cash at beginning	**37.2**	37.4	-0.2
Cash at end	**41.1**	37.2	3.9

Management uses the indirect method to present its cash flow activities. Cash on hand increased by a significant $3.9 million in 2011-2012 to $41.1 million. Operating transactions positively affected our cash flow situation for 2011-2012. Compared to last year, the Corporation benefited from higher investment revenues and recoveries as well as lower assistance expenses. That combination, along with stability in non-cash financial items, increased cash on hand.

RISK MANAGEMENT

Sound risk identification and management contributes to a stable and resilient organization. Telefilm uses an integrated risk management approach by ensuring that risks are considered within processes such as strategic planning, project management, and corporate performance measurement.

Looking at risk management from the bottom up, the Risk Management Committee continuously monitors and assesses risks within the functional sectors of Telefilm's operation and acts as a catalyst for change in matters regarding sound risk management practices. The Management Committee challenges and approves the risk identification and assessment processes, and the Executive Director reports to the Board of Directors through the Audit and Finance Committee, which oversees all risk management activities.

RISK IDENTIFICATION

A continuous approach to risk identification is necessary for Telefilm due to changes and challenges being experienced by the organization. As new objectives emerge from the corporate plan, risks are identified and analyzed, and risk management approaches are developed.

During fiscal year 2011-2012, the Risk Management Committee focused its efforts on improving and simplifying tools for risk management and accountability. In particular, a new risk management policy sets out the framework for governance and risk management processes, as well as the mechanisms and criteria for risk assessment. The Management Committee approved this policy in April 2012.

This fiscal year has also been the first year of a new four-year corporate plan. The Risk Management Committee has worked to:

- Refine Telefilm's risk profile related to the delivery of the plan;
- Define and understand the various risk scenarios affecting the organization;
- Rank risks in order of importance;
- Evaluate the effectiveness of mitigation strategies in place.

This exercise helped identify areas requiring continuous monitoring and analysis. The risks that affect Telefilm can be categorized into four main groups:

1. Strategic risks: those that hinder the achievement of corporate objectives;
2. Operational risks: those arising from the failure of processes, systems or human resources;
3. Financial risks: those associated with losses resulting from poor financial management;
4. Compliance risks: those relating to non-compliance with laws and regulations.

KEY STRATEGIC RISKS FOR THE COMING YEAR

Over the past few years, Telefilm has succeeded in effectively managing its operational, financial and compliance risks. Strategic risks, on the other hand, are of the greatest concern to Telefilm. Strategic risks identified relate mainly to delivering the new strategic plan and managing the impact of budget reductions announced by the federal government in March 2012.

Program changes and reductions
The program redesign initiative involves a significant amount of change within a short period of time. This represents a challenge concerning the effective and timely delivery of changes from the program redesign initiative. In addition, client satisfaction is a major consideration in making these changes.

Dedicated teams within the organization will coordinate the delivery and implementation of program changes using a phased approach over the next two years. Consultations are also ongoing with clients and industry players to mitigate the risk of dissatisfaction with proposed changes.

Telefilm will also reduce funds allocated to certain programs and abolish certain full-time positions within the organization. Some risks result from these actions including:

- The impact of program reductions on clients and other stakeholders;
- The ability to fund new promotional initiatives included in our strategic plan;
- The ability to maintain service levels to clients with fewer resources and major program changes to deliver.

Mitigation strategies for managing these risks include:

- Leveraging new funding through the Talent Fund;
- Intensifying the search for national and international financial partners;
- Comprehensive communications activities and ongoing consultations with clients and the industry;
- Further reducing administrative costs by simplifying processes and programs.

Inadequate availability of Canadian films
As reported in the section *Increase Availability of Canadian Films*, the inadequate availability of Canadian films is a concern when it comes to raising awareness of Canadian audiovisual productions. This situation calls for new and innovative ways to address promotional activities and distribution of Canadian films. The challenges lie in Telefilm's ability to influence industry partners to increase the availability of Canadian productions on all viewing platforms. Telefilm's success in achieving this goal will be based on creativity, knowledge of the market, and continued access to resources.

The distribution program redesign initiative addresses this risk by looking at options to encourage online distribution and promotion of Canadians films.

Telefilm's new promotional direction
The new four-year corporate plan has refocused priorities on stimulating audience demand. Telefilm has embarked on a shift towards greater promotional efforts and has reallocated resources to increase awareness of Canadian films. The promotional shift also aims to leverage funding through new and existing partnerships. This course of action carries challenges in finding partners, delivering measurable results, and developing Telefilm's capacity to implement efficient promotional efforts given reduced financial resources and existing skill sets.

Mitigation strategies for managing these risks are:

- Engaging in promotional partnerships that will leverage Telefilm's promotional efforts locally, nationally and internationally through targeted action plans;
- Developing new internal skill sets through training initiatives and mentorship;
- Adopting a focused promotion strategy based on industry successes across all platforms.

Film funding decisions
Success is difficult to predict for films. When Telefilm makes its funding decisions for a project, a film is merely a set of ideas on paper, presented by a team of individuals with varying degrees of experience and expertise, and most often two years away from becoming images on a screen.

Telefilm's risk as a funding agency lies in making the best informed investment decisions, balancing both project risks and potential for success, on the most promising projects as presented by those companies and individuals on whom the future of the industry relies. Telefilm's role is also to ensure that the necessary level of diversity is present in its overall portfolio, over time. Risks of not hitting the perfect mark are therefore quite high.

Mitigating strategies for managing these risks include:

- Expanding our measure of success beyond the domestic box office results (see Success Index);
- Readjusting decision-making criteria to allow for greater weight to be allocated to factors such as production and creative team track records, market voice, and marketing expertise;
- Continuing to stimulate and favour representation of regions and minorities in Telefilm's portfolio.

FINANCIAL STATEMENTS

Year ended March 31, 2012

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. These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards. Significant accounting policies are disclosed in Note 4 to the financial statements. Where appropriate, the financial statements 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.

Montreal, Canada

June 21, 2012

Carolle Brabant, CPA, CA, MBA
Executive Director

Denis Pion
Director—Administration and Corporate Services

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Canadian Heritage and Official Languages

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Telefilm Canada, which comprise the statements of financial position as at 31 March 2012, 31 March 2011 and 1 April 2010, and the statements of operations, statements of changes in net financial assets and statements of cash flows for the years ended 31 March 2012 and 31 March 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
In my opinion, the financial statements present fairly, in all material respects, the financial position of Telefilm Canada as at 31 March 2012, 31 March 2011 and 1 April 2010, and the results of its operations, changes in its net financial assets, and its cash flows for the years ended 31 March 2012 and 31 March 2011 in accordance with Canadian public sector accounting standards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied, after giving retroactive effect to the adoption of the new standards as explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of Telefilm Canada that have come to my notice during my audits of the financial statements have, in all significant respects, been in accordance with the applicable provisions of Part X of the *Financial Administration Act* and regulations, the *Telefilm Canada Act* and by-laws of Telefilm Canada.

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

June 21, 2012
Montréal, Canada

STATEMENT OF OPERATIONS

Year ended March 31

					Restated – Note 5
In thousands of dollars	Schedule	2012 Budget	**2012 Actual**	2011 Budget	2011 Actual
Assistance expenses					
Development of the Canadian audiovisual industry					
Production assistance		70,787	**65,137**	65,484	69,032
Development assistance		6,944	**7,849**	8,121	9,626
Training		303	**296**	515	455
		78,034	**73,282**	74,120	79,113
Promotional support in Canada and abroad					
Distribution and marketing assistance		14,596	**13,600**	14,695	14,678
Participation in international events		2,560	**2,550**	2,794	2,698
Participation in regional and national events		6,255	**6,362**	6,039	6,744
		23,411	**22,512**	23,528	24,120
		101,445	**95,794**	97,648	103,233
Operating and administrative expenses	A	29,434	**28,482**	29,876	28,545
Cost of operations		130,879	**124,276**	127,524	131,778
Revenues					
Management fees from the Canada Media Fund	B	10,525	**10,012**	10,099	9,599
Investment revenues and recoveries		9,000	**11,583**	11,000	9,515
Interest and other revenues		–	**110**	75	361
		19,525	**21,705**	21,174	19,475
Net cost of operations before government funding		111,354	**102,571**	106,350	112,303
Government funding					
Parliamentary appropriation		105,667	**105,667**	105,667	105,667
Surplus (deficit) for the year		(5,687)	**3,096**	(683)	(6,636)
Accumulated surplus, beginning of year			**11,125**		17,761
Accumulated surplus, end of year			**14,221**		11,125

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

STATEMENT OF FINANCIAL POSITION

In thousands of dollars	Note	**March 31, 2012**	*Restated – Note 5* March 31, 2011	*Restated – Note 5* April 1, 2010
Financial assets				
Due from Consolidated Revenue Fund		**41,088**	37,239	37,391
Accounts receivable	6	**4,010**	3,842	6,711
Receivable from the Canada Media Fund		**2,636**	3,028	2,028
		47,734	44,109	46,130
Financial liabilities				
Accounts payable and accrued liabilities		**1,572**	1,830	1,293
Financial assistance programs obligations	7	**33,894**	34,080	31,428
Liabilities for employee future benefits	8	**2,186**	2,134	2,177
		37,652	38,044	34,898
Net financial assets		**10,082**	6,065	11,232
Non-financial assets				
Tangible capital assets	9	**2,264**	3,263	4,512
Prepaid expenses		**1,875**	1,797	2,017
		4,139	5,060	6,529
Accumulated surplus		**14,221**	11,125	17,761

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

Approved by the Board:

Michel Roy
Chair

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

Year ended March 31

In thousands of dollars	**2012 Actual**	*Restated – Note 5* 2011 Actual
Surplus (deficit) for the year	**3,096**	(6,636)
Tangible capital asset transactions		
Amortization	**1,092**	1,312
Acquisition	**(93)**	(63)
Other transactions		
Acquisition of prepaid expenses	**(1,875)**	(1,797)
Use of prepaid expenses	**1,797**	2,017
Increase (decrease) in net financial assets	**4,017**	(5,167)
Net financial assets, beginning of year	**6,065**	11,232
Net financial assets, end of year	**10,082**	6,065

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

STATEMENT OF CASH FLOWS

Year ended March 31

In thousands of dollars	**2012**	*Restated – Note 5* 2011
Operating transactions		
Surplus (deficit) for the year	**3,096**	(6,636)
Items not affecting cash:		
Increase (decrease) in financial assistance programs obligations	**(186)**	2,652
Increase (decrease) in liabilities for employee future benefits	**52**	(43)
Amortization of tangible capital assets	**1,092**	1,312
	4,054	(2,715)
Changes in non-cash financial items:		
Decrease (increase) in accounts receivable	**(168)**	2,869
Decrease (increase) in receivable from the Canada Media Fund	**392**	(1,000)
Increase (decrease) in accounts payable and accrued liabilities	**(258)**	537
Decrease (increase) in prepaid expenses	**(78)**	220
	3,942	(89)
Capital transactions		
Acquisition	**(93)**	(63)
Increase (decrease) in Due from Consolidated Revenue Fund	**3,849**	(152)
Due from Consolidated Revenue Fund, beginning of year	**37,239**	37,391
Due from Consolidated Revenue Fund, end of year	**41,088**	37,239
Additional information presented in operating transactions		
Interest recognized	**114**	96

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

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2012
The amounts reported in the notes to the financial statements are expressed in thousands of Canadian dollars unless otherwise indicated.

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 Canadian audiovisual industry. 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 the audiovisual or sound recording industries.

The Corporation is a Crown corporation subject inter alia to 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*.

The Corporation is not subject to income taxes.

2 BASIS OF FINANCIAL STATEMENT PRESENTATION

On April 1, 2011, the Corporation adopted the Canadian Public Sector Accounting Standards (CPSAS). These are the Corporation's first financial statements prepared in accordance with CPSAS. The impact of the changeover to CPSAS on the Corporation's accumulated surplus as at April 1, 2010 and March 31, 2011 is disclosed in Note 5. These accounting changes were applied retroactively with restatement of prior years.

EXCEPTIONS TO RETROACTIVE APPLICATION

The Corporation ensured that the estimates reflected in the opening statement of financial position prepared in accordance with CPSAS were consistent with those in the balance sheet as at the same date prepared under Canadian generally accepted accounting principles (GAAP) adjusted, as needed, for any difference in accounting policy. Estimates required under CPSAS that were not required under Canadian GAAP reflect the conditions that existed at the opening statement of financial position date prepared in accordance with CPSAS.

EXEMPTIONS APPLIED

In accordance with Section PS 2125, *First-time Adoption by Government Organizations*, the Corporation elected to apply the tangible capital asset impairment exemption. As a result, the Corporation prospectively applied, as of the transition date, the impairment criteria and conditions for tangible capital assets set out in Section PS 3150, *Tangible Capital Assets*. The Corporation reviewed the first-time adoption standard and determined that none of the other exemptions were applicable.

3
CHANGES IN ACCOUNTING STANDARDS

SECTION PS 3410 REVISED, *GOVERNMENT TRANSFERS*

Section PS 3410, *Government Transfers*, was amended by the Public Sector Accounting Board (PSAB) in December 2010. The revised section establishes the difference between eligibility criteria and stipulations. The new standard requires that transfers be recognized as revenue and as an expense when the transfer is authorized and all eligibility criteria are met. The Corporation decided to early adopt this standard for the year ended March 31, 2012, which resulted in the recognition of an expense and a financial liability related to financial assistance programs obligations in an amount of $33,894 ($34,080 in 2011 and $31,428 in 2010). There is no impact from the application of this chapter on the accounting of the parliamentary appropriation.

SECTIONS PS 3450, *FINANCIAL INSTRUMENTS*, PS 2601, *FOREIGN CURRENCY TRANSLATION*, AND PS 1201, *FINANCIAL STATEMENT PRESENTATION*

In March 2011, the PSAB approved new Section PS 3450, *Financial Instruments*, Section PS 2601 to replace current Section PS 2600, *Foreign Currency Translation*, and Section PS 1201 to replace current Section PS 1200, *Financial Statement Presentation.*

Section PS 3450 states, among others, that all financial instruments must be measured either at fair value, historical cost or amortized cost. Variations in fair value, if any, must be reported in the new statement of remeasurement gains and losses.

Section PS 2601 eliminates deferral of exchange gains and losses. Going forward, all monetary and non-monetary items accounted for at fair value, must be remeasured at the end of the period at the exchange rate in effect at that date. Pursuant to remeasurement, any unrealized gains and losses must be reported in the new statement of remeasurement gains and losses. Lastly, Section PS 1201 introduces the new statement of remeasurement gains and losses.

The three sections are effective on April 1, 2012 for government organizations. Early adoption is permitted. Government organizations are required to adopt the three sections in the same year. The Corporation decided to early adopt the three sections for the year ended March 31, 2012, which had no significant impact on the financial statements.

4
SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. The significant accounting policies followed by the Corporation are as follows:

A. ASSISTANCE EXPENSES

Assistance expenses represent all forms of assistance granted by the Corporation to develop the Canadian audiovisual industry and support Canadian content in Canada and abroad.

Assistance expenses are carried out mainly through investments, forgivable advances, grants and contributions. Financial assistance granted is recognized as government transfers. The Corporation recognizes financial assistance through operations as assistance expenses in the year in which the expense is authorized and the recipient meets the eligibility criteria. The Corporation recognizes financial liabilities as financial assistance programs obligations, the balances it has contractually committed to disburse.

Investments in productions entitle the Corporation to copyright ownership and a percentage of production revenues. Advances are generally carried out through grants of project development and distribution and marketing assistance contracts. Certain advances are convertible into investments in lieu of repayment. When this occurs, the advance is converted into an investment through assistance expenses.

B. REVENUES

i. Investment revenues and recoveries
Investment revenues represent a percentage of production revenue stipulated in agreements and contractually payable to the Corporation. Recoveries are derived from the repayment of forgivable advances granted whose contractual conditions have been met. These amounts are recorded on an accrual basis while bad debt losses are accounted for through assistance expenses.

ii. Management fees
Management fees represent the reimbursement of expenses incurred when administering and delivering Canada Media Fund funding programs. Fees are recorded on an accrual basis.

iii. Interest and other revenues
Interest and other income is recorded on an accrual basis.

C. GOVERNMENT FUNDING

The Corporation obtains funding through a parliamentary appropriation. As this funding is free of any stipulations limiting its use, it is recorded as government funding to the results up to the authorized amount where eligibility criteria have been met.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

D. DUE FROM CONSOLIDATED REVENUE FUND

The Receiver General for Canada processes the banking operations of the Corporation through the consolidated revenue fund, thus the absence of bank accounts. In its financial statements, the Corporation's aggregate banking transactions are reflected through "Due from Consolidated Revenue Fund" in the statement of financial position.

E. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Corporation's financial instruments are all recorded at cost or amortized cost. Financial assets consist of assets that could be used to settle existing liabilities or to fund future activities.

The Corporation holds the following financial assets recorded net of allowances for bad debt:

- Receivables related to investments and forgivable advances;
- Receivables from the Canada Media Fund.

Financial liabilities consist of the Corporation's accounts payable and accrued liabilities and financial assistance programs obligations.

F. LIABILITIES FOR EMPLOYEE FUTURE BENEFITS

i. Pension plan

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. This pension plan provides benefits based on years of service and average earnings of the best five consecutive years. Employer contributions are based on the Public Service Pension Plan and reflect the full cost for the Corporation. This amount is based on a multiple of employee contributions and may change over time depending on the Plan's financial position. The Corporation's contributions are recognized during the year in which the services are rendered and represent its total pension benefit obligation. The Corporation is not required to make contributions in respect of any actuarial deficiencies of the Public Service Pension Plan.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

ii. Severance benefits

Employees are entitled to severance benefits as stipulated in their conditions of employment. The cost of these benefits is recognized in operations in the year in which they are earned. The severance benefit obligation is calculated on a present value basis using assumptions based on management's best estimates of future salary and wage changes, employee age, years of service, the probability of voluntary departure due to resignation or retirement and other factors. These assumptions are reviewed annually. Severance benefits represent the Corporation's only obligation of this nature whose settlement gives rise to payments in subsequent fiscal years.

iii. Sick leave

Employees are entitled to sick leave as stipulated in their conditions of employment. Unused sick leave accrues but cannot be converted into cash. The cost of sick leave is recognized through operations in the year it is earned. The obligation is calculated on a present value basis using assumptions based on management's best estimates of the probability of use of accrued sick leave, future salary and wage changes, employee age, the probability of departure, retirement age and the discount rate. These assumptions are reviewed annually.

iv. Parental leave

Employees are entitled to parental leave as stipulated in their conditions of employment. The Corporation tops up employees' employment insurance benefits up to a set percentage of their gross salary. The Corporation recognizes a liability for the entire duration of the parental leave at the time employees submit an application and sign the agreement as stipulated by their conditions of employment.

G. TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost and are amortized on a straight-line basis over their respective useful lives using the following rates and period:

Asset	Rates
Leasehold improvements	Terms of the leases
Technological equipment	20%
Furniture	10%
Software	14% and 20%

Tangible capital assets related to work in progress are not subject to amortization. When work in progress is completed, the tangible capital asset portion is reclassified to the appropriate line item of tangible capital assets and is amortized in accordance with the Corporation's policy.

The amounts reported in the notes to the financial statements are expressed in thousands of Canadian dollars unless otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

H. MEASUREMENT UNCERTAINTY

The preparation of financial statements in accordance with CPSAS 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 expenses, revenues and government funding during the reporting period. The most significant items for which estimates are used are the allowance for bad debts, the useful life of tangible capital assets and the liabilities for employee future benefits and contingencies. Actual results could differ from those estimates and such differences could be material.

5

FIRST-TIME ADOPTION OF CANADIAN PUBLIC SECTOR ACCOUNTING STANDARDS

As indicated in Note 2, these are the first financial statements prepared by the Corporation in accordance with CPSAS. In accordance with Section PS 2125, *First-time Adoption by Government Organizations*, the Corporation has prepared reconciliations to enable readers to understand the effects of the changeover on its comparative results and its financial position.

A. STATEMENT OF OPERATIONS RECONCILIATION

The following table shows the effects of the changeover on income for the comparative period ended March 31, 2011.

	Reference	March 31, 2011
Net income – under GAAP		(2,560)
Financial assistance programs obligations	i.	(2,652)
Accrued sick leave	ii.	(32)
Deferred government assistance	iii.	(1,249)
Deferred lease inducements	iv.	(143)
		(4,076)
Deficit for the year – under CPSAS		(6,636)

The amounts reported in the notes to the financial statements are expressed in thousands of Canadian dollars unless otherwise indicated.

5. FIRST-TIME ADOPTION OF CANADIAN PUBLIC SECTOR ACCOUNTING STANDARDS (CONT.)

As at the same date, the Corporation also made the following reclassifications:

	Reference	March 31, 2011
Recoveries	viii.	
GAAP – Recoveries		(9,422)
GAAP – Recoveries – Bad debt losses		313
		(9,109)
CPSAS – Investment revenues and recoveries		9,422
CPSAS – Development assistance		(54)
CPSAS – Distribution and marketing assistance		(259)
		9,109

B. STATEMENT OF FINANCIAL POSITION RECONCILIATION

The following table shows the effects of the changeover on Accumulated surplus as at the transition date of April 1, 2010 and the adoption date of March 31, 2011.

	Reference	*Restated – Note 5* March 31, 2011	*Restated – Note 5* April 1, 2010
Equity of Canada – under GAAP		41,929	44,489
Financial assistance programs obligations	i.	(34,080)	(31,428)
Accrued sick leave	ii.	(490)	(458)
Deferred government assistance	iii.	3,263	4,512
Deferred lease inducements	iv.	503	646
		(30,804)	(26,728)
Accumulated surplus – under CPSAS		11,125	17,761

The amounts reported in the notes to the financial statements are expressed in thousands of Canadian dollars unless otherwise indicated.

5. FIRST-TIME ADOPTION OF CANADIAN PUBLIC SECTOR ACCOUNTING STANDARDS (CONT.)

As at the same dates, the Corporation also made the following reclassifications:

	Reference	*Restated – Note 5* March 31, 2011	*Restated – Note 5* April 1, 2010
Parental leave and severance benefits	v.		
GAAP — Accounts payable		(387)	(99)
CPSAS — Liabilities for employee future benefits		387	99
Software	vi.		
GAAP — Intangible assets		(958)	(1,517)
CPSAS — Tangible capital assets		958	1,517
Long-term accounts receivable	vii.		
GAAP — Long-term accounts receivable		(355)	–
CPSAS — Accounts receivable		355	–

C. NATURE OF RECLASSIFICATIONS

i. Financial assistance programs obligations

Under CPSAS, the Corporation must recognize government transfers as expenses in the year in which the transfer is authorized and the applicant meets the eligibility criteria. Previous GAAP contained no related provision and the Corporation was not required to apply this accounting treatment. As a result, the Corporation recognized a financial liability related to the financial assistance programs obligations reducing accumulated surplus in the amount of $31,428, at the transition date and in the amount of $34,080 at the adoption date.

ii. Accrued sick leave

Each employee of the Corporation is entitled to a set number of days of sick leave per fiscal year. Earned but unused sick leave is accrued and deferred. It cannot be converted into cash but may be used by the employee until departure. Under GAAP, the Corporation was not required to recognize a liability in respect of this leave to the extent that the incapacity to work arising from injury or illness had not occurred. Under CPSAS, the Corporation is required to record a provision in respect of this obligation. As a result, the Corporation adjusted the liabilities for employee future benefits and reduced the accumulated surplus in the amount of $458, at the transition date and an amount of $490, at the adoption date.

5. FIRST-TIME ADOPTION OF CANADIAN PUBLIC SECTOR ACCOUNTING STANDARDS (CONT.)

iii. Deferred government assistance

Under GAAP, the portion of parliamentary appropriations used by the Corporation to fund additions to tangible capital assets must be reported in the statement of financial position and amortized through operations using the same rates as for the related assets. This is required under CPSAS only where the parliamentary appropriations have special stipulations as to their use. The Corporation's parliamentary appropriations do not have such stipulations and must be recognized as government funding when authorized and the eligibility criteria have been met. As a result, deferred government assistance has been fully reversed to the accumulated surplus, with a total impact of $4,512 at the transition date and $3,263 at the adoption date.

iv. Deferred lease inducements

Under previous GAAP, lease inducements were deferred and amortized over the term of the lease. Since there is no CPSAS equivalent, the balance of deferred lease inducements was fully reversed to the accumulated surplus, for an amount of $646 at the transition date and $503 at the adoption date.

v. Parental leave and severance benefits

Since the short-term and long-term distinction is not required under CPSAS on the face of the statement of financial position, the amounts related to the current portion of severance benefits and allowances for parental leave, previously included in accounts payable and accrued liabilities, have been reclassified to liabilities for employee future benefits.

vi. Software

Under CPSAS, intangible assets are not reflected through the statement of financial position, except for software considered as tangible capital assets. As all of the Corporation's intangible assets consist of software, this balance was reclassified to tangible capital assets on the changeover date.

vii. Long-term accounts receivable

Since the short-term and long-term distinction is not required under CPSAS on the face of the statement of financial position, long-term accounts receivable have been reclassified to accounts receivable.

viii. Recoveries

Recoveries come from recovered advances and shares in operating revenues resulting from investments. Recoveries, net of bad debt losses, were formerly recognized as a reduction of assistance expenses. That being said, as recoveries represent the collection of amounts contractually payable to the Corporation in connection with transactions (forgivable advances or investments) recognized in assistance expenses in prior periods, they satisfy the definition of revenue under CPSAS and must therefore be accounted for as investment revenues and recoveries in the statement of operations.

The amounts reported in the notes to the financial statements are expressed in thousands of Canadian dollars unless otherwise indicated.

6
ACCOUNTS RECEIVABLE

	March 31, 2012	March 31, 2011	April 1, 2010
Accounts receivable related to investment revenues and recoveries	**1,716**	1,904	683
Taxes to be recovered	**1,754**	1,074	2,825
Contribution – Department of Canadian Heritage	**–**	–	2,663
Other accounts receivable	**540**	864	540
	4,010	3,842	6,711

7
FINANCIAL ASSISTANCE PROGRAMS OBLIGATIONS

The Corporation is contractually committed to disburse sums under its main programs such as production assistance, development assistance and distribution and marketing assistance. The following table presents the payments the Corporation will issue in the upcoming fiscal years:

	2013	2014	2015	Total
Contract signature fiscal year				
2009 and prior years	1,355	–	–	1,355
2010	1,282	–	–	1,282
2011	5,872	12	–	5,884
2012	23,463	1,842	68	25,373
	31,972	1,854	68	33,894

The amounts reported in the notes to the financial statements are expressed in thousands of Canadian dollars unless otherwise indicated.

8

LIABILITIES FOR EMPLOYEE FUTURE BENEFITS

	Severance benefits	Sick leave	Parental leave	Total
Balance as at April 1, 2010 (Restated)	1,719	458	–	2,177
Revision of estimate	(343)	–	–	(343)
Cost for services rendered during the year	210	128	353	691
Benefits paid during the year	(166)	(96)	(129)	(391)
Balance as at March 31, 2011 (Restated)	1,420	490	224	2,134
Cost for services rendered during the year	320	45	140	505
Benefits paid during the year	(170)	(78)	(205)	(453)
Balance as at March 31, 2012	1,570	457	159	2,186

A. SEVERANCE BENEFIT OBLIGATION

The Corporation provides severance benefits to its employees based on the nature of the departure, the years of service and salary at end of employment. This plan has no assets and has a deficit equal to the accrued benefit obligation.

To calculate the accrued severance benefit obligation, the Corporation uses a 2.75% rate of wage and salary increases, a 3.75% discount rate, a 10.00% probability of employee departure before age 55 and a retirement age assumption of 59.

Benefits will be paid from future parliamentary appropriations and other funding sources.

B. SICK LEAVE OBLIGATION

The Corporation provides employees with sick leave benefits based on their salary and the sick leave entitlements they accrue over their years of service. Employees can carry entitlements forward but not convert them into cash. This plan has no assets and has a deficit equal to the accrued benefit obligation.

To calculate the sick leave obligation, the Corporation uses an average daily salary of $268, a 2.75% rate of wage and salary increases, a 3.00% annual utilization rate, a 3.75% discount rate and a 10.00% departure rate. Benefits will be paid from future parliamentary appropriations.

C. PARENTAL LEAVE OBLIGATION

The Corporation tops up gross employment insurance benefits to 93.00% of the employee’s gross salary. Benefits will be paid from future parliamentary appropriations.

The amounts reported in the notes to the financial statements are expressed in thousands of Canadian dollars unless otherwise indicated.

8. LIABILITIES FOR EMPLOYEE FUTURE BENEFITS (CONT.)

D. PENSION PLAN

The Corporation and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits which are fully indexed to the increase in the Consumer Price Index. The Corporation's contributions are based on a multiple of employee contributions.

The Corporation's and employees' contributions to the Public Service Pension Plan were as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Corporation contributions	**2,042**	1,943	1,984
Employee contributions	**1,095**	1,010	1,017

There were no significant changes to employee benefit plans during the year.

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TANGIBLE CAPITAL ASSETS

	April 1, 2010	Acquisitions	Disposals	March 31, 2011	Acquisitions	Transfer	**March 31, 2012**
Leasehold improvements							
Cost	4,595	–	–	4,595	–	–	**4,595**
Amortization	(2,213)	(577)	–	(2,790)	(577)	–	**(3,367)**
	2,382	(577)	–	1,805	(577)	–	**1,228**
Technological equipment and furniture							
Cost	1,159	–	(16)	1,143	–	–	**1,143**
Amortization	(546)	(113)	16	(643)	(108)	–	**(751)**
	613	(113)	–	500	(108)	–	**392**
Software							
Cost	14,499	–	–	14,499	93	63	**14,655**
Amortization	(12,982)	(622)	–	(13,604)	(407)	–	**(14,011)**
	1,517	(622)	–	895	(314)	63	**644**
Work in progress							
Cost	–	63	–	63	–	(63)	**–**
Net carrying amount	4,512	(1,249)	–	3,263	(999)	–	**2,264**

The amounts reported in the notes to the financial statements are expressed in thousands of Canadian dollars unless otherwise indicated.

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FINANCIAL INSTRUMENTS

A. FAIR VALUE

Due from Consolidated Revenue Fund, accounts receivable, the amount receivable from the Canada Media Fund, accounts payable and accrued liabilities and financial assistance programs obligations are in the Corporation's normal course of operations.

These financial instruments are measured at cost or amortized cost using the effective interest method. Fair value measurement is not used as the Corporation holds no derivatives or equity instruments quoted in an active market. As a result, the Corporation has not prepared a statement of remeasurement gains and losses.

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Corporation is exposed to various financial risks arising from its operations. Management of financial risks is overseen by the Corporation's management. The Corporation does not enter into financial instrument contracts, such as derivatives, for speculative purposes.

i. Interest rate risk

Interest rate risk is defined as the Corporation's exposure to a loss in interest revenue or an impairment loss on 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.

ii. Liquidity risk

The Corporation is exposed to liquidity risk as a result of its contractual commitments (Note 11) and its financial liabilities; accounts payable and accrued liabilities, financial assistance programs obligations (Note 7) and liabilities for employee future benefits (Note 8). The following table shows the contractual maturities of accounts payable and accrued liabilities as at March 31, 2012:

	March 31, 2012	March 31, 2011	April 1, 2010
1-30 days	**1,379**	1,600	1,082
31-90 days	**–**	5	–
91 days to 1 year	**193**	225	211
Total carrying amount and contractual cash flows	**1,572**	1,830	1,293

The Corporation believes that future cash flows from operations and access to additional cash from parliamentary appropriations will be adequate to meet its obligations. Under the oversight of senior management, the Corporation manages its cash resources based on financial and expected cash flow forecasts.

The amounts reported in the notes to the financial statements are expressed in thousands of Canadian dollars unless otherwise indicated.

10. FINANCIAL INSTRUMENTS (CONT.)

iii. Credit risk

Due to its financial instruments, the Corporation may be exposed to a credit risk concentration mainly due to the Due from Consolidated Revenue Fund, accounts receivable and the amount receivable from the Canada Media Fund.

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, 2012, the maximum credit risk exposure to accounts receivable is equal to their carrying amount. The Corporation performs an individual analysis of the accounts receivable to determine the allowance for bad debts. The factors considered in determining the allowance for bad debts are the age of the receivable, the payment history and the respect of the repayment agreement in progress, if any. The Corporation has no guarantees in respect of its claims. Accounts receivable by maturity and the related allowances for bad debts are detailed as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Curent – 30 days	**2,472**	2,244	5,101
31-90 days	**1,091**	659	1,277
91 days and more	**1,399**	2,450	1,567
Gross accounts receivable	**4,962**	5,353	7,945
Allowance for bad debts			
Balance, beginning of year	**1,511**	1,234	1,269
Bad debt expense	**14**	518	378
Debts written off and collections	**(573)**	(241)	(413)
Balance, end of year	**952**	1,511	1,234
Net accounts receivable	**4,010**	3,842	6,711

OTHER ACCOUNTS RECEIVABLE

Due from Consolidated Revenue Fund and the amount receivable from the Canada Media Fund do not give rise to credit risk exposure given that they are respectively funds to be recovered from the Treasury Board and a granting agency under the jurisdiction of the Department of Canadian Heritage.

The amounts reported in the notes to the financial statements are expressed in thousands of Canadian dollars unless otherwise indicated.

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COMMITMENTS

The Corporation has entered into long-term leases for the rental of office space and equipment for its operations. Total minimum lease payments to be paid in subsequent years are as follows:

	Total
2013	1,073
2014	1,349
2015	722
2016	5
	3,149

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CONTINGENCIES

Various lawsuits have been brought against the Corporation in the normal course of operations. Management is in no position to predict the outcome of these lawsuits, and potential losses cannot reasonably be estimated. Accordingly, no provision has been recognized in the Corporation's accounts. No losses were incurred by the Corporation during the year.

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RELATED PARTY TRANSACTIONS

Through common ownership, the Corporation is related to all Government of Canada-created departments, agencies and Crown corporations. The Corporation's transactions with these entities are in the normal course of operations and are measured at fair value.

The amounts reported in the notes to the financial statements are expressed in thousands of Canadian dollars unless otherwise indicated.

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RESTRICTED ASSETS AND LIABILITIES – CANADA NEW MEDIA FUND

Under contribution agreements with the department of Canadian Heritage applicable to fiscal 2007-2008 and thereafter, all future receipts from projects previously funded via the Canada New Media Fund are to be returned to the Receiver General for Canada. The assets and liabilities are therefore subject to an external restriction.

	March 31, 2012	March 31, 2011	April 1, 2010
Accounts receivable	**319**	435	53
Accounts payable and accrued liabilities	**319**	435	53

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COMPARATIVE FIGURES

Certain 2009-2010 and 2010-2011 figures have been reclassified to conform to the presentation adopted for 2011-2012.

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BUDGET INFORMATION

Budget figures have been provided for comparison purposes and were derived from estimates globally approved by the Board of Directors.

The amounts reported in the notes to the financial statements are expressed in thousands of Canadian dollars unless otherwise indicated.

SCHEDULES A AND B

OTHER INFORMATION

A. OPERATING AND ADMINISTRATIVE EXPENSES

	2012 Budget	**2012 Actual**	2011 Budget	*Restated – Note 5* 2011 Actual
Salaries and employee benefits	20,702	**20,028**	20,478	19,131
Professional services	3,348	**2,194**	3,630	2,879
Rent, taxes, heating and electricity	1,933	**1,876**	1,960	1,856
Information technology	1,415	**1,218**	1,411	1,223
Amortization of tangible capital assets	–	**1,092**	–	1,312
Office expenses	803	**836**	978	858
Travel and hospitality	750	**703**	984	816
Advertising and publications	483	**535**	435	470
	29,434	**28,482**	29,876	28,545

B. COSTS OF CANADA MEDIA FUND PROGRAMS

	2012 Budget	**2012 Actual**	2011 Budget	2011 Actual
Salaries and employee benefits				
Management, administration and delivery	5,938	**5,840**	5,679	5,215
Shared services departments	1,390	**1,308**	1,341	1,356
Departments in support of operations	2,967	**2,668**	2,804	2,727
Other costs	230	**196**	275	301
	10,525	**10,012**	10,099	9,599

Eligible costs are defined in the services agreement between Telefilm Canada and the Canada Media Fund.

SCHEDULES B—OTHER INFORMATION (CONT.)

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 employee benefits relating to the departments that serve all of the programs, such as Legal, Finance and the Information, Performance and Risk sector.

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, IT and material resources departments. These fees consist mainly of wages, professional services, rent and information technology costs. These costs do not include amortization of tangible capital assets.

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.

GOVERNANCE

BOARD OF DIRECTORS

BOARD STEWARDSHIP

The foundation of Telefilm's governance is its Board of Directors, chaired by Michel Roy. The Board consists of six directors appointed by the Governor in Council and the Government Film Commissioner from the National Film Board. Accountable to the Minister of Canadian Heritage and Official Languages, the Board supervises the management of Telefilm with the objective of fulfilling the organization's mandate. Telefilm's directors exercise strong leadership, having been appointed based on skills and experience vital to the proper oversight and guidance of Telefilm. There are currently no vacant positions on the Board.

From left to right:
G. Grant Machum, Yvon Bélanger, Elise Orenstein, Michel Roy, Tom Perlmutter, Marlie Oden, Ram Raju.

BIOGRAPHIES*

Name	Title	Telefilm director since	Term of mandate	Residence	Principal occupation(s)	Experience & qualifications	Educational background
Michel Roy	Chair of the Board	October 2007	5 years ending October 2012	West Bolton, Quebec	Public administrator	• Quebec Deputy Minister for Tourism and for Communications • Business management consultant • Film editor for television, content creator, author and recorded musician and composer	• Master of Public Administration
Yvon Bélanger, CPA, CA	Chair of the Audit and Finance Committee	April 2008	5 years ending April 2013	Quebec City, Quebec	Former audit partner Chartered accountant (retired)	• Expertise in standardization and financial statements reporting	• Bachelor of Business Administration • Master of Commerce
G. Grant Machum, LL.B.	Chair of the Nominating, Evaluation and Governance Committee	May 2008, renewed January 2010	5 years ending January 2015	Halifax, Nova Scotia	Lawyer, partner	• Workplace litigation and dispute resolution • Human rights and employer-employee relations • Corporate governance	• Bachelor of Commerce • Bachelor of Laws
Marlie Oden	Chair of the Strategic Planning and Communications Committee	July 2008	5 years ending July 2013	Vancouver, British Columbia	Marketing and advertising executive, and entrepreneur	• Consultant and practitioner in marketing and communications • Advertising executive manager • Arts community board member • Patron of the Arts Award 2007 • Mayor's Arts Award 2011	• Bachelor of Arts
Elise Orenstein, LL.B.	Vice-Chair of the Board	December 2006, renewed December 2011	5 years ending December 2016	Toronto, Ontario	Lawyer, partner (retired)	• Corporate, commercial and intellectual property law for convergent media and entertainment sectors • University law professor	• Bachelor of Laws • Bachelor of Arts • Master of Philosophy (Oxon)
Tom Perlmutter	Ex-officio Member	June 2007	5 years ending June 2012	Montréal, Quebec	Government Film Commissioner and Chairperson	• Filmmaker, writer and producer • National Film Board of Canada executive and administrator	• Master of Business Administration
Ram Raju	Member	May 2010	5 years ending May 2015	Ottawa, Ontario	Internet entrepreneur	• Internet entrepreneur in digital media and management • Academic and university administrator of information systems • Vice-President, Canadian Association of Campus Computer Stores	• Bachelor of Arts • Bachelor of Sciences • Master of Business Administration

* Longer versions are available on our website for consultation.

BOARD OF DIRECTORS RESPONSIBILITIES AND ACTIVITIES

RESPONSIBILITIES OF THE BOARD

The Board must ensure that Telefilm's management meets the highest standards of integrity. It performs this duty by monitoring and reviewing management's approach to governance issues, structures, policies and procedures. The following table summarizes the Board's responsibilities and identifies highlights for 2011-2012.

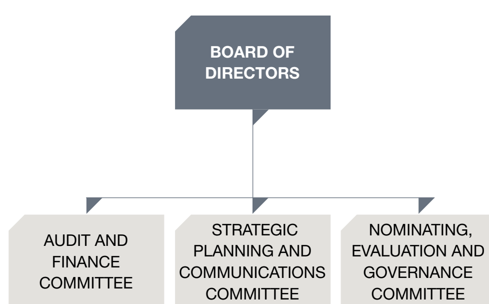
Summary of charter and responsibilities	2011-2012 highlights
• Adopt and review strategic framework and business plan • Establish Telefilm's priorities and oversee the implementation of the business plan • Approve budgets, financial statements and the annual report • Ensure that key risks are being assessed and managed • Monitor Telefilm's governance and structural vision • Evaluate the Executive Director's performance • Advise management on strategic issues • Review Telefilm's communications policy	• Approval of renewed service agreement with the CMF • Approval of March 31, 2011 financial statements • Approval of the annual report • Approval of salaries, salary scales and performance evaluation process • Approval of the 2012-2013 budgets • Approval of the results of the annual audit prepared by the Office of the Auditor General of Canada • Approval of the launching of a private donation fund • Approval of the new branding

APPOINTMENTS

The Governor in Council re-appointed Elise Orenstein as a director of Telefilm for a term of five years, effective December 19, 2011. Otherwise, there was no change in Board membership over the last fiscal year. All members of the Telefilm Board are appointed to part-time positions using a rigorous selection process based on several criteria. All appointments are made on the recommendation of the Minister of Canadian Heritage and Official Languages to the Governor in Council.

COMMITTEES OF THE BOARD

To deal with specialized issues, the Board created three committees. Each of these committees has its own charter to address subject matter that requires specific expertise. Committees often maintain closer and less formal relationships with management, and frequently invite managers to deliver presentations on topics of interest or concern.



SUMMARY OF CHARTER AND RESPONSIBILITIES OF BOARD COMMITTEES

Audit & Finance Committee

- Oversee financial reporting and continuous disclosure
- Oversee risk management and internal controls
- Oversee internal auditors, define the scope of their mandate, monitor execution and implementation of audit recommendations, and oversee external audit activities
- Supervise other responsibilities such as compliance with all relevant laws and review of expenses for senior managers, directors and consultants
- Review Telefilm's annual operating and administrative budgets

Strategic Planning & Communications Committee

- Review the business plan
- Review the annual report
- Review Telefilm's internal and external communications policies

Nominating, Evaluation & Governance Committee

- Assess the Executive Director's performance and submit report to the Board
- Oversee general human resource policies and compliance with legislation, regulation
- Identify and recommend new candidates for directors on the Board
- Review corporate governance policies and guidelines
- Recommend to the Board and periodically review a Code of conduct applicable to management and employees, and oversee its implementation

2011-2012 HIGHLIGHTS OF BOARD COMMITTEES

Audit & Finance Committee

- Approval of March 31, 2011 financial statements
- Approval of budgets
- Approval of the audit plan
- Approval of internal audit report
- Approval of new materiality limits and variance thresholds

Strategic Planning & Communications Committee

- Review of the brand strategy and new visual identity
- Review of Telefilm's brand positioning

Nominating, Evaluation & Governance Committee

- Performance evaluation of the Executive Director
- Review of Human Resources and salary increase recommendations
- Review of voluntary severance benefits, including retirement
- Review of Telefilm's workforce, turnover rate, employment equity and bonuses paid
- Review of the new employment contract
- Approval of the change to Telefilm's Policy on Holidays
- Approval of the Continuous Learning Policy

BOARD AND COMMITTEE ATTENDANCE

Regular attendance at meetings attests to each director's dedication, commitment and involvement. Telefilm pays an annual honorarium to the Board Chair and also grants the Chair and other directors a daily remuneration for Board meeting preparation, committee meeting preparation, and for each day the Board and its recognized committees are sitting. That remuneration is within Group 4 of the Remuneration Guidelines for Part-time Governor in Council Appointees in Crown Corporations, which ranges from $7,100 to $8,400 for the Chair's annual honorarium and from $275 to $325 for the per diem rate. Attendance at committees is optional for directors who are not members of that committee. Total expenses incurred by the Chair and directors with respect to their responsibilities amounted to $0.6 million in fiscal year 2011-2012, which includes an amount of $0.1 million for remuneration.

	Board	Audit and Finance Committee	Strategic Planning and Communications Committee	Nominating, Evaluation and Governance Committee
Number of meetings	6	5	2	2
Number of members	7	3	3	3
Attendance:				
Michel Roy	5	4	2	2
Elise Orenstein	5	4	1	2
Tom Perlmutter[1]	5	1	–	–
Yvon Bélanger	5	4	–	1
G. Grant Machum	4	–	–	2
Marlie Oden	6	1	2	–
Ram Krishna Raju	5	–	2	1

1. As a member of the Board of Directors of the federal public administration, the Government Film Commissioner is an ex officio member who is not entitled to receive remuneration.

INDEPENDENCE OF THE BOARD

All Board directors are independent from management. The Board Chair and the Executive Director have separate roles. All directors are subject to the provisions of the *Conflict of Interest Act*. In addition, Section 5 of the *Telefilm Canada Act* precludes directors from holding that office if they also hold any pecuniary interest in the audiovisual industry. Moreover, Telefilm's Bylaw 1 makes it compulsory for all directors to disclose to the Chair any private or public interest which might otherwise place them in a situation of conflict of interest with their official duties as directors, as well as to abstain from voting on any resolution which could place them in a conflict of interest situation. All directors complete and submit a declaration of interest form annually.

AUDIT

Telefilm's accounts and financial transactions are audited annually by the Auditor General of Canada. The *Financial Administration Act* (FAA) requires the Auditor General to perform a special examination at least once every 10 years. The last such examination was conducted in 2010 and may be consulted on our website.

The FAA also requires Telefilm to perform internal audits. Telefilm outsources these duties to an independent accounting and consulting firm, and the firm's reports are delivered to the Audit and Finance Committee. Management uses all audit reports to improve its process and efficiency and compliance activities. Internal audits have been performed in five different areas this fiscal year: client services, expense accounts, bank transfers, IT governance and follow-up action plans on previous audits.

MANAGEMENT COMMITTEE

The Management Committee helps the Executive Director to deliberate, plan and decide on matters relating to strategy, planning, organization and management, both from an administrative and operational point of view. Its broad objectives are to motivate, collaborate, communicate and lead. While the Executive Director is directly accountable to the Board for delivering on Telefilm's mandate and vision, the Management Committee helps to formulate and implement the required strategies.

From left to right:
Dave Forget, Michel Pradier, Sheila de La Varende, Denis Pion, Jean-Claude Mahé, Carolle Brabant, Denise Arab, Stéphane Odesse.

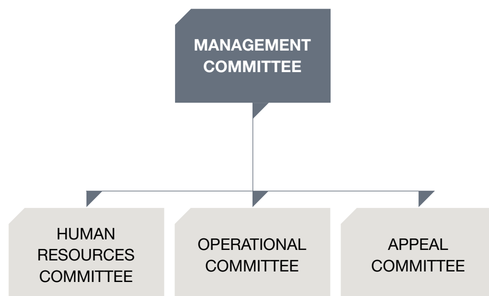
BIOGRAPHIES

Name	Title	Experience & qualifications	Educational background
Carolle Brabant, CPA, CA	• Executive Director	• 3 years of financial audit as a chartered accountant • 22 years with Telefilm	• Bachelor of Business Administration • Master of Business Administration
Denise Arab	• Director, Communications	• Over 20 years as a communications practitioner • 3 years with Telefilm	• Bachelor of Arts • Bachelor of Journalism
Dave Forget	• Director, Business Affairs and Certification	• 20 years in film distribution • 11 years with Telefilm	• Bachelor of Arts
Sheila de La Varende	• Director, Industry Promotion	• 25 years in the audiovisual/ new media industry • 12 years with Telefilm	• Bachelor of Arts
Jean-Claude Mahé	• Director, Public and Governmental Affairs	• 25 years as a communications consultant and director at the National Film Board of Canada • 8 years with Telefilm	• Bachelor of Education
Stéphane Odesse, LL.B.	• Director, Legal Services and Access to Information and Corporate Secretary	• More than 20 years practicing commercial, corporate and copyright law • 17 years with Telefilm	• Bachelor of Laws • Specialized graduate diploma in taxation
Denis Pion	• Director, Administration and Corporate Services	• 25 years in information technology and project management • 21 years with Telefilm	• Bachelor of Computer Management
Michel Pradier	• Director, Project Financing	• 6 years in financial roles with the Société de développement des entreprises culturelles (SODEC) and at the Quebec Tax Credit Office • 11 years in film production and 14 years with Telefilm	• Certificates in Music and Computer Management

MANAGEMENT'S GOVERNING STRUCTURE

Three sub-committees support the Management Committee in its work:

1. The Human Resources Committee makes decisions about the application and interpretation of human-resource policies, guidelines and guidance.
2. The Operational Committee makes decisions about the application of guidelines, guiding principles and policies involving operations and administration, as well as decisions that concern any specific issue with respect to standard practices.
3. The Appeal Committee, chaired by the Executive Director, reviews decisions that are being appealed by clients or employees.



Management's governing structure works in an integrated fashion to ensure consistent decision making.

MANAGEMENT COMMITTEE AND SUB-COMMITTEE ATTENDANCE

The Executive Director's remuneration is established by the Privy Council of Canada, while the senior management salary scale ranges from a minimum level of $103,000 up to a maximum of $181,000. The average salary of senior management is $142,000 for this fiscal year. No additional remuneration beyond salary is paid for committee responsibilities. The following table discloses attendance at Management Committee and sub-committee meetings.

	Management Committee	Human Resources Committee	Appeal Committee	Operational Committee
Number of meetings	32	19	2	23
Number of members	8	3	3	5
Attendance:				
Executive Director	32	3	2	–
Director, Communications	25	3	–	18
Director, Business Affairs and Certification	28	11	–	22
Director, Industry Promotion	22	9	2	8
Director, Public and Governmental Affairs	30	11	–	10
Director, Legal Services	28	6	2	–
Director, Administration and Corporate Services	30	19	–	19
Director, Project Financing	27	6	–	18

PERFORMANCE EVALUATION

Performance evaluation is a priority at Telefilm. As such, employees at all levels of Telefilm are assessed on an annual basis, from the Board of Directors and the Executive Director to every other employee. Policies and processes have been established to monitor and document performance, ensuring the effectiveness of human resources and creating a culture of continuous improvement.

Board of Directors

- Through its Board Performance Assessment Policy, the Board of Directors established a mechanism to assess its own effectiveness.
- The Board conducted the performance review for all directors and all committees.

Executive Director

- The Board's Nominating, Evaluation and Governance Committee assesses the Executive Director's performance.
- This assessment is performed in compliance with the performance management program guidelines of the Privy Council Office.
- The Executive Director's performance is assessed through fixed performance objectives, and the performance appraisal is submitted to the Board of Directors for approval.

Management Committee

- The performance of the Management Committee and each of its sub-committees has been evaluated by committee members and the Executive Director.

Employees

- All employees are subject to Telefilm's Policy on Performance Assessment, under which mid-year and year-end performance are reviewed and documented.
- As well, all managers take part in annual working sessions that ensure employee performance ratings are shared and justified.
- The objective is to obtain fair and balanced performance ratings across Telefilm.

ORIENTATION AND TRAINING

Telefilm benefits greatly from the expertise of the Board of Directors. Board members are given an opportunity to participate in seminars, courses and training based on the requirements of their duties and an assessment of their needs. For example, the Chairman of the Audit and Finance Committee benefited from a seven-hour training session with the Ordre des comptables agréés du Québec in this fiscal year.

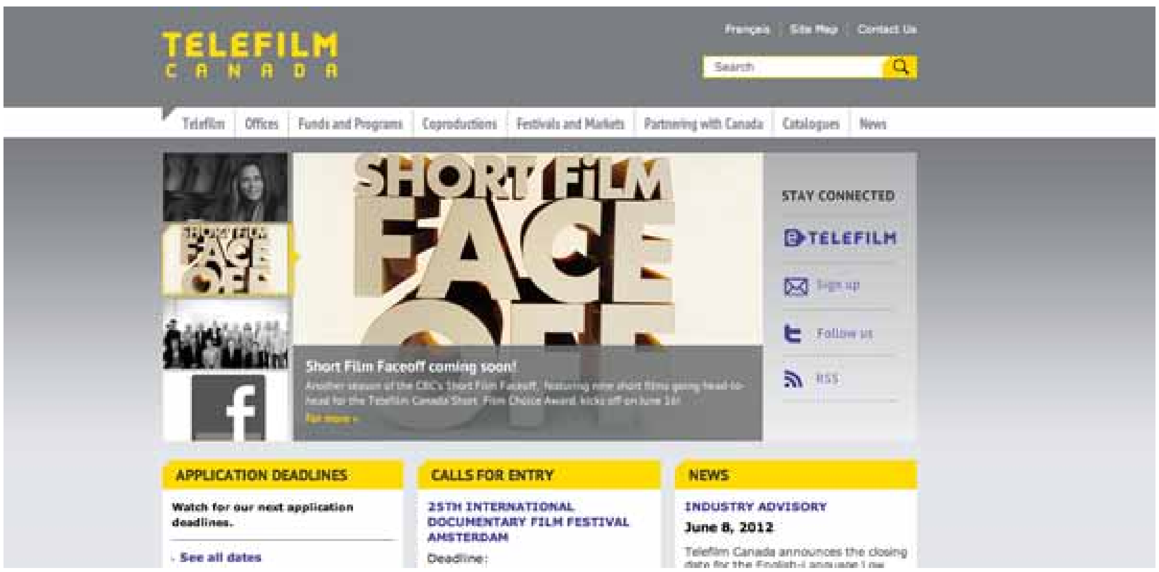
Telefilm also expects to benefit from increasing employees skills. A Training and Professional Development Plan was implemented by Telefilm targeting both competence and behaviour and based on the skill set implicit in the corporate plan. Employee learning goals were derived from their performance evaluation objectives and discussed in meetings with managers.

COMMUNICATION AND CONSULTATIONS

Telefilm places great emphasis on communication and is being increasingly proactive with stakeholders.

The organization has created several convenient communications points for stakeholders to receive the latest information and to tell us what they think, such as eTelefilm, telefilm.ca, Twitter, RSS feeds, and industry advisories.

In 2010, with the improvement of its corporate website, Telefilm added an online news section in order to highlight success stories from across the industry. In client consultations, this section was often mentioned and highly appreciated.



In an effort to reach an increasing number of Canadians, Telefilm has made a concerted effort to expand its social media presence. Its [Twitter account] has consistently grown since its launch in 2009, doubling its number of followers this fiscal year to now reach over 5,500 Twitterers.

[Telefilm's YouTube channel] is becoming an increasingly important promotional tool. Exclusive interviews are regularly shot with homegrown talent at festivals, markets and other events around the world, and are then broadcast on this popular platform. To date, the channel has received 15,936 video views.

For the beginning of the 2012-2013 fiscal year, Telefilm will be launching its first-ever [Facebook fan page]. Facebook will be used as the organization's primary social media vehicle to reach the general public.

THE INDUSTRY

Hundreds of formal and informal consultations and discussions took place in fiscal 2011-2012 to gauge industry interest in Telefilm's new program redesign. French and English working groups were also held.

DEPARTMENT OF CANADIAN HERITAGE

The lines of communication are strong between Telefilm and the Department of Canadian Heritage (PCH). Telefilm management meets with PCH and other government representatives frequently to stay focused on and to be aligned with public policy objectives.

ANNUAL PUBLIC MEETING

Telefilm held its Annual Public Meeting in November 2011 in Winnipeg to present the highlights of Telefilm's 2010-2011 annual report and to launch the new Success Index. Canadians were able to interact with Michel Roy, Chair of the Board, Carolle Brabant, Executive Director, and several other directors and managers.

The annual public meeting was broadcast live via Webcast and may be viewed anytime at telefilm.ca.

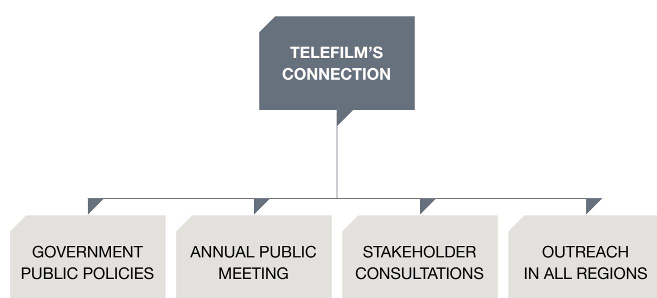
STAKEHOLDER CONSULTATIONS

Industry consultations
Telefilm management held meetings with the industry on the topics of the Success Index and proposed changes to the Development program. All major groups and associations were represented at these consultations, including screenwriters, directors, producers, distributors, artists, and others in the film, television and digital media industries. These consultations led to improvements in program design.

Canada Feature Film Fund Working Groups
The Working Groups met once in 2011-2012 to provide guidance and direction. They consist of an English and a French market group, each providing a forum for the specific views, needs, challenges and objectives of its linguistic market. Along with Telefilm, the Groups have members representing various industry unions, guilds and associations.

Outreach in all regions
All of Canada's regions have been included in the meetings held during the year by Telefilm. Regional meetings were intended to:

- Discuss Telefilm's new Success Index in more detail;
- Gain insight from the industry about the context and landscape of operating conditions;
- Discuss pending changes to programs, particularly new programs for the coming year.



VALUES AND ETHICS

Unlike order-in-council appointees including the Executive Director, the Board Chair and directors who are subject to the *Conflict of Interest Act*, employees of the Corporation are governed by Telefilm's own *Conflict of Interest and Post-Employment Code.* The *Conflict of Interest and Post-Employment Code* is a condition of employment for all Telefilm employees (regardless of their level or position) and is the object of a mandatory annual declaration process to ensure compliance. The *Conflict of Interest and Post-Employment Code* is available to all employees via our corporate intranet and to the public upon request. Also, during fiscal 2011-2012, in compliance with the provisions of the *Public Servants Disclosure Protection Act*, Telefilm established the *Code of Conduct for Telefilm*, with a view to implementing it on April 2, 2012. This document, in addition to including the Treasury Board's *Values and Ethics Code for the Public Sector*, comprises the *Code of Values for Telefilm* and Telefilm's existing *Conflict of Interest and Post-Employment Code*.

FORMAL COMPLAINTS

In addition to the mechanisms outlined in its Client Service Charter, Telefilm makes a formal complaint procedure available to its clients. Moreover, as provided under the *Public Servants Disclosure Protection Act*, Telefilm employees as well as members of the public may make a disclosure following the appropriate procedure outlined on the website of the Office of the Public Sector Integrity Commissioner of Canada if they believe a wrong was committed or is about to be committed in the federal public sector.

2011-2012 ADDITIONAL INFORMATION

FILMS FUNDED THROUGH PRODUCTION AND POST-PRODUCTION PROGRAMS

- 13 Eerie
- Affaire Dumont (L')
- An Enemy
- Arwad
- Avant que mon cœur bascule
- Beat Down
- Black Marks (The)
- BO$$É INC.
- Boy Who Smells Like Fish (The)
- Buddha's Little Finger
- Bunker (Le)
- Camion
- Catimini
- Citizen Marc
- Colony (The)
- Conspiracy (The)
- Corno - Corps et âme
- Cottage Country
- Dead Before Dawn
- Deux temps, trois mouvements
- Diego Star
- Disappeared (The)
- Doppelganger Paul
- Esimésac
- Euphoria
- Fight Like Soldiers, Die Like Children
- Foxfire
- Fruit Hunters (The)
- Gabrielle
- Happy Slapping
- Home Again
- Hors les murs
- Inch'Allah
- Inescapable
- Jackhammer
- Karakara
- Klapstock Syndrome (aka Camera Shy)
- Komona
- Last Will and Testament of Rosalind Leigh (The)
- Les Pee Wee 3D
- Lesser Blessed (The)
- Liverpool
- Lucille's Ball (aka Based on a True Fantasy)
- Mad Ship
- Magasin des suicides (Le)
- Maïna
- Margarita
- Mars et Avril
- Météore (Le)
- Mise à l'aveugle (La)
- Musique X
- My Awkward Sexual Adventure
- Old Stock
- Picture Day
- Omertà
- Random Acts of Romance
- Roaming
- Roche, papier, ciseaux...
- Rouge Sang
- Rufus
- Sisters & Brothers
- Space Milkshake
- Stage Fright
- Stay
- Still
- Torrent (Le)
- Tout ce que tu possèdes
- Trace (La)
- Tricotées serrées
- Two Hands To Mouth
- Vie meilleure (Une)
- Vincent Goes to Hell: An Alice Cooper Doc Opera
- Voyez comme ils dansent
- Whitewash
- Wolves

FILMS FUNDED THROUGH MARKETING PROGRAMS

- Afghan Luke
- Beat the World
- Bestiaire
- Bonheur des autres (Le)
- Breakaway
- Bumrush
- Café de Flore
- Ce n'est rien
- Coteau Rouge
- Dangerous Method (A)
- Daydream Nation
- Die
- Donovan's Echo
- Down the Road Again
- Edwin Boyd: Citizen Gangster
- French Immersion
- French Kiss
- Frisson des Collines
- Gerry
- Godin
- Good Neighbours
- Goon
- Hard Core Logo II
- Hidden 3D
- High Cost of Living (The)
- Hobo with a Shotgun
- Imposture (L')
- In Darkness
- Insignificant Harvey (An)
- Jo pour Jonathan
- Keyhole
- Lance et compte : le film
- Laurentie
- Marécages
- Monsieur Lazhar
- Mort subite d'un homme-théâtre
- Moth Diaries (The)
- Mulroney: The Opera
- Nuit #1
- Nuit, elles dansent (La)
- On ne mourra pas d'en parler!
- Peur de l'eau (La)
- Pour l'amour de Dieu
- Rebelle
- Roller Town
- Roméo onze
- Sacrée (La)
- Servitude
- Snow
- Starbuck
- Sunflower Hour
- Sur le rythme
- Surviving Progress
- Take This Waltz
- Vendeur (Le)
- Wake (A)
- Webdultery
- West Wind: the Vision of Tom Thomson
- Whale (The)
- Whistleblower (The)
- Winnie
- Yoga

CANADIAN FILM FESTIVALS FUNDED

- Toronto International Film Festival
- Vancouver International Film Festival
- Festival des films du monde
- Atlantic Film Festival 2011
- St. John's International Women's Film Festival 2011
- Festival international de films Fantasia 2011
- Percéïdes - Festival d'art et de cinéma de Percé 2011
- Festival international de cinéma jeunesse de Rimouski 2011
- Festival du nouveau cinéma 2011
- Festival International de Cinéma Vues d'Afrique
- Cinémental 2011
- Festival du cinéma international en Abitibi Témiscamingue 2011
- Rencontres internationales du documentaire de Montréal 2011
- Festival international du cinéma francophone en Acadie 2011
- Sommets du cinéma d'animation de Montréal
- Cinéfranco 2012
- Rendez-vous du cinéma québécois 2012
- Rendez-vous du cinéma québécois et francophone de Vancouver 2012
- Festival international du film pour enfants de Montréal 2012
- REGARD sur le court métrage au Saguenay
- Festival international du film sur l'art 2012
- Festival du film de l'Outaouais 2012
- Festival du film et de la vidéo autochtone de Montréal 2012
- ReelWorld Film Festival 2012
- Hot Docs 2012
- Cinefest Sudbury International Film Festival 2011
- Ottawa International Animation Festival 2011
- imagineNATIVE Film + Media Arts Festival 2011
- Toronto Reel Asian International Film Festival 2011
- Windsor International Film Festival 2011
- Caribbean Tales Youth Film Festival 2012
- Kingston Canadian Film Festival 2012
- Images Festival 2012
- Canadian Film Centre's Worldwide Short Film Festival 2012
- Dreamspeakers Film Festival 2011
- Banff World Media Festival 2011
- Gimli Film Festival 2011
- Edmonton International Film Festival 2011
- Calgary International Film Festival 2011
- Winnipeg Aboriginal Film Festival - 2011
- Whistler Film Festival 2011
- Victoria Film Festival 2012
- Available Light Film Festival 2012
- Freeze Frame: Int'l Film Festival for Kids of All Ages 2012
- Reel 2 Real International Film Festival for Youth 2012
- DOXA Documentary Film Festival 2012
- Sprockets Toronto International Film Festival for Children
- Flicks: Saskatchewan International Youth Film Festival
- Global Visions Film Festival

INTERNATIONAL FILM FESTIVALS, MARKETS AND EVENTS ATTENDED BY TELEFILM

- MIPTV
- Festival de Cannes / Marché du film
- Shanghai International Film Festival
- Karlovy Vary International Film Festival
- Mostra de Venise
- No Borders Independent Film Week
- MIPCOM
- Rencontre Coproduction Francophone
- Game Developers Conference
- Berlinale / European Film Market
- Canadian Front
- Sundance Film Festival
- International Film Festival of India
- Toronto International Film Festival

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