

TELEFILM
C A N A D A

2010-2011
Annual Report
daring to change
A NEW
VISION

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About Us

**“Partnering with Telefilm
has allowed me to... make films
from the heart and reach the mind
and the soul of audiences
throughout the world.”**

**– Robert Lantos
(producer)**

About Us

Mandate and vision

Our new **VISION**

Audiences everywhere
demanding screen-based content
created by Canadians –
accessible anywhere, anytime
and on any platform.

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 its success.

Our guiding principles

- To actively champion a sustainable Canadian audiovisual culture.
- To redefine the measure of success.
- To reward performance and encourage new thinking.
- To promote diversity in all its forms in our programs and policies.
- To be open, transparent and accessible to stakeholders, the industry and the public.
- To deliver the best value to Canadians.

About Us

Our purpose

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

Canadian screen-based content articulates and promotes Canadian culture across the country and around the world. Telefilm's funding programs and support activities deliver a core government service to Canada's audiovisual industries, an important part of our economy.

Our performance measurement framework

Telefilm uses a performance measurement framework to ensure a culture of accountability. This framework includes strategic objectives, key performance indicators, targets and results, all of which are discussed in *Achievements* and *Administration*.

Core business activities

Telefilm has three major roles:

Investing

Telefilm administers the Canada Feature Film Fund (\$97M for fiscal 2010-2011) that primarily provides financial assistance for development and production of films for audiences worldwide.

Additionally, Telefilm recommends the certification of treaty coproductions for film and television to the Minister of Canadian Heritage.

Promoting

Telefilm recognizes the need to stimulate audience demand for Canadian screen-based content. Our role as promoter includes:

- Supporting the marketing and promotion of Canadian feature films and our audiovisual industry as a whole.
- Participating in industry events such as festivals and markets that help Canadian audiovisual companies to showcase and sell their productions and supporting the industry's own business development activities.

About Us

Administering programs

In addition to its own programs and initiatives, Telefilm provides services to the Canada Media Fund (CMF). The CMF is a not-for-profit corporation separate from Telefilm. CMF maintains a services agreement with Telefilm to administer its programs (±\$337M for fiscal 2010-2011).

Telefilm published a [client service charter](#). The service charter is our commitment to building beneficial relationships with our private sector partners. Accessibility, fairness and timeliness are its core values.

A regional presence with an international reach

Headquartered in Montreal, Telefilm provides bilingual services to its clients through four offices located in Vancouver, Toronto, Montreal and Halifax.

Services provided across our regional offices include:

- Building business development opportunities and promoting Canadian talent and content to reach communities, in partnership with regional, national and international markets, festivals and initiatives.
- Reviewing applications and selecting audiovisual projects eligible for program funding.
- Due diligence for all undertakings in business development and project financing applications, as well as certification of treaty coproductions.

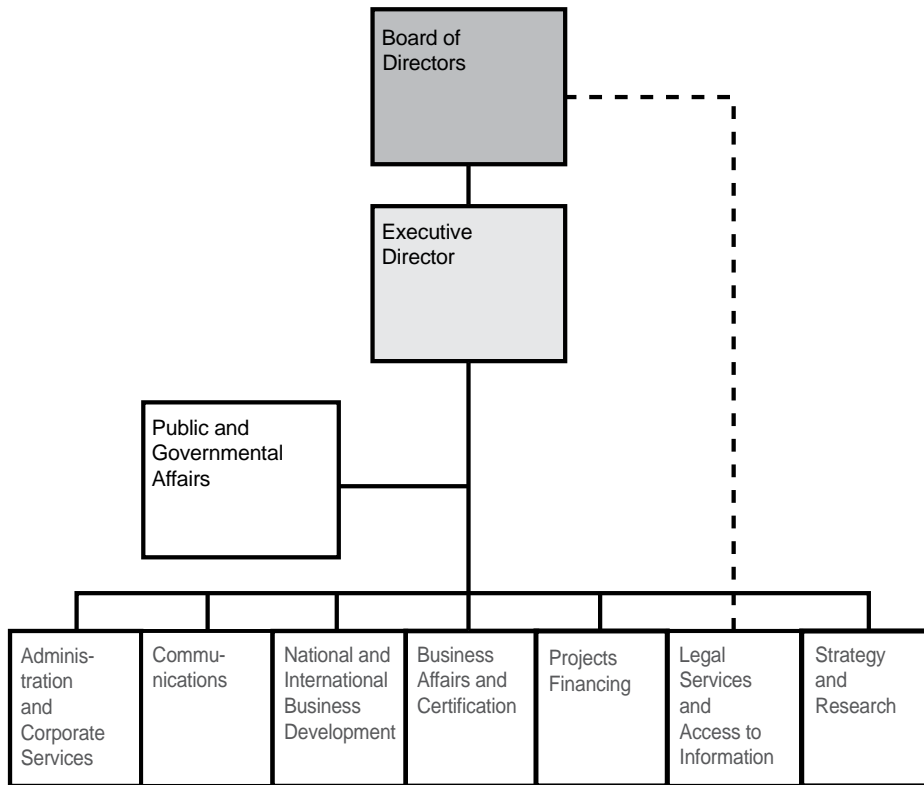
Administrative support functions are based in Montreal, and include:

- Executive office
- Administration and Corporate Services (Finance, Human Resources, Information Technology)
- Communications
- Public & Governmental Affairs
- Legal Services
- Strategy & Research

About Us

Employees and values

Our employees



Telefilm has over 200 employees across its regional offices in Canada who possess audiovisual industry or administrative experience.

Responsibilities are well defined throughout the organization.

The Executive Director is accountable to the Board of Directors and all other operating sectors are accountable to the Executive Director.

About Us

Our values

Respect

At Telefilm, we trust one another and treat each other with consideration. We listen to others, we recognize our colleagues' work, efforts and expertise, we create and foster a climate of trust, we strive for fluency in a bilingual environment, and we act with integrity.

Commitment

We work together to ensure the success of Telefilm and of the Canadian audiovisual industry. We demonstrate consistency with and support for the organization's objectives, we foster a healthy life-work balance, and we are proactive in communicating the organization's messages.

Client focus

We recognize that high-quality client service is at the core of our mandate. We work closely with our internal and external clients, and with our partners.

Openness

We aim for innovation and continuous improvement. We foster diversity, we strive to be dynamic in achieving Telefilm's objectives, and we draw on lessons learned to move forward.

About Us

Awards and recognitions

Since 2005-2006, Telefilm's annual reports have won many awards for excellence.

In 2010-2011, Telefilm's 2009-2010 annual report, *Daring to Change*, won the Silver Astrid Award (international) for Best Online Annual Report, recognizing outstanding achievement in design communication. In addition, its 2008-2009 annual report, *Action*, also won a Gold Award for Non-Traditional Annual Report – Government Agencies and Offices, at the 2010 International ARC Awards.

Other accolades include:

Telefilm's 2008-2009 Annual Report	2009 Vision Awards Annual Report Competition	<ul style="list-style-type: none"> • Silver Award: Best Agency Report – Americas Region • Top 100: Ranked 97th • Gold Award: Best Overall Government Annual Report
Telefilm's 2007-2008 Annual Report	2009 Canada's Chartered Accountants: Corporate Reporting Awards	<ul style="list-style-type: none"> • Award of Excellence for Small Crown Corporations
	2009 International ARC Awards	<ul style="list-style-type: none"> • Bronze Award: Non-Traditional Annual Report – Government Agencies and Offices
	2008 Vision Awards Annual Report Competition	<ul style="list-style-type: none"> • Platinum Award: Best Overall Government Annual Report • Platinum Award: Most Creative Annual Report – Americas Region • Top 100: Ranked 31st • Bronze Award: Most Creative Annual Report Worldwide
Telefilm's 2006-2007 Annual Report	2007 Vision Awards Annual Report Competition	<ul style="list-style-type: none"> • Top 100: Ranked 89th • Gold Award: Best Overall Government Annual Report
Telefilm's 2005-2006 Annual Report	2007 Canada's Chartered Accountants: Corporate Reporting Awards	<ul style="list-style-type: none"> • Award of Excellence for Small Crown Corporations
	2007 International ARC Awards	<ul style="list-style-type: none"> • Honours for Non-Traditional Government Agency
	2006 Vision Awards Annual Report Competition	<ul style="list-style-type: none"> • Top 100: Ranked 36th • Bronze Award: Best Agency Report • Platinum Award: Best Overall Government Annual Report

Messages

**“Partnering with Telefilm
has allowed me... to perfect my skills
and grow as a producer,
to support creators in their artistic
endeavours and to encourage them
to outdo themselves.”**

– Denise Robert
(producer)

Messages

Message from Michel Roy

From financial lever to lever of success

For the past 44 years, Telefilm has been helping to strengthen the Canadian audiovisual industry's ability to attain a world-class level of excellence in all areas of production. As a result, our country is home today to producers, directors, writers, actors, cinematographers and technicians who rank with the best in the world.

I have had the honour and privilege, for a fourth year, to chair a Board that has a firm grasp of the issues and challenges currently confronting the industry and that supports Telefilm's senior management as the organization embarks on a major change of direction.

Our new corporate plan, which will guide us over the next four years, allows Telefilm to continue drawing on the experience it has gained in its key role as investor. The plan is also a result of the desire to change we instilled within the organization – a desire that guided all of our reflections.

The many consultation sessions we organized with industry stakeholders from coast to coast confirmed an essential notion: that the future of our audiovisual industry depends on stimulating Canadians' demand for homegrown productions. Apart from addressing the promotional challenge this represents, we also need to fundamentally alter Canadians' perceptions so that they are attuned to the value of our films, as well as to the essential role the audiovisual industry plays in our country's economic and cultural development. We must work together to foster a true culture of success.

To achieve this, Telefilm will pursue its corporate vision through the four structural components of its new corporate plan:

1. maintain - indeed, strengthen - our role as an investor in high-quality productions, while modifying what we understand by performance—in other words, how we measure success—so that it encompasses not only commercial success as it applies to all distribution channels, but cultural success as well;
2. act as a catalyst to stimulate demand for multi-screen Canadian content and create a movement that aims to attract the public to home-grown productions;
3. become the point of reference for the industry by making strategic, leading-edge information available; and
4. simplify the funding access process while maintaining a best practices approach whereby “rigour” does not mean “rigidity.”

I would like to thank the Honourable James Moore, Minister of Canadian Heritage and Official Languages, and departmental officials for their support of, and interest in the cause of Canada's audiovisual industry.

I would like to thank the entire Telefilm team: my Board colleagues, who carry out their mandate with skill and dedication, ensuring that the organization has the tools and mechanisms it needs to operate as effectively and as efficiently as possible; Carolle Brabant, who has served as Executive Director for one year now and who has successfully assumed her leadership role; our senior management team, which oversees an effective management framework; and all our employees, for their commitment and for the close attention they pay to the needs of our clients.

I would also like to thank our partners and the industry representatives with whom we engage on a regular basis. Not only does your support enhance the work we do, but it is also an indispensable part of the unique cultural heritage we are building for all Canadians, which will benefit today's generation as well as tomorrow's.

Finally, hats off to the Canadian creators who distinguished themselves in 2010–2011 through works that truly made us proud, at home and abroad!

Michel Roy
Chair of the Board

Messages

Message from Carolle Brabant

Telefilm embarks on a new direction

In March 2010, I enthusiastically agreed to lead Telefilm Canada, an organization that I know very well, given that I have been working here for more than 20 years. The mandate that was entrusted to me: to translate the Board's vision into action and *dare to change*.

Supported by an equally enthusiastic team of managers and employees, we spent a good part of the year looking at our activities with a new eye. We consulted the industry, as well as the Telefilm team and our partners.

Of all the ideas that emerged from these consultations, one in particular held our attention: the idea of launching a movement in favour of Canadian content—a movement in favour of success.

This vision, laid out in our strategic plan, *Fostering Cultural Success*, is based on the conviction that our productions can move and attract the interest of audiences in Canada and elsewhere. Last year's results offered convincing evidence of this.

Our productions honoured on the international stage

What a rewarding year for Canadian cinema! Two features alone, *Incendies* and *Barney's Version*, took in a combined \$25 million at the box office—and that was just a beginning. They also earned an impressive critical and popular success, racking up nominations during awards season. *Incendies* won eight Genie and nine Jutra awards, and was one of five features competing for the best foreign-language film Academy Award.

Barney's Version, for its part, won the Leoncico d'Oro at the Venice International Film Festival, as well as the Audience Award at the San Sebastián International Film Festival. The film also won its star a Golden Globe for best actor in a comedy and a Genie for best actor. In addition, *Barney's Version* received an Academy Award nomination for best makeup.

In all, Canadian feature films picked up 127 prizes around the world. From Xavier Dolan's return to the Croisette at Cannes—where his second feature, *Les amours imaginaires*, was screened as part of the official selection Un Certain Regard - to the world premiere of director Jason Eisener's *Hobo with a Shotgun* at Sundance, Canadians were in the spotlight at several major international festivals.

Furthermore, Telefilm certified 57 new coproductions, generating a total of \$213 million in foreign funding support for Canadian content. We held the ratio of program management costs steady at 6.2%, in accordance with our requirement to soundly manage the public funds with which we are entrusted.

The Canada Media Fund: a valued partner

We are proud to have ensured the transition of Canada Media Fund (CMF) programs and to have contributed to the launch of the CMF's Experimental Stream. We renewed our services agreement with the CMF, at the same time marking the fifth anniversary of the partnership between our two organizations.

Messages

Getting closer to our clients

We changed our communications practices and enhanced our promotional activities, which resulted in greater media coverage of Canadian productions - all to the industry's benefit. We also enhanced our visibility among our clients.

The launch of the Golden Box Office Award, given to English-language feature films, also helped put the spotlight on Canadian success stories. We also significantly increased our international presence by improving our microsites and conducting effective Google AdWords campaigns.

Partnerships with the public and private sectors allowed us to organize a series of screenings for parliamentarians of quality Canadian films. Under the honorary chairmanship of the Honourable James Moore, the screenings began with *Gunless* and continued with *Incendies* and *Barney's Version*. These initiatives were enthusiastically received and helped make political decision-makers more aware of Canadian film successes.

Major Telefilm initiatives under way

In 2011, Telefilm is embarking on a new corporate planning cycle. This is a decisive moment for us, as we are undertaking a major change in direction in order to foster cultural success.

Teams are already hard at work on three initiatives that will usher in significant changes that Telefilm and the industry deem to be important: the overhaul of our programs, the development of multi-screen promotional strategies for Canadian content and the introduction of new performance indicators. For Telefilm, these initiatives represent a stimulating challenge.

The industry can count on us!

Canada's audiovisual industry has what it needs to take full advantage of the opportunities that will open up in the years ahead to exploit the value of its products. And while the challenges ahead are the industry's own, it can count on Telefilm to help it meet them.

I would like to thank our Chair, Michel Roy, and the members of the Board for granting me their trust and support throughout the year. I would also like to thank Telefilm's employees for their commitment and support. It is a pleasure as well as a privilege to work every day alongside such dedicated colleagues, who are passionate about film and, above all, determined to ensure that Canadian creators take their rightful place at home and around the world.

Carolle Brabant
Executive Director

Messages

A new strategic vision for 2012-2015

Fostering cultural success

Over the past four decades, Telefilm has helped build a Canadian audiovisual industry that is now world-renowned not only for its production quality, but also for its outstanding talent. However, the time has come to address the next big challenge in the evolution of the industry. We must now focus on stimulating audience demand for Canadian screen-based content in an increasingly competitive environment for consumer time, interest and money. This new corporate objective re-energizes our mandate, and aligns our activities more closely with industry needs.

Four strategic pillars

Telefilm and industry stakeholders generally agree on what Canada's audiovisual industry needs to remain strong, as revealed through extensive consultations in 2010-2011. The new direction Telefilm has articulated in the 2012-2015 Corporate Plan [Fostering Cultural Success](#) is structured on four strategic pillars:

Maintain and expand our core role of funder

We must expand our traditional funding approach by investigating alternative sources of funding for the industry, and by encouraging the development of coproductions as a way of assembling larger budgets and financing more ambitious projects.

Develop our role as promoter

Telefilm will help the industry develop the capacity to promote its own productions in innovative ways, and complement this effort by using the resources at its disposal and key partnerships to support the industry.

Provide thought leadership by developing and sharing industry intelligence

Telefilm has a valuable role to play by gathering, analyzing and disseminating business intelligence that will benefit independent production companies.

Reinforce Telefilm's organizational excellence

Telefilm will always seek areas to make further gains in efficiency and effectiveness.

Messages

Top priorities for 2011-2012

These priorities will be made actionable with a series of initiatives:

Develop a plan for promoting Canadian talent and projects

In every region of the country as well as internationally, Telefilm will build awareness of the Canadian industry's successes. We will pursue a multi-platform digital distribution strategy for Canadian content, and investigate more sources of funding and private investment.

Create a broader set of criteria to measure success

A purely commercial definition of success has become too narrow. In consultation with the industry, Telefilm and our partners will develop criteria to measure a broader definition of success, which will include cultural, commercial and industrial indicators.

Redesign our programs in support of new strategic goals

We will continue our efforts to simplify programs and related guidelines while maintaining high administrative performance standards and strong accountability for the public funds we manage.

Achievements

“Partnering with Telefilm has allowed me... to make world-class, star-driven films that touch on edgy subject matters relevant to audiences both here in Canada and around the globe.”

– Kari Skogland
(director)

Achievements

Building Audiences

Strategic objective

Greater number of Canadians enjoy distinctive Canadian films

Key performance indicator

Market share of Canadian box office revenue

Target

5%

2008-2009 results

2.9%

2009-2010 results

3.3%

2010-2011 results

Canadian titles captured 3.1% of the overall domestic box office.

Achievements

Box office results for 2010¹

This past year capped a remarkable ten years of impressive box office results for Canadian films, achieving an overall growth of 134%, which was six times higher than that of the overall market.

Telefilm's **contribution** went further; an increased participation by the private sector and international partners allowed for more projects to be supported with less investment.

Led by the Oscar-nominated films *Incendies* and *Barney's Version*, Telefilm-supported projects won 127 **awards** around the world.

Top 10 Canadian films in Canada

Title	Box office 2010 (\$M)		
	French-language	English-language	Total
<i>Resident Evil: Afterlife</i>	1.1	5.8	6.9
<i>Piché : Entre ciel et terre</i>	3.6	0.0	3.6
<i>Incendies*</i>	2.5	0.2	2.7
<i>Lance et compte</i>	2.3	0.0	2.3
<i>Splice</i>	0.3	1.9	2.2
<i>Filière 13</i>	1.9	0.0	1.9
<i>Imaginarium of Dr. Parnassus</i>	0.1	1.0	1.1
<i>Les sept jours du talion</i>	1.1	0.0	1.1
<i>Le journal d'Aurélie Laflamme</i>	1.1	0.0	1.1
<i>L'enfant prodige</i>	0.8	0.0	0.8

*Film still in theatres at December 31, 2010

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

Achievements

By linguistic market

Total gross box office surpassed \$1 billion for the second year in a row, and grew almost 3% from 2009 to 2010. However, the total gross box office for Canadian films dipped almost 4%.

Total gross box office

	2009	2010	Difference
		(\$M)	
French-language market	144.7	150.1	3.8%
English-language market	862.2	886.0	2.8%
Total Market	1,006.9	1,036.1	2.9%

Source: MPTAC, figures are rounded.

In the independent film market², Canadian films in the English-language market are an exception with an increase of \$5.3 million in box-office earnings in one year, a 78% increase. Foreign films in English saw a decrease of \$19 million. In the French-language independent film market, Canadian films experienced a decrease of \$6.6 million or close to 25% while foreign films retreated by \$1.6 million or almost 8%.

Gross box office – independent films

	2009	2010	Difference
		(\$M)	
Canadian Films	26.7	20.1	-24.7%
Foreign films	21.6	20.0	-7.6%
French-language market	48.3	40.1	-17.1%
Canadian Films	6.8	12.1	77.8%
Foreign films	130.2	111.2	-14.6%
English-language market	137.0	123.3	-10.0%
Canadian Films	33.6	32.3	-3.9%
Foreign films	151.8	131.2	-13.6%
Total market	185.3	163.4	-11.8%

Source: MPTAC, figures are rounded.

²Films produced outside of major U.S. studios.

Achievements

Box office analysis of Canadian films

Box office trend over ten years

	2001	2010	Difference
		(\$M)	
All films	855.0	1,036.1	21.2%
Independent market	133.6	163.4	22.3%
Canadian films	13.8	32.3	134.1%

Source: MPTAC, figures are rounded and box office is measured in current dollars.

A look back over ten years of box office results provides an interesting perspective. Total box office has grown by 21.2% while independent film box office has increased about the same. However, Canadian film box office has surpassed both these categories with explosive growth of 134% – over six times higher than the overall market.

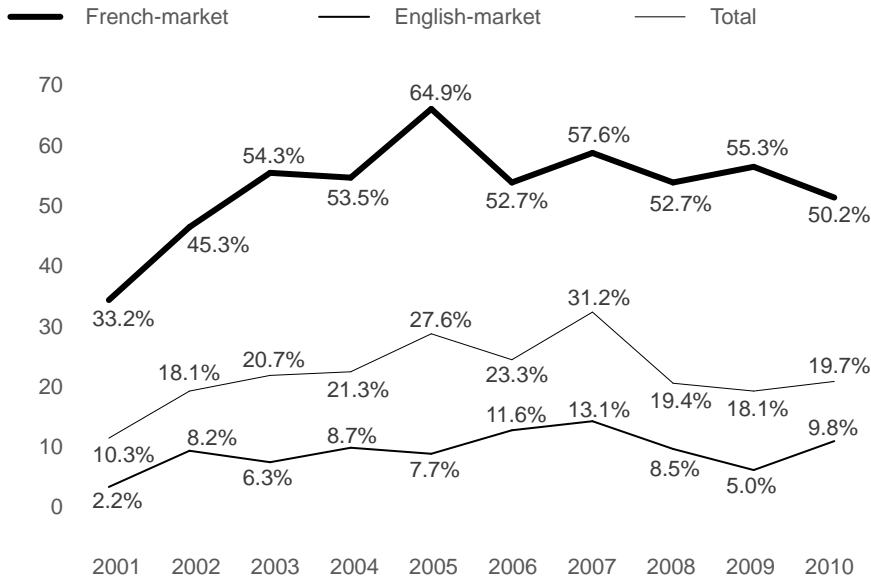
Total gross box office for Canadian films was down by 3.9% in 2010 compared to 2009; one interesting statistic is the change in box office results by language. French-language box office dropped almost 25% while English-language box office rose over 75%.

This statistic illustrates the huge impact that one extremely successful film can have on annual box office results. In 2009, *De père en flic* powered the French-language market with a \$10.7M box office, while the highest-grossing French-language film of 2010 was *Piché : Entre ciel et terre* at \$3.6M. The English-language market had the opposite experience. In 2010, *Resident Evil: Afterlife* grossed \$6.9M while the highest take of 2009 was \$3.0M for *Trailer Park Boys: Countdown to Liquor Day*. Considering both languages, the top four Canadian films earned almost half of the box office for all Canadian films in 2010.

Achievements

Market share

Market share of Independent Film



Again in 2010, American films dominated the market with an astounding 92.9% share. Total market share for Canadian films has hovered around 3% for each of the past four years.

2010 Market share	French-language	English-language	Total
Canadian films	13.4%	1.4%	3.1%
Foreign films	6.7%	3.5%	4.0%
U.S. films	79.9%	95.1%	92.9%
Total	100.0%	100.0%	100.0%

Source: MPTAC

Within the independent film market, Canadian films can and do compete with a more robust 20% share.

Independent film market	French-language	English-language	Total
Canadian films	50.2%	9.8%	19.7%
Foreign films	23.4%	20.8%	21.5%
U.S. films	26.4%	69.3%	58.8%
Total	100.0%	100.0%	100.0%

Source: MPTAC, figures are rounded.

In fact, Canadian films in the French-language segment dominate the independent film market with a 50% share. Even in the English-language segment, Canadian films increased their market share substantially year-over-year – from 5.0% in 2009 to almost 10% in 2010.

Achievements

Independent box office in 2010

In the independent market, Canada managed to place two films in the top 10 grossing films for 2010, compared to only one in 2009.

Top 10 Independent films in Canada

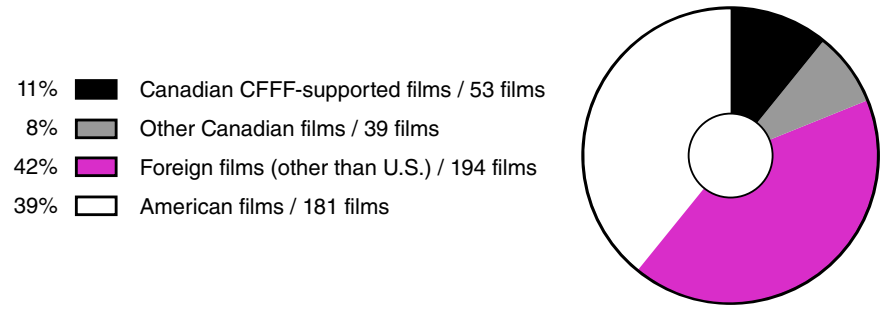
Title	Box office 2010 (\$M)		
	French-language	English-language	Total
<i>Grown Ups</i>	1.5	14.0	15.5
<i>The Expendables</i>	1.7	11.6	13.3
<i>Dear John</i>	1.0	6.6	7.6
<i>Resident Evil: Afterlife</i>	1.1	5.8	6.9
<i>Cats and Dogs: The Revenge of Kitty Galore</i>	0.9	3.8	4.8
<i>The Switch</i>	0.2	3.8	4.0
<i>The American</i>	0.3	3.6	3.9
<i>Vampires Suck</i>	0.9	2.8	3.7
<i>Piché : Entre ciel et terre</i>	3.6	0.0	3.6
<i>The Last Exorcism</i>	0.5	2.9	3.4

Source: MPTAC, figures are rounded.

Achievements

Number of films released

Breakdown of new titles released in 2010



Source: MPTAC

By number, Canadian films represented close to 20% of 467 new titles released in Canadian commercial theatres in 2010, and occupied 5.5% of Canadian screens.

Out of 92 Canadian films released in 2010, the CFFF contributed financial production support to 53. CFFF-supported films released in 2010 accounted for 71% of total Canadian box office.

53 Canadian films funded by the CFFF

- | | |
|---|---|
| <i>10½</i> | <i>Le baiser du barbu</i> |
| <i>2 fois une femme</i> | <i>Le journal d'Aurélie Laflamme</i> |
| <i>A l'origine d'un cri</i> | <i>Le poil de la bête</i> |
| <i>A Shine of Rainbows</i> | <i>L'enfant prodige</i> |
| <i>Altitude</i> | <i>Les sept jours du talion</i> |
| <i>Barney's Version</i> | <i>Leslie, My Name is Evil</i> |
| <i>Cabotins</i> | <i>Mesrine : l'instinct de mort</i> |
| <i>Control Alt Delete</i> | <i>Mr. Nobody</i> |
| <i>Cooking with Stella</i> | <i>Oscar et la dame rose</i> |
| <i>Curling</i> | <i>Pax Americana</i> |
| <i>Defendor</i> | <i>Piché : Entre ciel et terre</i> |
| <i>Everywhere</i> | <i>Reel Injun</i> |
| <i>Faith, Fraud, and Minimum Wage</i> | <i>Reste avec moi</i> |
| <i>Filière 13</i> | <i>Romaine par moins 30</i> |
| <i>Force of Nature: The David Suzuki Movie</i> | <i>Route 132</i> |
| <i>Fubar 2</i> | <i>Score: A Hockey Musical</i> |
| <i>Gravytrain</i> | <i>Simon Konianski</i> |
| <i>Grown Up Movie Star</i> | <i>Sortie 67</i> |
| <i>Gunless</i> | <i>Splice</i> |
| <i>High Life</i> | <i>The Coca-Cola Case</i> |
| <i>Hugh Hefner: Playboy, Activist and Rebel</i> | <i>The Trotsky</i> |
| <i>Incendies</i> | <i>The Wild Hunt</i> |
| <i>Krach</i> | <i>This Movie is Broken</i> |
| <i>La dernière fugue</i> | <i>Trigger</i> |
| <i>Lance et compte</i> | <i>Trois temps après la mort d'Anna</i> |
| <i>L'appât</i> | <i>Tromper le silence</i> |
| | <i>Year of the Carnivore</i> |

Achievements

The multichannel consumer

According to Tony Gunnarson, "digital delivery has proven to be a game-changer in the entertainment arts. Ten years ago, consumers worldwide spent roughly the same amount on music and video across all platforms and formats. Since then, the traditional music industry business model has been revolutionized by the shift from physical formats to digital delivery."³ Independent artists now have direct access to their consumers and can completely bypass the traditional recording industry model.

That same shift to digital delivery is gathering momentum in the audiovisual industry. Consumer spending on video was still 88% physical in 2010, but several viable alternatives exist. Premium video-on-demand (VOD) services recently launched by the big studios can showcase feature films in homes just 60 days after their theatrical release, reducing the cinema window by half and undermining the DVD market. The market has been simultaneously exploiting alternative distribution channels like Netflix and Redbox.

These new service models underscore the industry's challenge to distribute content profitably online. But that's not the only challenge. Effectively tracking online consumption habits has become complex given the fragmentation of downloading and streaming options – legal and otherwise.

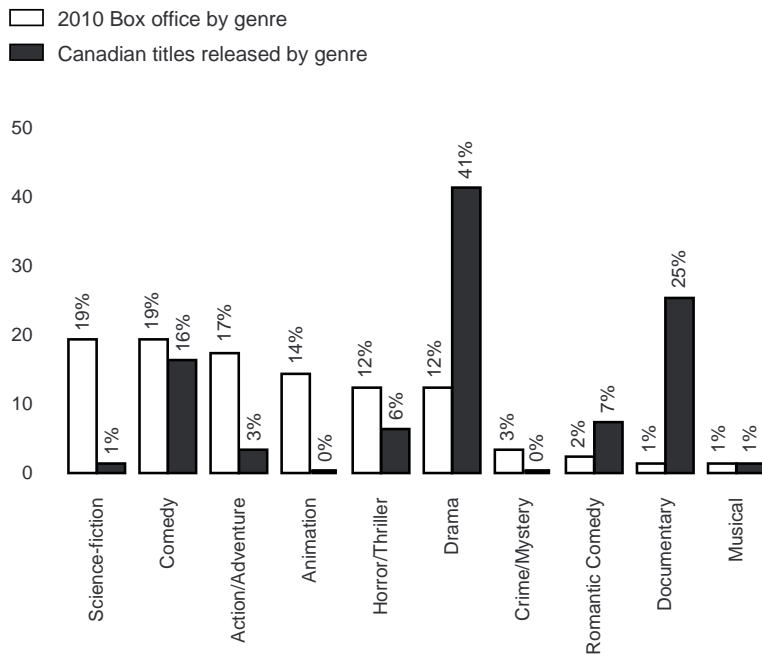
This is a challenge that affects both Telefilm and the industry. How can success be accurately measured across all of these platforms? Over the past decade, Telefilm has tracked commercial indicators such as box office receipts, revenues and sales. However, a well-rounded view of success also includes other cultural and industry indicators. This is one of the driving forces behind Telefilm's plan to develop a broader measure of success for the Canadian audiovisual industry.

³. Tony Gunnarson, "TV and physical media still drive entertainment spending", *Screen Digest*, March 15, 2011.

Achievements

What Canadians are watching now

2010 Canadian box office and Canadian titles released



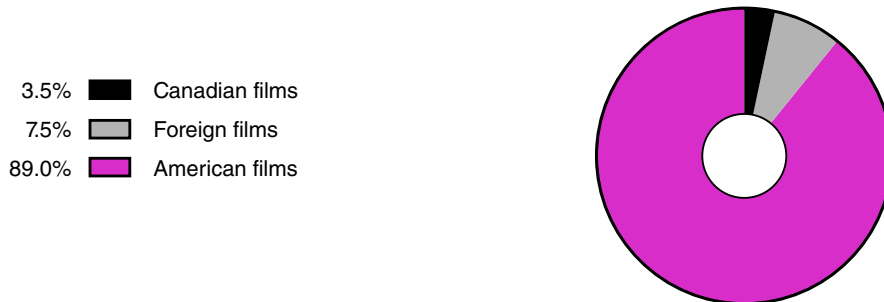
Canadian moviegoers appreciate a wide range of film genres and their preferences show in the way they spend their money. Together, science-fiction, action/adventure, animation and comedy account for 69% of total Canadian box office.

To meet this market demand for diversity, movie theatres provide their audiences with a wide variety of film genres. Historically, as is also highlighted in the above table, Canadian filmmakers have produced two dominant genres – drama and documentary. Still, it is clear that box office success in 2010 of genre films such as *Splice* and *Les Sept jours du talion* demonstrates the high level of interest of Canadian viewers and the potential for success in reaching those audiences. That is why portfolio diversification is an important objective of the organization for moving toward a better alignment with Canadians' preferences.

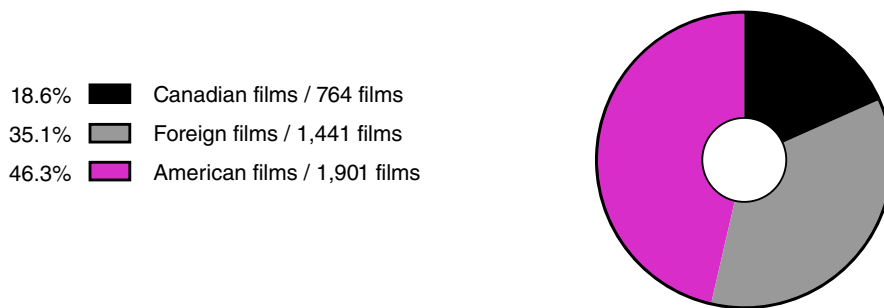
Achievements

Moving forward: a focus on stimulating demand

Canadian box office from 2001 to 2009



Number of films shown in Canadian movie theatres from 2001 to 2009



*Figures are rounded

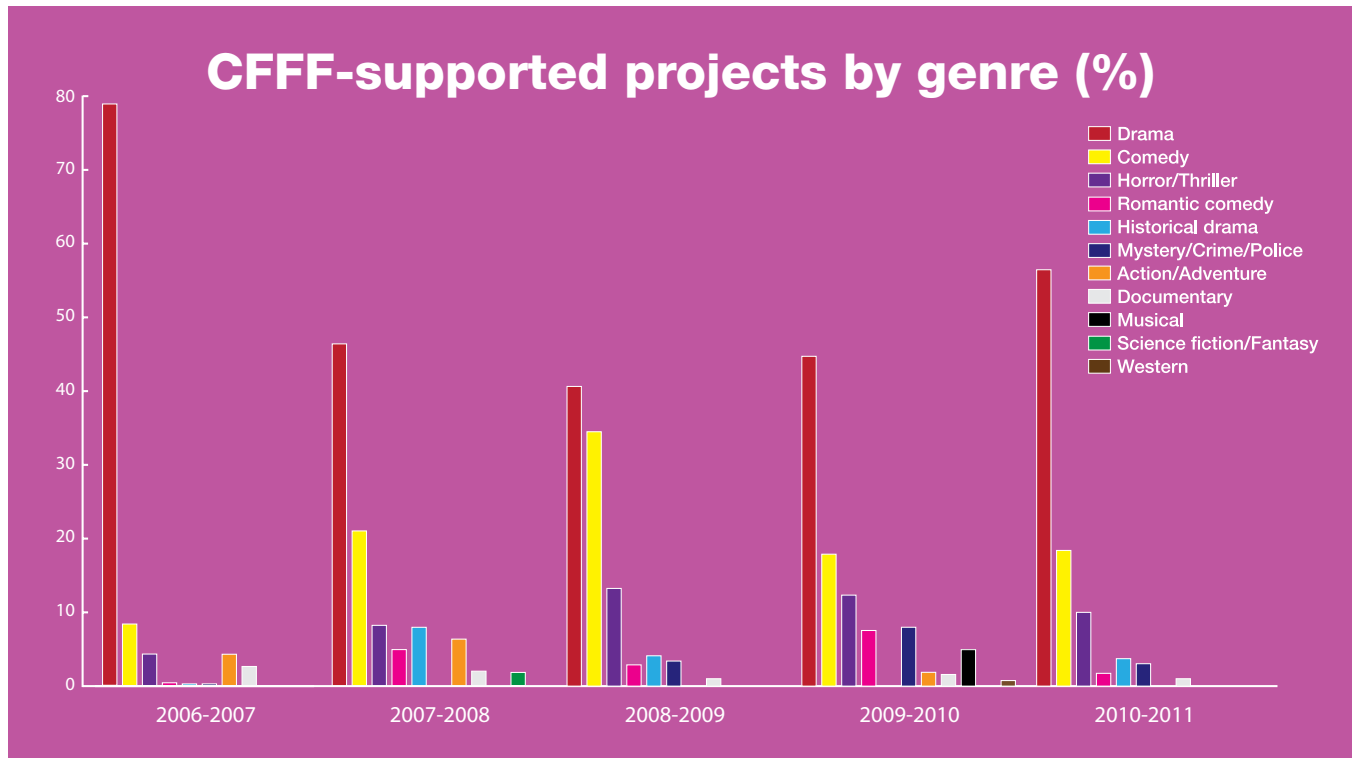
Statistics show that from 2001 to 2009, Hollywood films' share of the Canadian box office was 89%.

Canada's audiovisual industry produces world-class content but must continue to make adjustments to enter the next major phase of its development. The industry must balance its historic focus on production with an equally robust approach to ensuring that its productions stimulate audience demand. Telefilm and the industry are in agreement on this point.

Telefilm's new corporate plan makes stimulating audience demand a priority. Telefilm intends to focus a significant part of its energy on promoting Canadian talent and products through various events and distribution channels, ensuring the presence of Canadian content on all platforms.

Achievements

A diverse portfolio of projects



Achievements

Building Audiences

Strategic objective

Portfolio diversification: finance a diverse portfolio of projects

Key performance indicator

Diversification by genre, budget, language, region and cultural diversity of content

Target

Increase the number of genres represented in portfolio and better distribute commitments across different genres

2008-2009 results

Genre diversity in English-language production has increased

French-language production became less diverse by genre

2009-2010 results

Genre diversity increased in both English-language and French-language production

2010-2011 results

With drama dominating 57% of both language markets, genre diversity weakened in 2010-2011

Strategic objective

Provide opportunities to advance the careers of visible minorities, official languages minority and Aboriginal professionals

Key performance indicator

Levels of resources committed to initiatives that promote professional development within culturally diverse communities

Target

Maintain or increase the level of investments

2008-2009 results

Financing was increased by \$2.5 million, and new professional development initiatives were launched

2009-2010 results

Levels of Telefilm investment were generally maintained

2010-2011 results

Telefilm's commitments rose from 7% to over 10% of all funding to multicultural and aboriginal projects, while official language funding returned to normative levels

Achievements

Keeping up with Canadian moviegoers

When Canadians go to the movies, they most often choose to see science-fiction, action/adventure, animation or comedy. Telefilm and our clients are working to build audiences by expanding the range of genres to more accurately match consumer preferences.

Five-year trend analysis

Telefilm has increased support for different genres, such as Westerns, musicals and romantic comedies. Action/adventure and comedy are on the rise, especially in the French-language market.

In 2010-2011, dramas received an almost 57% share of funding for both linguistic markets. Comedy and horror/thriller also took a significant share of English-language films, while comedy captured almost a third of all French-language films. Mystery/crime/police also received some new support in the French-language industry. We are also working with the industry to achieve greater diversification in the project pipeline. That is why we invest in specialized training such as Telefilm Canada Features Comedy Lab.

Telefilm Canada Features Comedy Lab

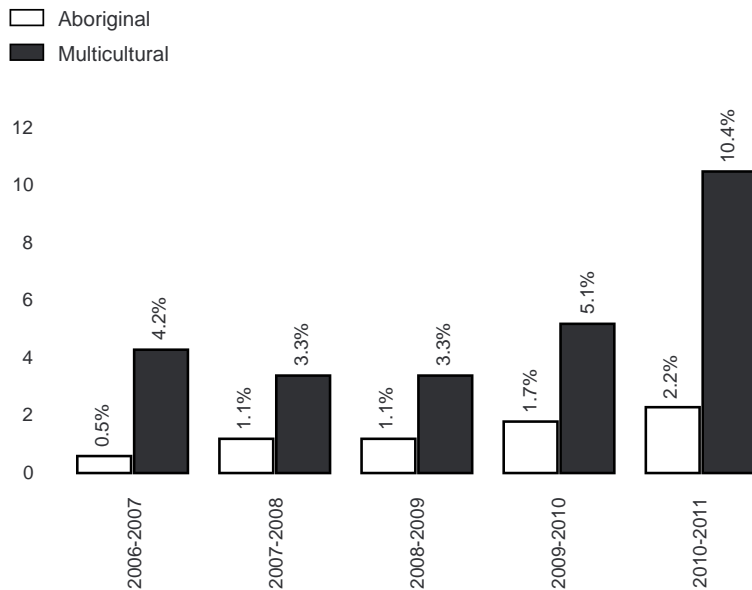
The Telefilm Canada Features Comedy Lab is a Canadian Film Centre program first launched in 2009, and presented in collaboration with Just For Laughs. Chaired by internationally acclaimed comedic actor Eugene Levy, the Comedy Lab aims to develop Canadian comedies that are critically acclaimed and commercially successful.

The three-month course takes experienced Canadian feature film producers, their writer/director teams and comedy scripts, and pairs them with the best comedic minds in the world. The creatively rich inaugural comedy lab in 2009 has resulted in the making of *Servitude* from Buck Productions and Victory Man Productions, to be released in Canada by Maple Pictures.

Achievements

Strengthening Canada's cultural fabric

Multicultural & Aboriginal: Telefilm's overall commitments



Source: Telefilm's database

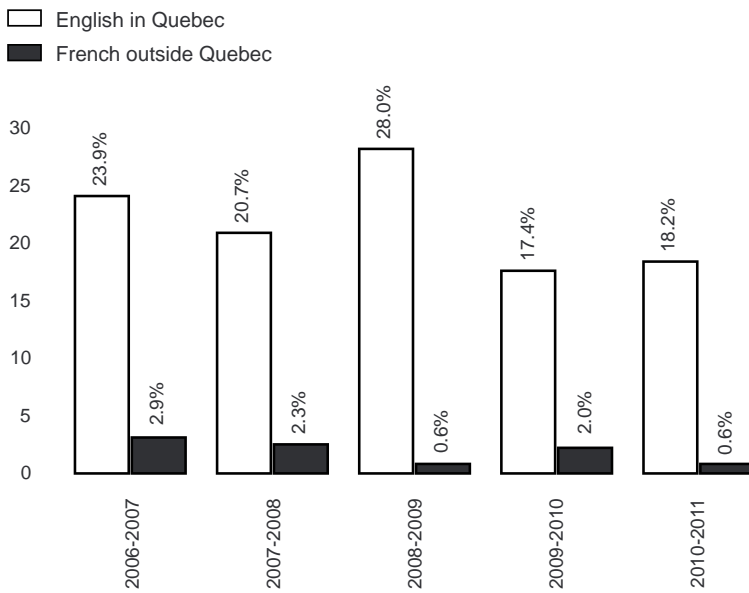
The audience appeal of multicultural storytelling is undeniable. In 2010-2011, Telefilm committed over 10% of all funding to multicultural and Aboriginal projects. That includes \$0.4M in development funding to 22 Aboriginal projects across Canada, an amount roughly the same as 2009-2010. Telefilm also funded 34 projects with strong multicultural elements.

Among the projects Telefilm has proudly supported:

- The 11th edition of ReelWorld Film Festival that showcases international works reflecting positive images from the Aboriginal, Asian, Black, Latino, Middle Eastern, South Asian and other communities. In 2011, two-thirds of the films screened at the festival were Canadian.
- Deepa Mehta's next feature film based on Salman Rushdie's international bestseller *Midnight's Children*.
- *Breakaway*, a Rob Lieberman film with Rob Lowe, Russell Peters and up and coming Canadian actor Vinay Virmani, is about a young man who defies his Sikh father by casting aside religious traditions to pursue his dream of playing professional hockey.
- *Lost Journey*, directed by Ant Horasanli, presents the story of a young Iranian man who grapples with cultural assimilation in Toronto.

Achievements

Official languages: Telefilm's overall commitments



Source: Telefilm's database

Another important element reflecting diversity is language. In 2010-2011, Telefilm's support of French-language projects and events outside Quebec returned to normal levels. Before 2008-2009, these commitments also included funding from the Department of Canadian Heritage through its Interdepartmental Partnership with the Official-Language Communities program.

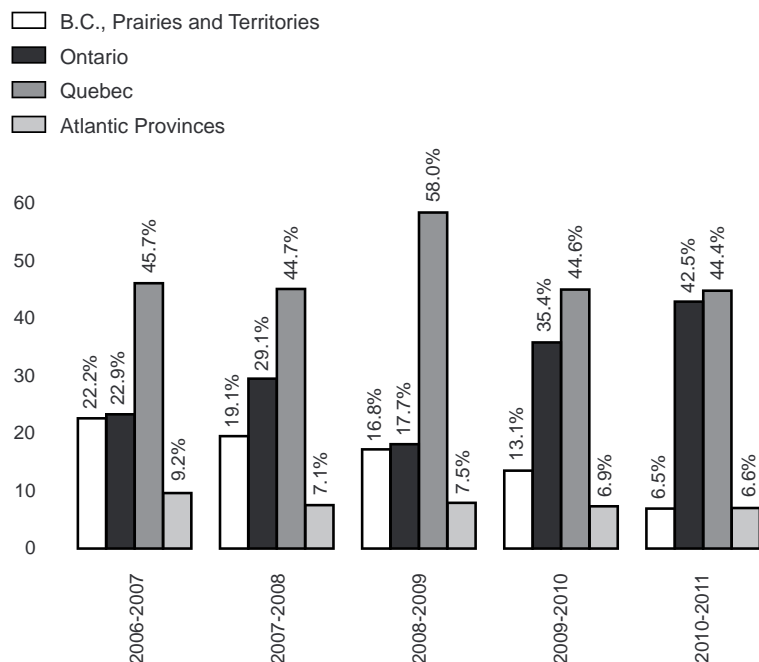
This year also marked the production of Canada's first Franco-Ontarian comedy, *La Sacrée*, written by Daniel Marchildon and directed by Dominic Desjardins, is the first French-language feature financed by Telefilm through the Official-Languages Activities Programs' Écrire au long and the production component initiatives. The film is scheduled for release in the fall of 2011. Commitments to English-language projects and initiatives inside Quebec rose slightly in 2010-2011.

Achievements

Commitments by region and language

Regional Breakdown

Regional Breakdown of CFFF Commitments



Source: Telefilm's database – Development, Production and Post-Production 2006-2011

Diversification is also about regional stories. Each year, Telefilm invests in some fifty films at the production stage of which only about ten represent investments above \$1.5M per film. These investments are the result of a rigorous selection process that puts in competition the very best projects from all regions of Canada. With such a small number of films accounting for a significant portion of investments made by Telefilm, the regional breakdown of Telefilm's investments will fluctuate considerably from year to year.

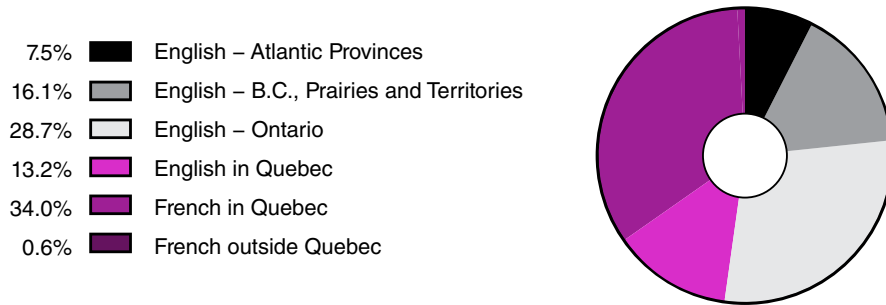
Although Quebec has remained the province with the most production commitments (some English-language and almost 100% of French-language productions) over the last five years, Ontario has steadily built its share to near parity in 2010-2011. A strong performance in Ontario is attributed to ten productions last fiscal year, which received \$1M+ in Telefilm support.

As indicated in the graph above, B.C., the Prairies and the Territories saw their share of total financing drop over the past five years. This decrease is explained by the investment in seven films from these regions over the first three years of this five-year period compared to only one over the last two years.

Funding from other government sources, including provincial tax credits and agencies, has been stable over the past five years with very slight fluctuations, representing between 32% and 35% of total financing.

Achievements

Regional commitments by language



Source: Telefilm's database – Production 2006-2011

Roughly a third of Telefilm's total commitments go to French-language productions. Over the past five years, dollars for English-language productions have tended to be concentrated in Ontario. Ontario has been receiving more commitments mainly because its client base is large, and also because many big-budget projects have been coming from Ontario over the past five years – including those produced by companies with performance envelopes.

Building Audiences

Strategic objective

Festivals and awards: Canadian cultural products are promoted to audiences in Canada and abroad

Key performance indicator

Prizes earned at major Canadian and international festivals

Target

Maintain or increase current levels of awards won

2008-2009 results

119 awards won

2009-2010 results

107 awards won

2010-2011 results

127 awards won – more than each of the past five years – including two Oscar® nominations

Achievements

Canada's awards

From the festival circuit to the Oscars®

2010 was a very special year for Canada in the realm of feature film awards. Canadian projects garnered 127 awards – more than each of the past five years. Here are some highlights:

- *Incendies* and *Barney's Version* received **52** awards and prizes in **18** festivals and events.
- *Incendies* and *Barney's Version* were nominated at the Oscars®, joining nine other Oscar-nominated, CFFF-supported projects since 2006-2007.
- Xavier Dolan was nominated for a César Award (Best Foreign Film) for *Les amours imaginaires*.

At Cannes:

- *ZedCrew*, directed by Noah Pink, was presented in the 42nd Directors' Fortnight.
- Xavier Dolan's second feature film *Les amours imaginaires* was presented at the Official Selection in the Un Certain Regard category.

Top Canadian filmmakers were also selected to serve on festival juries:

- Guy Maddin at the Berlin International Film Festival.
- Atom Egoyan, Director and President of the Cinéfondation and Short Film Jury at Cannes.

Special screenings from Ottawa to Shanghai

Special screenings of *Gunless*, *Incendies*, and *Barney's Version* in Ottawa, and *Afghan Luke* in Halifax gave Telefilm an opportunity to promote the successes of our filmmakers to parliamentarians and Canadian audiences. The screenings also delivered a message to the private sector about financing and partnering with successful Canadian filmmakers.

The Child Prodigy, a film written and directed by Luc Dionne, was also screened in Shanghai during Expo 2010.

Golden Box Office Award & the Guichet d'or

In 2010-2011, Telefilm introduced two awards to recognize the previous year's highest grossing Canadian feature films. The Golden Box Office Award and the Guichet d'or support the domestic box office achievements of Canadian directors and screenwriters. For 2009:

- *Trailer Park Boys: Countdown to Liquor Day* received the Golden Box Office Award.
- *De père en flic* received the Guichet d'or.

These awards shine a light on Canada's commercial successes in feature film, and associate Telefilm with box office achievement in the industry.

Achievements

“

Partnering with Telefilm
has allowed me to... grow as a filmmaker
while enjoying full freedom of expression.
Obviously, this freedom remains an essential
component of a democracy. That is why
I was able to make my latest feature film
Incendies with the help of Telefilm Canada.
This movie would not have been possible
within a private system.”

– Denis Villeneuve
(director)

Achievements

Building Industry Capacity

Strategic objective

Invest in audiovisual industry to attract other forms of financing

Key performance indicator

Percentage of overall project budgets financed by Telefilm vs. other sources

Target

Maintain or increase percentage of financing from other sources while decreasing Telefilm's financial participation

2008-2009 results

Due to the global financial crisis, Telefilm's share of overall budgets went up in feature film (from 31% to 37%)

2009-2010 results

Telefilm's share of overall budgets held steady

Broadcasters raised support for feature film

2010-2011 results

Telefilm's share of overall budgets down to a favourable 31%

Foreign financing up from 5% to 13%

Canadian film: investment and return

Canada Feature Film Fund - Financial Analysis (2010-2011) - Production - New contracts only *

	Number of projects	Budgets * (\$M)	CFFF %	Broad-casters %	Canadian Private Sector %	Distributors and Exporters %	Other Government Sources %	Foreign Participants %
French	19	76.5	31	2	6	8	48	6
English	29	135.8	31	2	16	9	25	16
Total	48	212.3	31	2	13	9	33	13

*Does not include the foreign share (\$39.9 million) of official coproduction budgets in which Canada is a minority partner.

Source: Telefilm's database, figures are rounded.

Achievements

The leveraging effect of our investments

The CFFF investments leveraged production budgets of \$212.3M. These investments have contributed to the economic prosperity and development of a vital industry across Canada. The feature film industry is labour-intensive because of its prototype nature; each film is different from the next. Therefore, a high proportion of all spending is paid directly in salaries. It is estimated that the CFFF investments have contributed to the creation or the maintenance of the equivalent of approximately 5,000 full-time jobs, of which 2,000 are directly linked to production activities.

The leveraging effect of our investments – including coproduction investments, sales by linguistic market and sales by platform – are all-important indicators for an industry that has traditionally measured success at the box office alone. As a priority over the next year, Telefilm will work with stakeholders and partners to ensure that its measures of success reflect today's multiplatform reality. Telefilm must also find better ways to capture usage data from all measurable platforms, and include newer online platforms that remain unmeasured such as iTunes and Netflix.

In 2010-2011, Telefilm was able to support the production of 48 projects across Canada – five more than 2009-2010. Our financial commitment dropped from \$66.8M to \$65.2M year-over-year. In other words, we were able to support five more projects with \$1.6M less investments.

English-language Feature Films

Antiviral
Blackbird
Breakaway
Charlie Zone
Cosmopolis
A Dangerous Method
Donovan's Echo
Down the Road Again
Edwin Boyd
Entitled
Foreverland
French Immersion
Goon
The Guys Who Move Furniture
Hobo with a Shotgun
Keyhole
Midnight's Children
The Moth Diaries
The Odds
Passionflower
Mulroney: The Opera
The Replicas
Roller Town
Rose by Name
The Samaritan
Servitude
This Movie is Broken
Trigger
Winnie

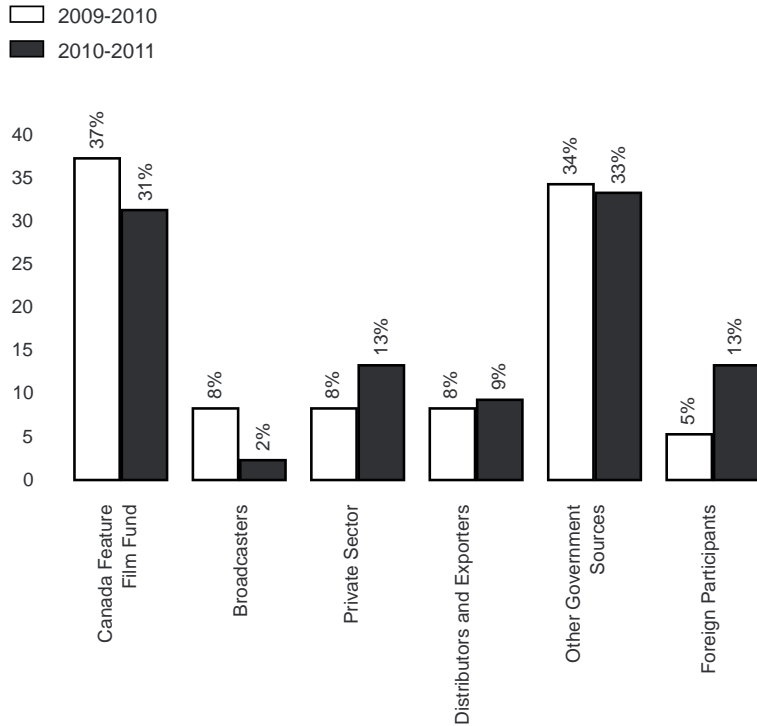
French-language Feature Films

L'appât
Monsieur Lazhar
Le bonheur des autres
Une bouteille dans la mer de Gaz
Café de Flore
Décharge
En terrains connus
French Kiss
Laurence Anyways
Marécages
Memories Corner
La peur de l'eau
Pour l'amour de Dieu
Le sens de l'humour
Starbuck
Sur le rythme
Le vendeur
La vérité
Une vie meilleure

Achievements

Our investments in 2010-2011

Financial analysis of film production (both linguistic markets)



Source: Telefilm's database, figures are rounded.

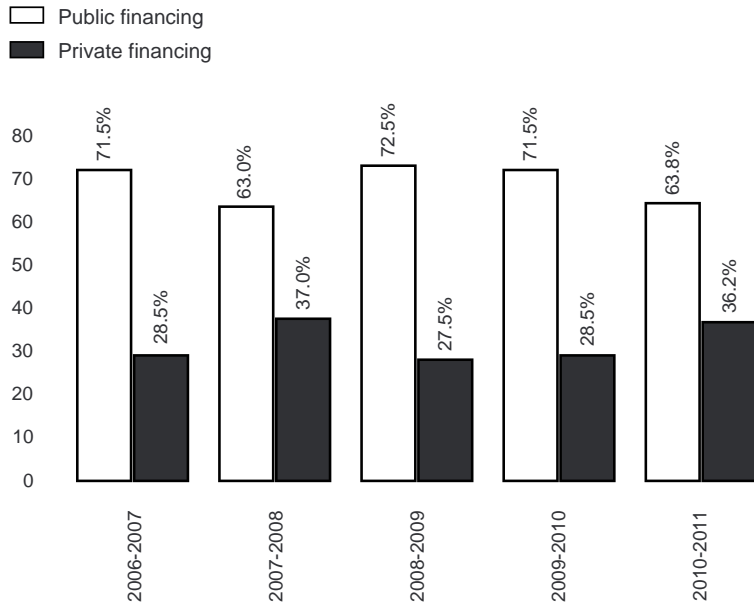
Telefilm's early investment in Canadian film projects enhances a producer's ability to attract additional financing. This past year, the CFFF represented 31% of all budgets – a three-year low.

The majority of alternative investment comes from the Canadian private sector (up from 8% to 13%) and from foreign sources (up from 5% to 13%). Distributor/exporter financing was up slightly year over year. Meanwhile, financing from television broadcasters has decreased from 8% to 2% since last fiscal.

Achievements

Public vs private funding

Public vs private funding (in % of budget)

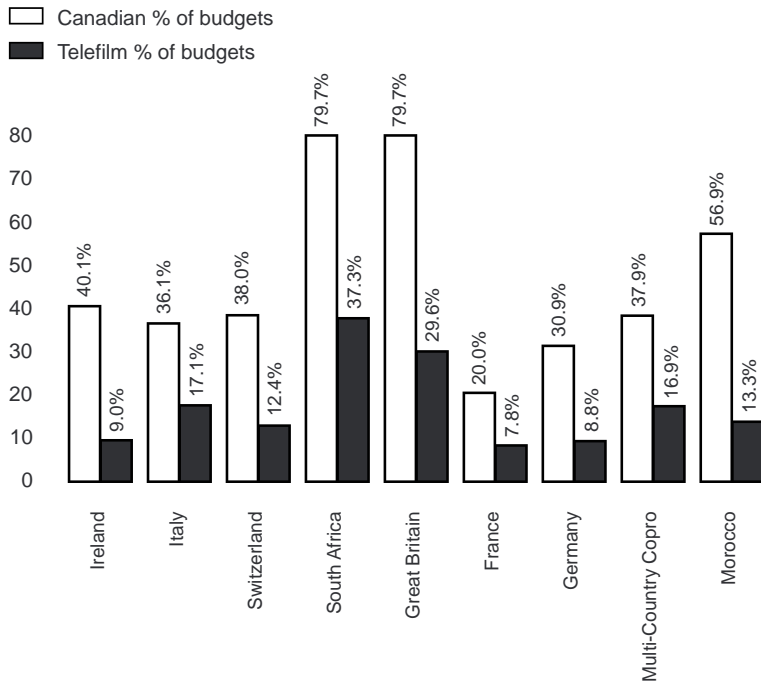


Source: Telefilm's database - CFFF 2006-2011

Public financing has made up about two-thirds of production budgets over the past five years. Public financing includes the CFFF plus provincial film agencies and other government sources. Private investment lagged in 2009 and 2010 due to the global financial crisis, but has now climbed back to 2008 levels. Coproductions also benefited from a better investment climate.

Achievements

Leveraging through coproduction investments



Source: Telefilm's database, 2006-2011

Since 2006, Telefilm has committed over \$70M to Canadian producers involved in international minority and majority coproductions. During the past five years, almost \$287M of foreign financing from 14 different countries has been invested in coproductions with Telefilm participation, representing a total of 56% of all financing.

Most coproductions have higher budgets – on average, \$11.5M vs. \$5.5M for all-Canadian productions. Pooling resources with other nations can generate more financing, and this often gives Canadian producers the opportunity to participate in higher-profile projects.

Achievements

Our partners

Coproduction partners from 2006-2011

	# titles	Total commitments
France	15	\$ 17.6 M
Great Britain	6	\$ 13 M
Italy	3	\$12.3 M
Ireland	4	\$ 10.5 M
Multi-Country	9	\$ 6.5 M
Germany	2	\$ 5.6 M
South Africa	2	\$ 3.3 M
Switzerland	2	\$ 1 M
Morocco	1	\$ 0.2 M

Source: Telefilm's database

Canadian producers partnering with France and the U.K., our largest coproduction partners (and official language matches), received over \$30M of our funding in the past five years.

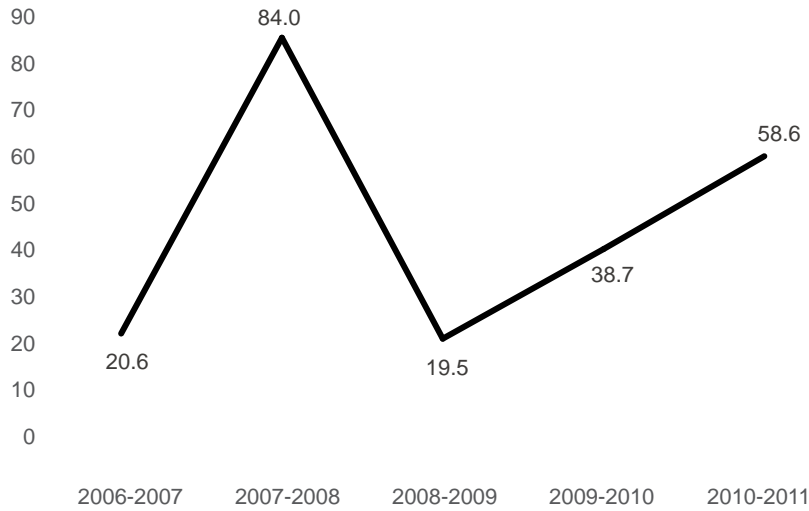
Some French-language investment also goes to Canadian producers who are working with African and Swiss partners. English-language investments are more diverse with coproduction partners including non-English-speaking countries such as France, Germany and Italy.

Minority coproductions represented 24 of 44 of the productions to which Telefilm committed funds. Minority coproductions are an important way to strengthen partnerships and build relationships internationally. This past year, Telefilm's commitments were equally balanced between minority and majority coproductions.

The following graph demonstrates a recovery in coproduction's activities. After an important drop in activity, coproduction investments rose to 58.6M this fiscal.

Achievements

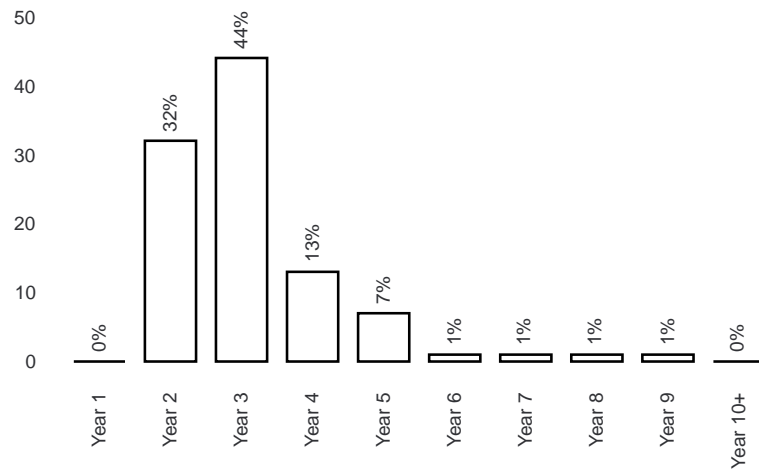
Canadian financing of coproductions in which Telefilm invested (\$M)



Source: Telefilm's database

Life cycle of sales

CFFF sales per year after financing



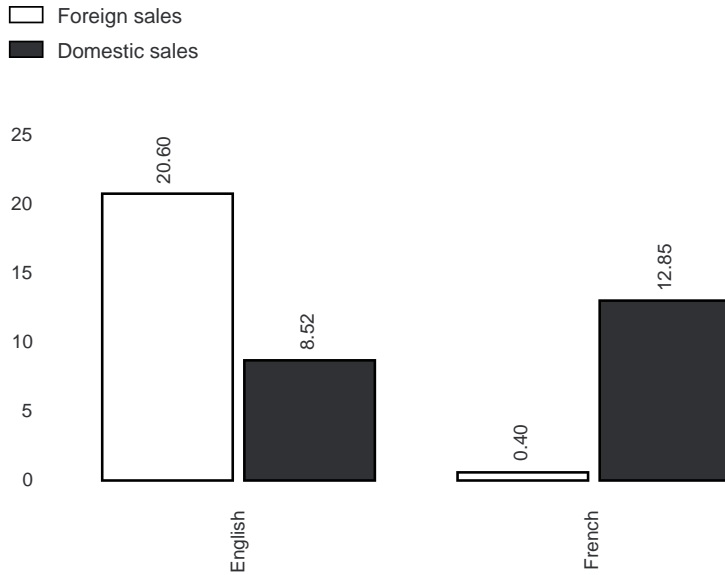
Source: Telefilm's database

Statistical analysis lets us track the sales life cycle of films supported by the CFFF. The bulk of sales takes place in years two, three and four after CFFF financing is granted by Telefilm. In fact, this three-year span accounts for 89% of total sales.

Achievements

Sales by linguistic markets

Gross sales by territory (\$M)



Source: Telefilm's database

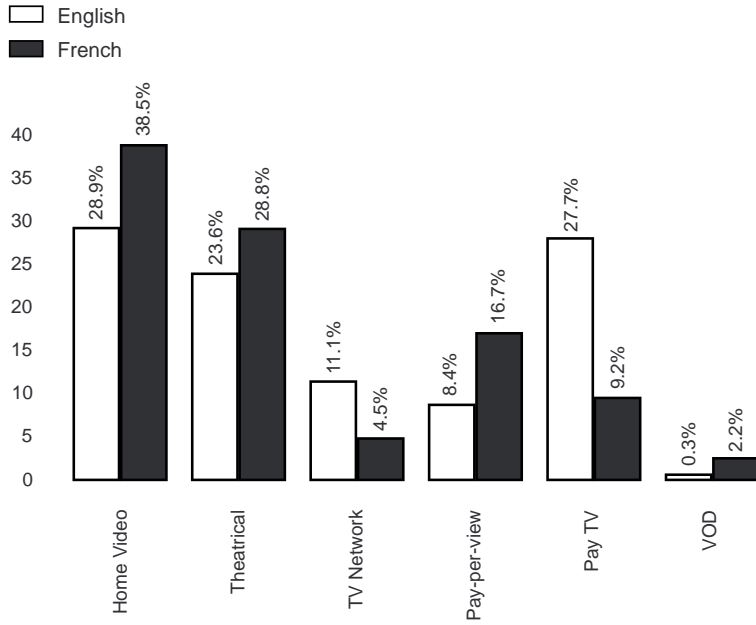
Whereas English-language films generated almost three-quarters of their sales in foreign markets, French-language films generated their sales in the domestic market.

Within the domestic market, we find that theatrical release and home video together still dominate domestic sales, accounting for two-thirds of French-language films and over half of English-language films.

Achievements

Sales by platforms

Domestic gross sales by platform



Source: Telefilm's database, figures are rounded.

Sales to television networks and cable services such as pay TV and pay-per-view still combine to represent almost half of domestic sales for English-language films and almost a third for French-language films. Video-on-demand is still in its infancy with a small share of sales.

Achievements

Building Industry Capacity

Strategic objective

Increase industry capacity through sales and business development at international markets

Key performance indicator

Level of sales and business at markets

Target

Maintain or increase Canadian and international sales and business development

2008-2009 results

Overall sales at markets are up 21% year over year.

2009-2010 results

Sales at international markets are up for the third year in a row – 26% for sales and presales combined

2010-2011 results

Closed sales and presales totalled \$15M in 2010, down 14% year over year

Sales performance was third highest in the past five years.

Canada's presence at international markets

Canada's presence at international markets is important to the Canadian audiovisual industry. Canada, with its cosmopolitan population, is well-positioned to appeal to audiences all over the world.

Most foreign sales of Canadian audiovisual content take place at four or five major international events – sometimes in conjunction with festivals. These markets include MIPTV, MIPCOM, the Marché du film at Cannes, and the Berlinale European Film Market.

Telefilm maintains a presence at each event. Surveys show that over 84% of Canadian companies in attendance at each event used the onsite facilities provided by the Canada Pavilion/Sales Desk in 2010. After a recessionary drop in use during 2009, Canadian companies are returning to the Canada Pavilion in higher numbers once again – a welcome sign of increased international business.

Canadian companies rated the Canada Pavilion/Sales Desk 8.3 out of 10 for its utility in doing business, and 9 out of 10 for the quality of staff assistance they received.

Achievements

International sales activities

Sales at MIPCOM, MIPTV, Cannes and Berlin are measured through a survey of participating Canadian companies. The figures are conservative estimates given that only 40 out of 180 respondents provide complete sales information.

Canadian companies conducted over 6,200 meetings across the five markets measured – an average of 38 meetings per company. About half of these meetings involved new business partners.

According to the surveys:

- 79% of Canadian companies reported closing sales in 2010.
- Approximately 593 deals were made.
- About 516 titles were sold.
- Each Canadian company completed an average of six sales deals and sold five titles.

Sale or presale: what's the difference?

Marketing activity at international events is a combination of sales and presales. A sales transaction involves projects that have already been produced, or the intellectual property rights for remakes. A presale occurs when production companies find financial partners to work on their upcoming projects.

- 45% of clients reported closing presale deals in 2010
- About 116 presale deals were done
- Canadian companies, on average, completed three presale deals at each event

Value of international sales⁴

In 2010, Canadian companies participating at international markets closed:

- over \$8M of sales, and
- over \$7M in presales.

This \$15M total was off only slightly from \$16M in 2009. However, the outlook is promising with \$32M currently in sales and \$22M in presales in progress.

⁴ All sales at international markets are tabulated on a calendar basis, from January 1 to December 31.

Achievements

Doing business with Canada

The scope of sales for 2010 is also impressive. Canadian companies:

- Conducted business with 20 different countries and territories.
- Principle partners in 2010 included the United Kingdom (36% of activity); Germany (22%); the United States (20%); Australia (9%); and France (7%).
- Arranged coproductions and co-ventures with 25 different countries and territories worth \$125M, or about \$5.4M per company.

Sharpening our approach to international markets

Tracking international sales and activities over the past five years has given Telefilm valuable insights for developing our international strategy. We have already begun to adjust our approach and presence to better support the Canadian audiovisual industry. Looking ahead, we plan to intensify our presence at the Toronto International Film Festival. In partnership with provincial agencies, the CMF and producers' associations, we are developing specific action plans for the U.S. and Asia.

Our new four-year corporate plan places high priority on stimulating audience demand for Canadian productions, not only in Canada but also around the world. International business and coproductions are an important source of alternative financing for our industry.

Building Industry Capacity

Strategic objective

Create benefits for industry professionals through high-quality training initiatives

Key performance indicator

Survey results indicating levels of satisfaction and positive career impact due to Telefilm training and development initiatives

Target

Maintain or increase satisfaction levels with training initiatives format and outcomes

2008-2009 results

After three years of monitoring, satisfaction levels remain strong at 4.2 out of 5

2009-2010 results

Satisfaction scores stay within the range of 4 to 4.2 out of 5

2010-2011 results

Satisfaction scores Increase from 4.2 out of 5 in 2010 to 4.6 out of 5 in 2011

Achievements

Supporting Canadian diversity

A rich tradition of storytelling

Now at the end of its third pilot year, the Featuring Aboriginal Stories Program seeks to broaden the industry's capacity within Aboriginal communities, and to get more projects in production and on screens. The program is comprised of training, professional development, and personalized mentorship along with a development advance.

Marie Clements of Frog Girl Films Productions Inc. participated in the program for the first time in 2009 with her dramatic feature *Tombs*. She returned in 2010-2011 to move her project one step closer to production:

"Being a part of the Featuring Aboriginal Stories Program was an invaluable experience in developing our story to its full potential, fusing what we know as storytellers with what we need to know to get the story to an audience."

All 2010-2011 FASP participants were surveyed. When asked to rate their satisfaction with the overall program on a scale of one to five, participants averaged 4.3, up from 4.0 in 2009-2010.

Developing official language minorities

In 2010-2011, Telefilm continued to support developing talent in official languages minority communities. The Écrire au long and Feature It! initiatives funded 17 projects from minority French- and English-language communities across Canada.

In addition to project development funding, participating writers and producers took part in training workshops and received personalized, professional support from scriptwriting advisors or producer-mentors. Montreal-based writer/producer Debra Kouri raved about her 2009-2010 Feature It! experience, and how it benefited her English-language film project *Oh, Christmas Trees*:

"In my 12-plus years in the film and television industry, the Feature It! training was the best I have ever received. The lessons we learned have already proven invaluable and I'm sincerely looking forward to writing my next draft. I wish this type of training was mandatory for all Canadian writers and producers!"

On a scale of one to five, Feature It! was rated 4.6 out of 5 for overall satisfaction (up from 4 out of 5 in 2009) and Écrire Au long was rated 4.8 out of 5 for overall satisfaction of its participants (up from 4.3 in 2009).

The power of technology

In January and February of 2011, directors, producers and distributors from across the country attended multiplatform strategies workshops to help them understand and benefit from multiplatform content marketing and distribution. The workshops focused on the overview of Web culture and behaviour of social network users, potential of online marketing and social networks and digital content creation/distribution for the multiplatform environment. This survey is currently in progress and results will be published in next year's annual report.

Administration

**“ Partnering with Telefilm
has allowed me to... realize my dream
in creating my first feature film.”**

– Jason Eisener
(director)

Administration

Operational and financial information at a glance

- \$1.5M of administrative budget transferred to CFFF programs to increase project funding.
- Telefilm responded to the Treasury Board Secretariat's cost containment measures and decreased its professional services expenses by 45% and travel and hospitality expenses by 19% since 2008-2009.
- Overall management expense ratio remained stable (6.2%) notwithstanding the implementation of new CMF programs.
- CMF Services Agreement has been renewed for fiscal 2011-2012.

Responsible administrator

Strategic objective

Client services

Key performance indicator

Client satisfaction

Target

Maintain or increase client satisfaction level compared to most recent Canada-wide survey

2008-2009 results

Canada-wide survey was postponed to 2009-2010

Canada Media Fund Program Administrator (CMFPA) survey rates satisfaction at 7.9 out of 10

2009-2010 results

Canada-wide survey reported an increase in overall satisfaction scores compared to 2005-2006

2010-2011 results

Executive Director held cross-country consultations preceding new corporate plan

Program delivery adopted a more streamlined approach to simplify processes, improve client service and quality control

Administration

Strategic objective

Transparency and accountability

Key performance indicator

Refine established performance indicators

Target

Optimize operational efficiency by monitoring financial and operational indicators

2008-2009 results

Financial indicators have been met

Operational indicators for project funding decisions have been reviewed

2009-2010 results

Most of the operational and financial indicators have been met

2010-2011 results

Most of the operational indicators have been met

Financial targets have been met

Strategic objective

Efficient administrator

Key performance indicator

Management Expense Ratio (MER)

Target

Maintain a low MER:

- All programs, including Canada Media Fund (CMF) programs
- Canada Feature Film Fund (CFFF)
- Canada Media Fund Program Administrator (CMFPA)

2008-2009 results

7.2%
8.2%
2.7%

2009-2010 results

6.1%
9.7%
2.4%

2010-2011 results

6.2%
9.5%
2.8%

Administration

Client services

For 2010-2011, a strategic planning year, Telefilm reached out more actively to gain a clear understanding of client satisfaction and industry needs:

- The Executive Director went from coast to coast **meeting with key industry players** from all regions of Canada.
- Telefilm's Strategy and Research group prepared omnibus surveys and performed industry research.
- Selected employees were consulted to supply input for program revisions and improved client services.

The findings and lessons learned from these exercises are reported in our new corporate plan *Fostering Cultural Success*.

A tailored approach to the industry

Telefilm delivers programs to Canada's audiovisual industry. The main programs for development, production and marketing of films are delivered through the Canada Feature Film Fund (CFFF). Telefilm also administers the Canada Media Fund (CMF) programs as defined in a services agreement with that organization.

Program decision models

Telefilm uses different decision-making models to deliver its programs. These include selective decisions and the use of mechanisms such as performance envelopes to provide more predictability and streamlined decision-making for clients with an established track record of success. Each of these approaches to decision-making and program delivery balances the needs of our clients with adequate due diligence and cost-effective, efficient administration.

Administration

Applications received and contracts signed

	Received	Contracts Signed
Canada Feature Film Fund		
Development	1,000	409
Production	266	70
Marketing	103	81
Other initiatives	88	82
	1,457	642
Canada Media Fund Program Administrator		
Production (performance envelope)	574	554
Production (selective programs)	173	89
Development/versioning (selective programs)	668	644
Experimental program	461	77
	1,876	1,364
	3,333	2,006

The table above shows the number of applications received and contracts signed. Oversubscription to some selective programs, which results in a lower acceptance rate for applications, has a financial impact on the administrative resources of the organization. The financial impact of high demand is an ongoing concern for CFFF since only 44% of applications received went to contract. Relative to last year, there was also a material increase in the number of applications received and contracts signed – in particular for CMF programs where applications received grew by 89% and contracts signed by 45%.

Administration

Transparency and accountability

Telefilm uses operational and financial key performance indicators (KPIs) to monitor progress towards its operational goals. These indicators also allow us to address efficiency and risk issues, and help us deliver a certain level of service to our clients. The following KPIs were selected for their direct impact on service response times, for their financial impact on CFFF clients, and for administrative cost efficiency dealing with public funds.

Operational indicators	Targets			Results
		2008-2009	2009-2010	2010-2011
Response times for production funding decisions	Decision date planned	Target not met	Target met	Target met
• CFFF: Decision issued	10 weeks	Target not met	Target not met	Target almost met
CMFPA service levels:	Targets to meet	Most targets met	Most targets met	Some targets met
• Response time indicators				
Project payment triggered	≤ 3 days	Target met	Target met	Target met
Supplier payment triggered	≤ 20 days	Target met	Target met	Target met
Critical IT system hours available	≥ 97.5%	Target met	Target met	Target met
Critical IT systems incident-free days	≥ 90%	Target met	Target met	Target met

CFFF production funding decision

The standards set by Telefilm's service charter are ambitious, but we are committed to meeting them. Significant process improvements are planned for next fiscal.

CMFPA service levels

The introduction of new programs, including selective programs such as the Experimental stream, as well as the Convergent stream caused a significant increase in the number of applications received and contracts signed. This resulted in only some of the CMFPA service levels being met. Process improvements are being evaluated in collaboration with the CMF in order to meet the service levels.

Financial indicators (\$M)	Targets			Results
	2010-2011	2008-2009	2009-2010	2010-2011
CFFF assistance expenses	\$85.7M	Target met	Target met	\$96.5M Target met
Administrative budget: Maximum threshold	\$28.7M	Target met	Target met	\$27.1M Target met

Financial indicators expose Telefilm's two most important risks from an administrative perspective: lapsing funds for CFFF, and overspending the administrative budget.

Administration

CFFF is on track

The CFFF target establishes the lowest level of program expenditures required in order to avoid lapsing funds, taking into account all budgetary transfers. The CFFF target was met as in previous years. Overspending was funded with recoveries.

Efficiency in administrative budget utilization

The administrative budget target represents the maximum financial resources available for utilization (calculated on a cash modified basis and before budget transfer). This budget cannot be compared to the operating and administrative expenses in the financial statements since it is accounted for on an accrual basis.

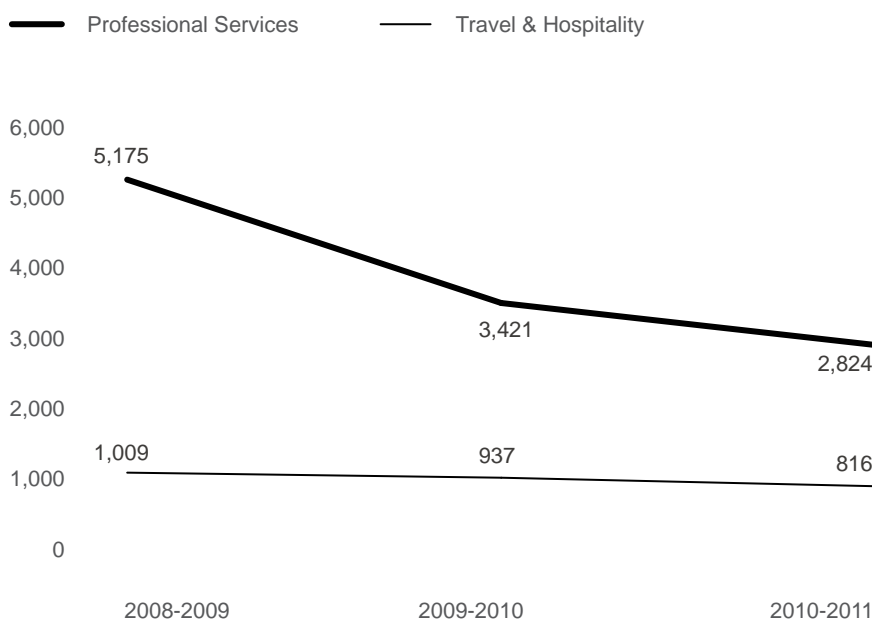
Once again target was met and for a third year in a row a portion of the administrative budget was transferred to industry programs. From Telefilm's annual parliamentary appropriation for administration, \$1.5M was transferred to CFFF programs benefiting the industry. In addition, \$1M of administrative expenses for fiscal 2011-2012 were prepaid through the 2010-2011 budget, leaving Telefilm in a very good position. In short, Telefilm manages public funds carefully and effectively.

Cost containment measures

Telefilm met both the spirit and the intent of the Treasury Board Secretariat's cost containment measures by performing a thorough review of its discretionary spending.

- Professional services expenses (-45%) and travel & hospitality expenses (-19%) decreased consistently over the last two years.
- Given Telefilm's mandate, advertising and publications expenses have not been targeted for cutbacks.

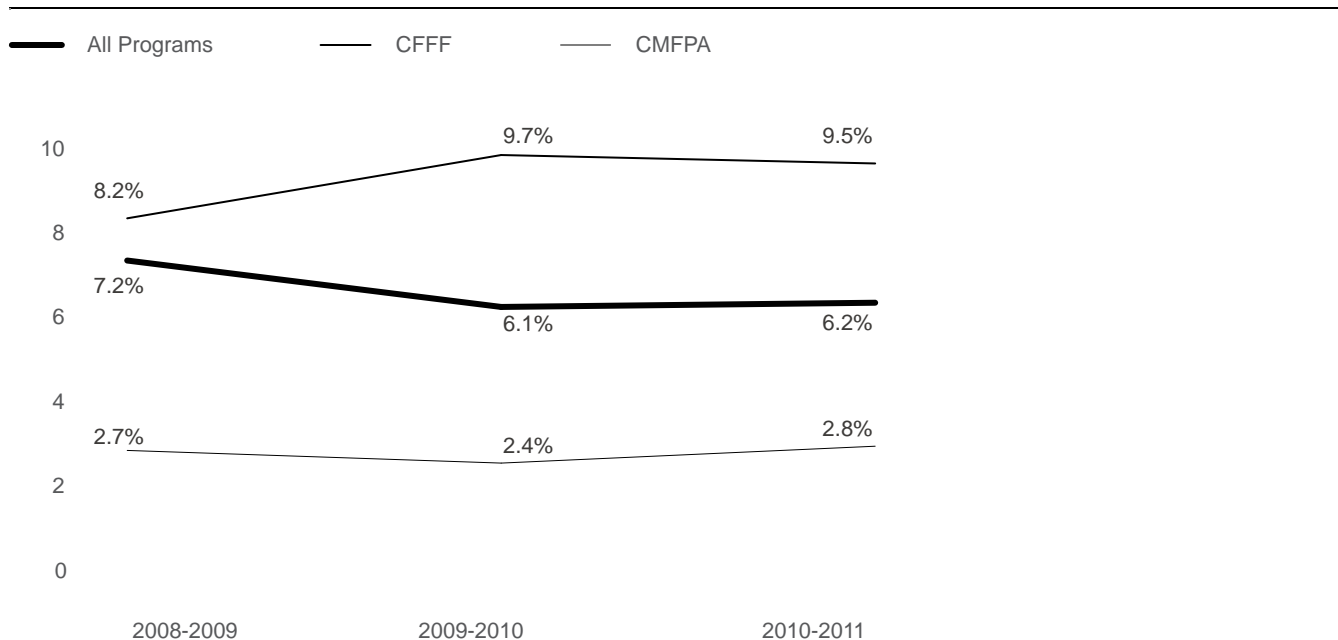
Level of expenses ('000)



Administration

Efficient administrator

Management expenses ratio (MER)



Telefilm uses the management expense ratio (MER) and other metrics as part of its efficiency assessment for program delivery. It measures, as a percentage, the financial resources expended to deliver each program based on its annual expenses. Measurement requires a specific calculation taking into account operating and administrative expenses (net of amortization) and relevant program expenses. The ratio calculation has limitations and should not be used to compare different programs because of differences in program decision-making models.

All programs

This ratio measures all of Telefilm's operating and administrative expenses against total assistance expenses, including CMF funding programs that are not part of Telefilm's financial statements. The launch of the new CMF programs resulted in a small increase of less than 2% over last year, stabilizing the MER at 6.2%. Telefilm does not expect a major variation for this ratio next fiscal.

Canada Feature Film Fund (CFFF)

MER declined 2% from last fiscal reaching 9.5%, despite the fact that CFFF assistance expenses decreased by almost \$3M and negatively affected the ratio calculation. Presentation of CFFF expenses are expected to be different for next year, so Telefilm is evaluating CFFF's MER in relation to the new disclosure.

Canada Media Fund Program Administrator (CMFPA)

This MER has fluctuated over three years between 2.4% and 2.8% in 2010-2011. Such stability over time demonstrates sound control over costs. This year, the MER increase is due primarily to costs relating to the administration of the new programs. No significant change is expected in CMFPA's MER next fiscal.

Administration

Reliability of information

This financial review has been prepared by management and should be read in conjunction with our audited financial statements and related notes for the year ended March 31, 2011. The Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles. The financial review provides a complete, fair and balanced account of Telefilm's past performance and future outlook. The content is factual and based on meaningful, relevant and reliable information. Management has developed and maintains effective systems, controls and procedures to ensure that information used internally and disclosed externally is complete, reliable, comparable, relevant and timely. This financial review has been presented to the Management Committee and the Executive Director, to the Audit and Finance Committee, and finally to the Board of Directors for approval. Financial Statements along with the Independent Auditor's Report are presented in the next section.

Accounting standards & estimates

No new accounting standards were adopted for 2010-2011. Management uses its best estimates and assumptions to prepare financial information that could have a material impact on the financial statements. Significant accounting assumptions are discussed in Note 2i) *Measurement uncertainty*, in the Financial Statements. Telefilm revised some assumptions and the calculation method for the severance benefit obligation (see Note 7b) *Severance benefit obligation*, in the Financial Statements).

Financial reporting standard

Telefilm determined that the CICA Public Sector Accounting Standards are the most appropriate basis of accounting for its financial statements. These standards will apply to the next fiscal year beginning on April 1, 2011. The estimated financial impact is a decrease in liabilities and an increase in the Equity of Canada established at \$3.3M (see Note 3: *New accounting standards adopted, Future accounting changes* in the Financial Statements).

Administration

SUMMARY: STATEMENT OF OPERATIONS (\$M)

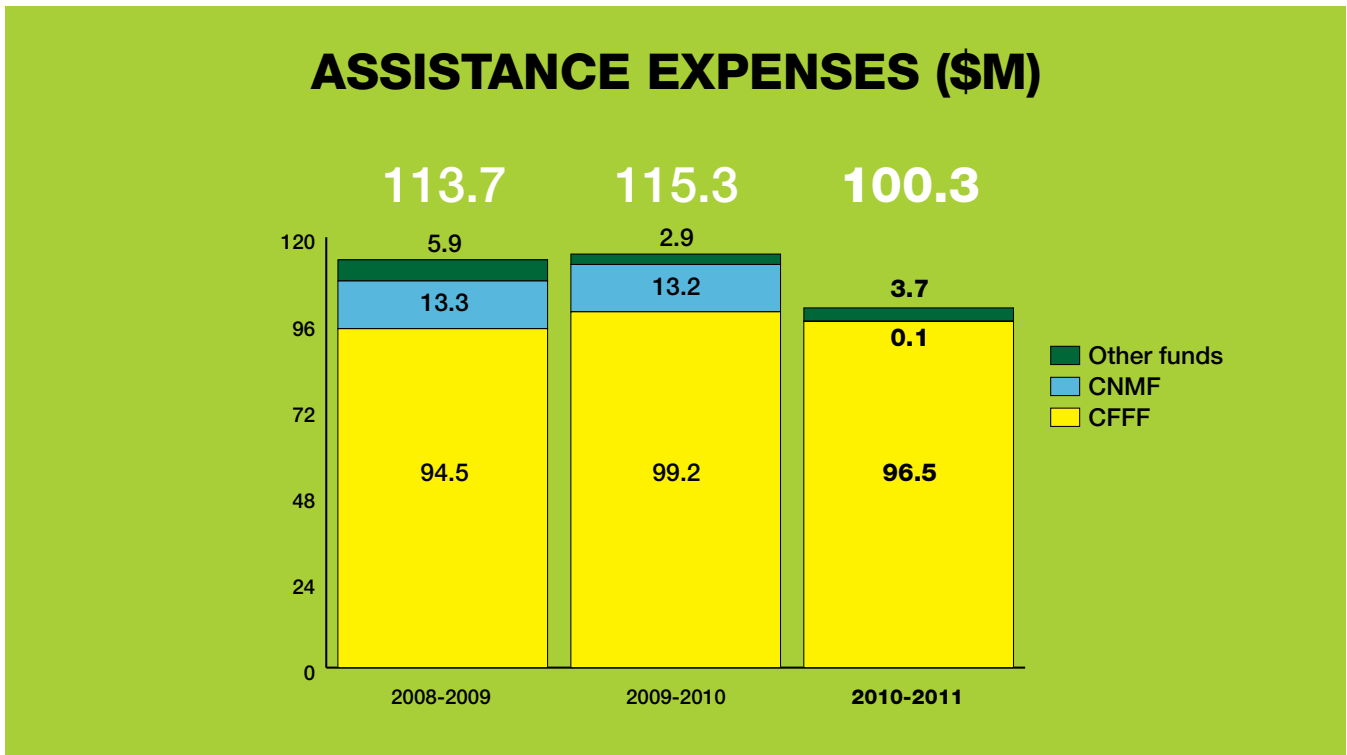
	2010-2011	Change \$	Change %
EXPENSES			
Assistance expenses	100.3	(15.0)	-13
Recoveries	(9.1)	0.1	-2
Administrative expenses	28.4	(0.5)	-2
FUNDING			
Revenues	10.1	1.5	18
Government funding	106.9	(13.6)	-11
Net result	(2.6)	3.3	

Financial results at a glance

Funds were used in an optimal way in fiscal 2010-2011 with a net result of \$-2.6M. Negative results at Telefilm merely demonstrate that the Corporation used all available current funding and also used its accumulated recoveries to cover funding shortfall.

Overall assistance expenses reached \$100.3M – a decrease of 13% over last fiscal that is mainly attributable to the winding down and closing of the Canada New Media Fund (CNMF) (-\$13.1M). Recoveries are stable at \$9.1M, but are in a declining trend. Administrative expenses decreased to \$28.4M, diminishing by 2% from last fiscal, a second-year-in-a-row decrease. Revenues are up by 18% at \$10.1M, the rise coming from higher CMF service fees due to new programs. Government funding dropped significantly by \$13.6M, principally due to the phase-out of the CNMF.

Administration

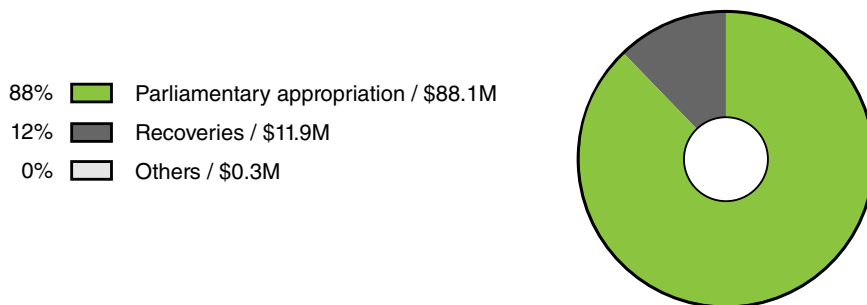


Assistance expenses

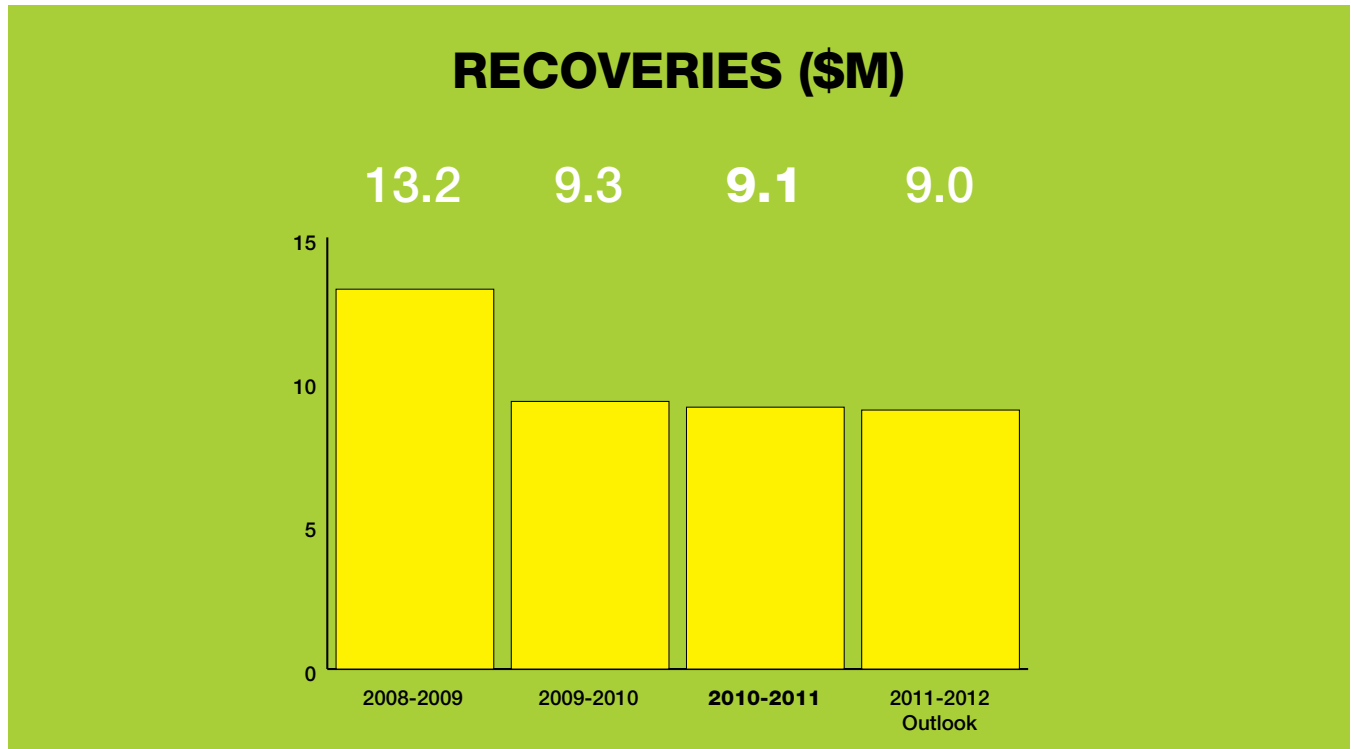
Fiscal 2010-2011, with an assistance expense level of \$100.3M, shows a more realistic preview of years to come. A material decline from last year (-\$15M) is primarily explained by the phase-out of the CNMF. Details of assistance expenses are shown in Schedules A and B of the Financial Statements. A slight decrease in assistance expenses is expected for 2011-2012, based mainly on the expectation of lower recoveries.

Assistance expenses are mainly funded through parliamentary appropriation, but also from current and accumulated recoveries. The following pie chart presents the amounts of funding and percentage of total by source.

Assistance expenses funding: \$100.3M



Administration



Recoveries

Recoveries derive from recoupable advances related to Telefilm's participation in marketing and development of films and from returns on equity investments in the production of films.

The above graphic illustrates the decreasing trend of recoveries over three years. Recoveries are unpredictable, and the higher total in 2008-2009 was due in large part to two successful Canadian films on the international market. 2011-2012 recoveries forecast are extrapolated from prior years.

In compliance with the former CNMF contribution agreement with PCH, Telefilm remitted about \$0.6M this fiscal to the consolidated revenue fund.

Administration

OPERATING AND ADMINISTRATIVE EXPENSES (\$M)

	2010-2011	Change \$	Change %
Salary and benefits	19.1	0.5	3
Professional services	2.8	(0.6)	-17
Rent	1.7	0.0	1
Amortization	1.3	(0.4)	-23
Information technology	1.2	(0.1)	-8
Office expenses	1.0	0.0	4
Travel and hospitality	0.8	(0.1)	-13
Advertising and publications	0.5	0.1	22
	28.4	(0.6)	

Operating and administrative expenses

Operating and administrative expenses are shown in Schedule C of the Financial Statements. For a second year in a row, Telefilm recorded a decrease in operating and administrative expenses. At \$28.4M, these expenses are 2% lower from last year.

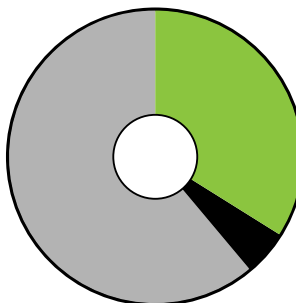
Salaries account for 67% of total expenses. Salary expenditures increased only by 3% demonstrating financial discipline while phasing out the CNMF and implementing new programs for the CMF. Expenses for professional services and travel and hospitality also dropped 17% and 13% respectively, the result of a thorough budgetary review.

Finally, expenses for amortization also decreased since numerous assets are at the end of their useful lives. Overall, Telefilm does not expect significant increases in expenses next fiscal.

Administrative expenses have two major funding sources: parliamentary appropriation and CMF management fees. The following pie chart presents the amounts of funding and percentage of total by source on an accrual basis.

Administrative expenses funding: \$28.5M

- 34%  CMF / \$9.6M
- 5%  Deferred gov. funding / \$1.3M
- 61%  Parliamentary appropriation / \$17.5M
- 0%  Others / \$0.1M



Administration

GOVERNMENT FUNDING AND REVENUES (\$M)

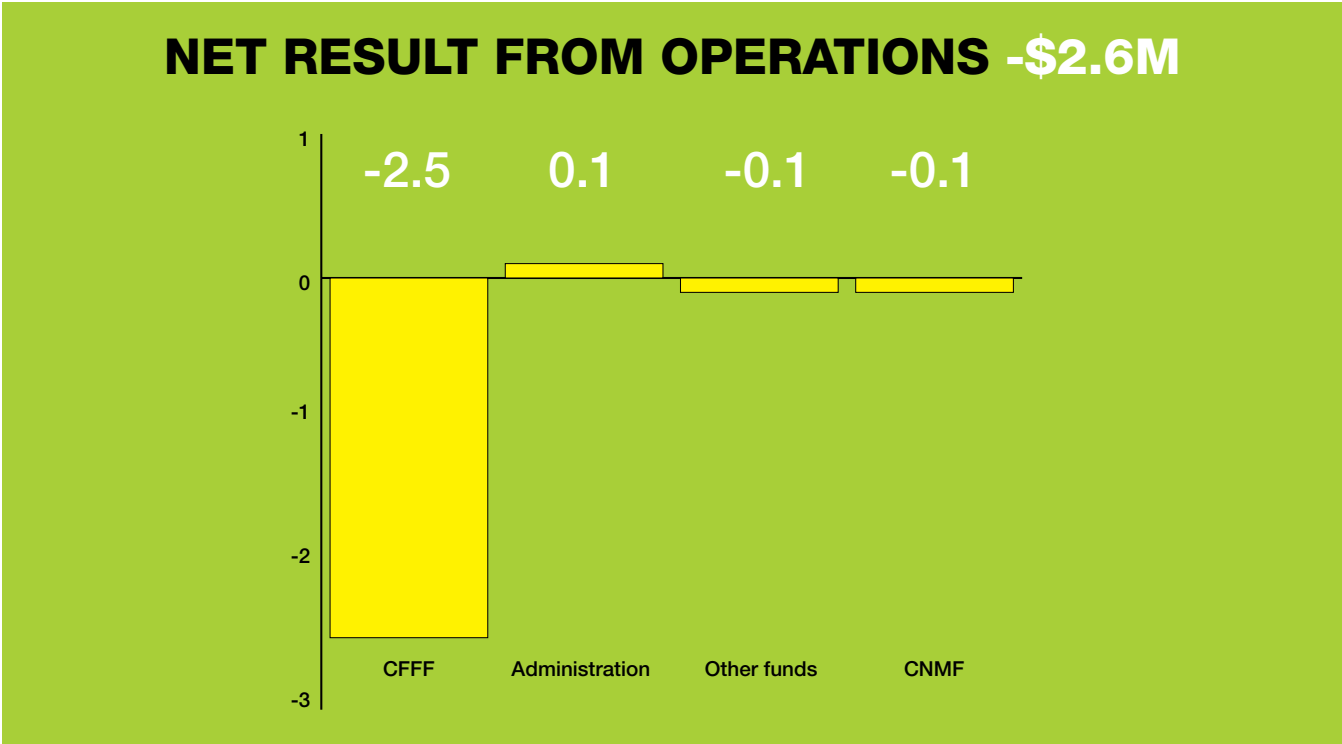
	2008-2009	2009-2010	2010-2011	Trend
Parliamentary appropriation	108.7	105.7	105.6	Stable
CMF management fees	7.7	7.9	9.6	Upward
PCH Contributions	14.1	13.1	–	Downward

Government funding and revenues

Parliamentary appropriation was stable over the past year and reached \$105.6M, it is recorded on the statement of operations, net of intangible assets work in progress (\$.063M). Parliamentary appropriation is expected to be about the same for next fiscal.

Revenue from CMF management fees increased significantly over last year (+\$1.7M) due to the increase in applications and the launch of the new programs. The services agreement has been renewed for fiscal 2011-2012. PCH contributions are at zero, explained by the phase-out of the CNMF.

Administration



Net result

The total net result of -\$2.6M was good for Telefilm. It demonstrates that all current funding was used and that any shortfall on current funding has been made up by accumulated recoveries. All funds, CFFF, other funds and CNMF, have used accumulated recoveries through the Equity of Canada for funding their expenses. The above graphic shows the net result for each fund.

It is normal that these funds are in a shortfall situation given that Telefilm also recorded recoveries, and that these are reinvested in a timely manner. These reinvestments are subject to audiovisual production cycles that are not necessarily synchronized with Telefilm's fiscal year-end.

Administration

BALANCE SHEET (\$M)

	2010-2011	Change \$	Change %
ASSETS			
Receivable from Canada	37.2	(0.2)	0
Accounts receivable	3.9	(0.2)	-5
CMF receivable	3.0	1.0	49
PCH receivable	0.0	(2.7)	-100
Prepaid expenses	1.8	(0.2)	-11
Property & equipment and intangible assets	3.3	(1.2)	-28
	49.2	(3.5)	

Balance sheet

The following section is intended to highlight key items on the balance sheet as well as main variations from last fiscal year. The complete balance sheet with actual and comparative figures is presented in the [Financial Statements](#).

Total Assets amount to \$49.2M, and our Receivable from Canada at \$37.2M is the equivalent of our cash in bank. This is the most important asset, representing over three quarters of our entire assets. This liquid asset will fund our \$33.9M contractual commitments (see Note 10 a) *Assistance expenses* of the Financial Statements.)

Major fluctuations in receivables come from CMF and PCH. CMF's \$1M increase is mainly due to additional fees for delivery of the fourth quarter activities; while the PCH decrease is explained by the last fiscal (2009-2010) CNMF transactions to be reimbursed. The last important balance sheet variation comes from a net value decrease of \$1.2M in fixed and intangible assets, mostly related to amortization.

Administration

BALANCE SHEET (\$M)

	2010-2011	Change \$	Change %
LIABILITIES AND EQUITY			
Current liabilities	2.4	0.8	54
Deferred lease inducements	0.4	(0.1)	-28
Severance benefit obligation	1.2	(0.4)	-22
Deferred government assistance	3.3	(1.2)	-28
Equity	41.9	(2.6)	-6
	49.2	(3.5)	

Balance sheet

Equity of Canada reached \$41.9M this fiscal year. It is the principal item on the balance sheet and represents 85% of the liabilities and equity. It mostly represents, on an accrual basis, recoveries not entirely reinvested (see contractual commitments mentioned above) and therefore not yet recorded as assistance expenses. The decrease in equity is directly linked to the net result of the current fiscal year (-\$2.6M). Deferred government assistance represents the unamortized funding recorded for the fixed and intangible assets (\$3.3M), and the decrease is mostly correlated to amortization expenses. Current liabilities closed at \$2.4M. The rise of \$0.8M is due to the CNMF recoveries to be remitted to the consolidated revenue fund and the administrative trade account payables.

Administration

CASH FLOW SUMMARY (\$M)

	2009-2010	2010-2011	Change \$
Cash used by operating activities	(9.9)	(0.2)	9.7
Cash provided by financing activities	0.0	0.1	0.1
Cash used by investing activities	0.0	(0.1)	(0.1)
Decrease in cash	(9.9)	(0.2)	9.7
Cash on hand at the beginning	47.3	37.4	(9.9)
Cash on hand at the end	37.4	37.2	(0.2)

Cash flow summary

Our Receivable from Canada is the equivalent of our cash on hand. Cash on hand decreased slightly (\$0.2M) this fiscal year, closing at \$37.2M. Financing activities are related to parliamentary appropriation, recorded as deferred governmental assistance (\$0.1M), while investing activities belongs to system-related work in progress (-\$0.1M). Cash flows showed continuing stability in 2010-2011. Major variations from last fiscal came from operating activities where the net result, the receivable from PCH and the current liabilities all had a higher impact in 2009-2010, decreasing liquidities by \$9.9M.

NINE-YEAR OVERVIEW

Statement of operations

\$M	2011	2010	2009	2008	2007	2006	2005	2004	2003
Assistance expenses									
Canada Feature Film Fund	96.5	99.2	94.5	90.2	96.1	74.6	79.3	91.9	78.9
Other funds	3.7	2.9	5.9	6.2	6.8	5.9	5.7	5.5	7.9
Canada New Media Fund	0.1	13.2	13.3	10.1	13.4	12.4	8.6	9.8	8.5
Canadian Television Fund – Equity Investment Program	-	-	-	2.1	21.9	107.7	109.9	110.0	114.2
Music Entrepreneur Program	-	-	-	-	-	-	5.4	8.8	4.3
Assistance expenses	100.3	115.3	113.7	108.6	138.2	200.6	208.9	226.0	213.8
Recoveries	(9.1)	(9.3)	(13.2)	(15.0)*	(27.3)*	(26.2)*	(24.8)*	(19.8)*	(22.4)*
Operating and administrative expenses	28.4	28.9	31.1	28.4*	28.1*	24.0*	23.8*	22.4*	21.6*
Cost of operations	119.6	134.9	131.6	122.0	139.0	198.4	207.9	228.6	213.0
Government funding and revenues									
Parliamentary appropriation	105.6	105.7	108.7	103.3	103.1	122.5	126.3	123.4	135.0
Management fees from the Canada Media Fund	9.6	7.9	7.7	7.7	7.6	-	-	-	-
Contribution from the Canadian Television Fund	-	-	0.2	1.1	6.9	13.0	2.0	24.5	26.8
Department of Canadian Heritage:									
Canadian Television Fund – Equity Investment Program	-	-	-	-	-	49.8	49.8	49.8	47.3
Canada New Media Fund	-	13.0	14.0	11.5	14.0	14.0	8.9	9.6	7.4
Music Entrepreneur Program	-	-	-	-	-	0.2	5.4	9.6	5.7
Professional Training Schools	-	-	-	2.5	2.5	2.6	2.6	2.6	2.8
Other contributions	-	0.1	0.1	-	0.1	-	-	-	-
Amortization of deferred government assistance	1.3	1.7	2.0	2.6	2.5	2.2	2.2	2.0	1.5
Other revenues	0.5	0.6	0.3	0.6	0.7	0.9	0.6	0.4	0.9
Net result from operations	117.0	129.0	133.0	129.3	137.4	205.2	197.8	221.9	227.4
	(2.6)	(5.9)	1.4	7.3	(1.6)	6.8	(10.1)	(6.7)	14.4

* Financial data prior to 2009 have not been restated to conform to the presentation format adopted since 2009 as the impact on the data is immaterial. Figures are rounded.

NINE-YEAR OVERVIEW

Balance Sheet

\$M	2011	2010	2009	2008	2007	2006	2005	2004	2003
Assets									
Receivable from Canada	37.2	37.4	47.3	37.4	24.3	35.2	14.8	-	8.9
Receivable: Department of Canadian Heritage Canada Media Fund	- 3.0	2.7 2.0	0.7 2.4	5.6 2.2	6.2 9.2	4.7 -	18.5 2.0	30.7 24.5	15.4 26.8
Accounts receivable, prepaid expenses and loans	5.3	6.1	6.7	8.1	7.3	7.5	6.8	8.3	10.1
Long-term accounts receivable, loans and investments	0.4	-	-	0.2	0.1	0.3	0.1	0.2	0.4
Property and equipment	2.3	3.0	3.7	4.4*	8.7	9.1	9.0	9.2	6.7
Intangible assets	1.0	1.5	2.5	3.6*	-	-	-	-	-
	49.2	52.7	63.3	61.5	55.8	56.8	51.2	72.9	66.3
Liabilities and Equity of Canada									
Payable to Canada	-	-	-	-	-	-	-	8.6	-
Accounts payable and accrued liabilities	2.4	1.6	4.6	2.3	3.3	2.1	3.6	6.5	6.4
Severance benefit obligation	1.2	1.6	1.5	1.4	1.2	1.1	0.9	0.7	0.6
Deferred lease inducements	0.4	0.5	0.6	0.8	0.9	1.2	1.2	13	1.3
Deferred government assistance	3.3	4.5	6.2	8.0	8.7	9.1	9.0	9.2	6.7
Equity of Canada	41.9	44.5	50.4	49.0	41.7	43.3	36.5	46.6	53.3
	49.2	52.7	63.3	61.5	55.8	56.8	51.2	72.9	66.3

*Only these financial data have been adjusted to conform to the presentation format adopted in 2009. Figures are rounded.



FINANCIAL STATEMENTS

Year ended March 31, 2011

MANAGEMENT REPORT

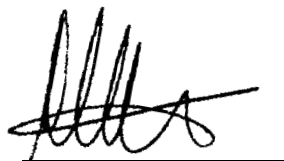
The financial statements of Telefilm Canada are the responsibility of management and have been approved by the Board of Directors of the Corporation. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and, where appropriate, include estimates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

Management maintains accounting, financial, information and management control systems, together with management practices, designed to provide reasonable assurance that reliable and relevant information is available on a timely basis, that assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, and that operations are carried out effectively. The internal control systems are periodically reviewed by the Corporation's internal auditors. These systems and practices are also designed to provide reasonable assurance that transactions are in accordance with Part VIII of the *Financial Administration Act*, chapter F-10 of the Revised Statutes of Canada 1970, as it read immediately before September 1, 1984, as if it had not been repealed and as if the Corporation continued to be named in Schedule C to that Act, with the relevant sections of Part X of the *Financial Administration Act*, with the *Telefilm Canada Act* and with the by-laws and policies of the Corporation.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting as stated above. The Board exercises its responsibilities through the Audit and Finance Committee, which consists of directors who are not officers of the Corporation. The Committee reviews the quarterly financial statements, as well as the annual financial statements and related reports and may make recommendations to the Board of Directors with respect to these and/or related matters. In addition, the Committee periodically meets with the Corporation's internal and external auditors, as well as with management, to review the scope of the audit and to assess the reports on their audits.

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

Montreal, Canada
June 17, 2011



Carolle Brabant, CA, MBA
Executive Director



Denis Pion,
Director – Administration and Corporate Services



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 balance sheet as at 31 March 2011, and the statement of operations, comprehensive income and equity of Canada and statement of cash flows for the year then ended, 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 generally accepted accounting principles, 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 audit. I conducted my audit 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 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 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, Canadian generally accepted accounting principles have been applied 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 audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Telefilm Canada Act* and the by-laws of Telefilm Canada.

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

17 June 2011
Montréal, Canada

TELEFILM CANADA

Statement of Operations, Comprehensive Income and Equity of Canada

Year ended March 31, 2011

In thousands of dollars	Schedule	2011	2010
Assistance expenses			
Canada Feature Film Fund	A	96,463	99,211
Other Funds	B	3,707	2,876
Canada New Media Fund		98	13,189
		100,268	115,276
Recoveries		(9,109)	(9,252)
Net assistance expenses		91,159	106,024
Operating and administrative expenses	C	28,370	28,905
Cost of operations		119,529	134,929
Revenues			
Management fees from the Canada Media Fund		9,599	7,887
Interest and other revenues		361	504
Investment revenues		93	148
		10,053	8,539
Net cost of operations before government funding		109,476	126,390
Government funding			
Parliamentary appropriation		105,604	105,667
Contributions from the Department of Canadian Heritage		-	13,098
Amortization of deferred government assistance (Note 8)		1,312	1,708
		106,916	120,473
Net result from operations and comprehensive income		(2,560)	(5,917)
Equity of Canada at the beginning		44,489	50,406
Equity of Canada at the end		41,929	44,489

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

TELEFILM CANADA

Balance Sheet

March 31, 2011

In thousands of dollars	Note	2011	2010
Assets			
Current assets			
Receivable from Canada		37,239	37,391
Accounts receivable	4	3,487	4,048
Receivable from the Canada Media Fund		3,028	2,028
Contributions receivable from the Department of Canadian Heritage		-	2,663
Prepaid expenses		1,797	2,017
		45,551	48,147
Long-term accounts receivable	4	355	-
Property and equipment	5	2,305	2,995
Intangible assets	5	958	1,517
		49,169	52,659
Liabilities and equity of Canada			
Current liabilities			
Accounts payable and accrued liabilities	6	2,360	1,535
Long-term liabilities			
Deferred lease inducements		360	503
Severance benefit obligation	7 b)	1,257	1,620
Deferred government assistance	8	3,263	4,512
		4,880	6,635
Equity of Canada	9	41,929	44,489
		49,169	52,659

Commitments (Note 10)

Contingencies (Note 13)

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

Approved by the Board:



Michel Roy, Chair

TELEFILM CANADA

Statement of Cash Flows

Year ended March 31, 2011

In thousands of dollars	2011	2010
Operating activities		
Net result from operations and comprehensive income	(2,560)	(5,917)
Items not affecting cash:		
Amortization of property and equipment	690	693
Amortization of intangible assets	622	1,015
Decrease in deferred lease inducements	(143)	(143)
Increase (decrease) in severance benefit obligation	(363)	139
Amortization of deferred government assistance	(1,312)	(1,708)
	(3,066)	(5,921)
Changes in non-cash working capital items:		
Decrease in accounts receivable	561	765
Decrease (increase) in receivable from the Canada Media Fund	(1,000)	337
Decrease (increase) in contributions receivable from the Department of Canadian Heritage	2,663	(1,938)
Decrease (increase) in prepaid expenses	220	(93)
Increase (decrease) in accounts payable and accrued liabilities	825	(3,038)
Increase in long-term accounts receivable	(355)	-
	(152)	(9,888)
Financing activities		
Parliamentary appropriation - government assistance	63	-
Investing activities		
Acquisition of intangible assets	(63)	-
Decrease in liquidity	(152)	(9,888)
Receivable from Canada at the beginning	37,391	47,279
Receivable from Canada at the end	37,239	37,391

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

TELEFILM CANADA

Notes to Financial Statements
Year ended March 31, 2011

1. Authority and activities

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

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

The Corporation is not subject to income taxes.

2. Significant accounting policies

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

a) Assistance expenses

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

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

b) Recoveries

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

2. Significant accounting policies (cont.)

c) Revenues

Management fees

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

Interests and other revenues

Interests and other revenues are recorded on an accrual basis and are recognized during the year they are earned and measurable.

d) Government funding

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

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

e) Amount receivable from Canada

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

2. Significant accounting policies (cont.)**f) Property, equipment and intangible assets**

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

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

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

g) Employee future benefitsPension plan

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

Severance benefits

Employees are entitled to severance benefits as provided for under their conditions of employment. The cost of these benefits is accrued as employees render the services necessary to earn them. The accrued severance benefits obligation is calculated at a current value according to management's best estimates such as, wage increases, employees age, years of service, the probability of departure for reasons of resignation or retirement and other factors. These assumptions are revised annually. These benefits represent the only obligation of this nature for the Corporation that entails settlement by future payment.

2. Significant accounting policies (cont.)

h) Financial Instruments

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

Classification

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

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

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

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

i) Measurement uncertainty

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

TELEFILM CANADA

Notes to Financial Statements
Year ended March 31, 2011

3. New accounting standards adopted

Future accounting changes

Financial reporting standards

During the year ended on March 31, 2010, the Corporation has analyzed the impact of adopting the Public Sector Accounting Standards. The Corporation is classified in the "other government organizations" category and has chosen to adopt the Public Sector Accounting Standards. These standards will be applicable to the fiscal year beginning on April 1, 2011. The effects of these new standards will be recorded retroactively with restatement of comparative financial statements. The accounting policies impacted by this change in generally accepted accounting principles affecting the results are mainly; deferred lease inducements, employee future benefits, and deferred government assistance.

4. Accounts receivable

In thousands of dollars	2011	2010
Accounts receivable related to recoveries	1,904	683
Taxes to be recovered	1,074	2,825
Other accounts receivable	864	540
	<u>3,842</u>	<u>4,048</u>
Short-term portion	3,487	4,048
Long-term portion	355	-
	<u>3,842</u>	<u>4,048</u>

5. Property, equipment and intangible assets

In thousands of dollars			2011	2010
	Cost	Accumulated Amortization	Net Value	Net Value
<u>Property and equipment</u>				
Leasehold improvements	4,595	2,790	1,805	2,382
Technological equipment and furniture	1,143	643	500	613
	<u>5,738</u>	<u>3,433</u>	<u>2,305</u>	<u>2,995</u>
<u>Intangible assets</u>				
Software and licenses	14,499	13,604	895	1,517
Work in progress	63	-	63	-
	<u>14,562</u>	<u>13,604</u>	<u>958</u>	<u>1,517</u>
	<u>20,300</u>	<u>17,037</u>	<u>3,263</u>	<u>4,512</u>

6. Accounts payable and accrued liabilities

In thousands of dollars	2011	2010
Accounts payable related to assistance expenses, trade payables and accrued liabilities	2,054	1,337
Current portion of deferred lease inducements	143	143
Current portion of severance benefit obligation	163	55
	2,360	1,535

7. Employee future benefits**a) Pension plan**

The Corporation and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits which are fully indexed to the increase in the Consumer Price Index. The Corporation's and employees' contributions paid to the Public Service Pension Plan were as follows:

In thousands of dollars	2011	2010
Corporation contributions	1,943	1,984
Employee contributions	1,010	1,017

b) Severance benefit obligation

The Corporation provides severance benefits to its employees based on the reason for departure, the years of service and final salary at end of employment. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. To calculate the accrued severance benefit obligation the Corporation uses, a wage increase rate of 2.75%, a discount rate of 3.75%, an employee departure probability of 10% before the age of 55 and the age of 59 as a hypothesis for retirement departure. During the year, the estimation method of calculating the accrued severance benefits obligation has been revised. The revision of estimate had the effect of diminishing the severance obligation. Benefits will be paid from future parliamentary appropriations and other funding sources. Useful information about the plan, as at the balance sheet date, is as follows:

In thousands of dollars	2011	2010
Balance at the beginning	1,675	1,585
Revision of estimate	(343)	-
Cost for services rendered during the year	210	278
Benefits paid during the year	(122)	(188)
Balance at the end	1,420	1,675
Short-term portion (included in accounts payable)	163	55
Long-term portion	1,257	1,620
	1,420	1,675

TELEFILM CANADA

Notes to Financial Statements
Year ended March 31, 2011

8. Deferred government assistance

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

In thousands of dollars	2011	2010
Balance at the beginning	4,512	6,220
Parliamentary appropriation for government assistance	63	-
Amortization of deferred government assistance	(1,312)	(1,708)
Balance at the end	3,263	4,512

9. Capital management disclosures

The Corporation defines its capital as the Equity of Canada. Under the *Telefilm Canada Act* and other federal laws, the Corporation must meet certain financial requirements. Thus, the Corporation manages the Equity of Canada by carefully monitoring its revenues, expenses, assets, liabilities and general financial transactions to ensure that it effectively achieves its objectives in conformity with those laws while continuing as a going concern. The Corporation did not make any changes to capital management during the year.

10. Commitments

a) Assistance expenses

The Corporation is contractually committed to disburse sums under its programs. The total expected payments to be paid in subsequent years is as follows:

In thousands of dollars	Total
2012	32,043
2013	1,842
	33,885

b) Leases

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

In thousands of dollars	Total
2012	1,256
2013	1,686
2014	1,302
2015	738
	4,982

11. Related party transactions

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

12. Financial Instruments**Fair value**

The amount receivable from Canada, Short-term Accounts receivable, Contributions receivable from the Department of Canadian Heritage, the amount receivable from the Canada Media Fund and Accounts payable and accrued liabilities are part of the normal course of operations of the Corporation. The carrying amount of these financial instruments approximates their fair value due to the relatively short periods to maturity of the instruments. The fair values of long-term accounts receivable have been established by discounting the drawdowns expected in the repayment agreements based on the average Bank of Canada discount rate as at the balance sheet date.

Objectives and policies in relation to financial risk management

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

Interest rate risk

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

Liquidity risk

The Corporation has contractual commitments (Note 10) and financial liabilities (Notes 6: Accounts payable and accrued liabilities and 7b: Severance benefit obligation). Consequently it has a liquidity risk exposure.

The following table shows the contractual maturities of accounts payable and accrued liabilities as at March 31, 2011:

In thousands of dollars	2011	2010
1-30 days	1,624	1,155
31-90 days	80	62
91 days to 1 year	656	318
Total book value and contractual cash flow	2,360	1,535

12. Financial Instruments (cont.)

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

Credit risk

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

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, 2011, the maximum credit risk exposure with respect to Accounts receivable is equal to the carrying amount.

Accounts receivable:

In thousands of dollars	2011	2010
Current - 30 days	2,244	2,438
31-90 days	659	1,277
91 days and more	2,450	1,567
Allowance for bad debts	(1,511)	(1,234)
Total	3,842	4,048

The Corporation established an allowance for bad debts and reviews the credit of all its clients on a regular basis.

Allowance for bad debts:

In thousands of dollars	2011	2010
Balance at the beginning	1,234	1,269
Bad debt expense	518	378
Debts written off and collections	(241)	(413)
Balance at the end	1,511	1,234

13. Contingencies

In the normal course of business, various lawsuits have been brought against the Corporation. Management is in no position to predict the outcome of these lawsuits and the potential losses cannot reasonably be estimated. Thus, no provision was taken in this regard in the Corporation's accounts. The Corporation has not incurred any loss during the year.

14. Comparative figures

Some of the 2010 figures have been reclassified to conform to the presentation adopted for 2011.

TELEFILM CANADA

Schedules A and B – Other Information

Year ended March 31, 2011

A – Canada Feature Film Fund

In thousands of dollars	2011	2010
Assistance expenses		
Production assistance	62,419	68,399
Distribution and marketing assistance	15,027	12,143
Development assistance	9,288	8,553
Low budget independent feature film assistance	2,284	2,407
Screenwriting assistance	548	1,070
Official coproduction assistance	420	475
Versioning and subtitling assistance	446	311
	90,432	93,358
Complementary activities		
Industrial and professional development	4,347	4,326
Participation in foreign festivals and markets	1,684	1,527
	6,031	5,853
Assistance expenses	96,463	99,211

B – Other Funds

In thousands of dollars	2011	2010
Assistance expenses		
Official coproduction assistance – Television	273	233
Production and development assistance	78	-
	351	233
Complementary activities		
Industrial and professional development	2,345	2,054
Participation in foreign markets	1,011	589
	3,356	2,643
Assistance expenses	3,707	2,876

TELEFILM CANADA

Schedule C and D – Other Information

Year ended March 31, 2011

C – Operating and administrative expenses

In thousands of dollars	2011	2010
Salary and employee benefits	19,099	18,552
Professional services	2,824	3,421
Rent, taxes, heating and electricity	1,713	1,699
Amortization of property, equipment and intangible assets	1,312	1,708
Information technology	1,168	1,268
Office expenses	968	935
Travel and hospitality	816	937
Advertising and publications	470	385
	28,370	28,905

D – Costs of main programs

In thousands of dollars	Canada Feature Film Fund	Canada Media Fund
Salary and employee benefits		
Management, administration and delivery	4,126	5,215
Shared services departments	1,626	1,356
Departments in support of operations	2,244	2,727
Other costs	1,142	301
	9,138	9,599

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

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

Departments in support of operations

These costs present the expenditures incurred to support all the employees designated to management, administration and delivery of programs as well as employees offering shared services. They correspond to expenses relating to human resources, data processing and material resources departments. These fees consist mainly of wages, professional fees, rent and information technology costs. These costs do not include amortization of property and equipment and intangible 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.

**“Partnering with Telefilm
has allowed me to... build my career
in Canada and to remain and work
at home.”**

– David Cronenberg
(director)

Governance

Board of Directors

Biographies

Members of the board:

Michel Roy

Chair of the Board

Residence: West-Bolton, Quebec

Telefilm Director since: October 2007

Principal Occupations: Public administrator

Experience & Qualifications

- Provincial Deputy Minister for Tourism and Communications
- Business management consultant
- Film editor, television producer, content creator, author and recorded musician and composer

Educational Background

- Master of Public Administration

Yvon Bélanger, CA

Chair of the Audit and Finance Committee

Residence: Quebec City, Quebec

Telefilm Director since: April 2008

Principal Occupations:

- Former Audit Partner
- Chartered Accountant (retired)

Experience & Qualifications

- Expertise in standardization and financial statements reporting

Educational Background

- Bachelor of Business Administration
- Master of Commerce

Governance

G. Grant Machum, LL.B.

Chair of the Nominating, Evaluation and Governance Committee

Residence: Halifax, Nova Scotia

Telefilm Director since: May 2008, renewed January 2010

Principal Occupations: Lawyer, Partner

Experience & Qualifications

- Workplace litigation and dispute resolution
- Human rights and employer-employee relations

Educational Background

- Bachelor of Commerce
- Bachelor of Laws

Marlie Oden

Chair of the Strategic Planning and Communications Committee

Residence: Vancouver, British Columbia

Telefilm Director since: July 2008

Principal Occupations: Marketing and advertising executive and entrepreneur

Experience & Qualifications

- Consultant and practitioner in marketing and communications
- Advertising executive manager
- Arts community board member
- Patron of the Arts Award, 2007

Educational Background

- Bachelor of Arts

Elise Orenstein, LL.B.

Vice-Chair of the Board

Residence: Toronto, Ontario

Telefilm Director since: December 2006

Principal Occupations: Lawyer, Partner (retired)

Experience & Qualifications

- Corporate, commercial and intellectual property law for convergent media and entertainment sectors
- University law teacher

Educational Background

- Bachelor of Laws
- Bachelor of Arts
- Master of Philosophy (Oxon)

Governance

Tom Perlmutter

Ex-officio Member

Residence: Montreal, Quebec

Telefilm Director since: June 2007

Principal Occupations: Government Film Commissioner and Chairperson, National Film Board of Canada

Experience & Qualifications

- Filmmaker, writer and producer
- National Film Board of Canada executive and administrator

Educational Background

- Master of Business Administration

Ram Krishna Raju

Member

Residence: Ottawa, Ontario

Telefilm Director since: May 2010

Principal Occupations: Internet entrepreneur

Experience & Qualifications

- Internet entrepreneur in digital media and management
- Academic and university administrator of information systems
- Vice-President, Canadian Association of Campus Computer Stores

Educational Background

- Bachelor of Arts
- Bachelor of Sciences
- Master of Business Administration

Governance

Board stewardship

The anchor of Telefilm's strong governance is its Board of Directors chaired by Michel Roy, former provincial deputy minister and business management consultant. All directors are independent and have been appointed based on skill sets important to Telefilm, such as employment and intellectual property law, auditing and financial reporting, and marketing and communications. Regular attendance at meetings attests to the directors' dedication, commitment and involvement.

Responsibilities and activities

Summary of charter and responsibilities

- Adopt and review strategic framework and corporate plan
- Establish Telefilm's priorities
- Oversee the implementation of the corporate plan
- Approve budgets and financial statements
- Approve the annual report
- Monitor Telefilm's governance and structural vision
- Evaluate the Executive Director's performance

Highlights

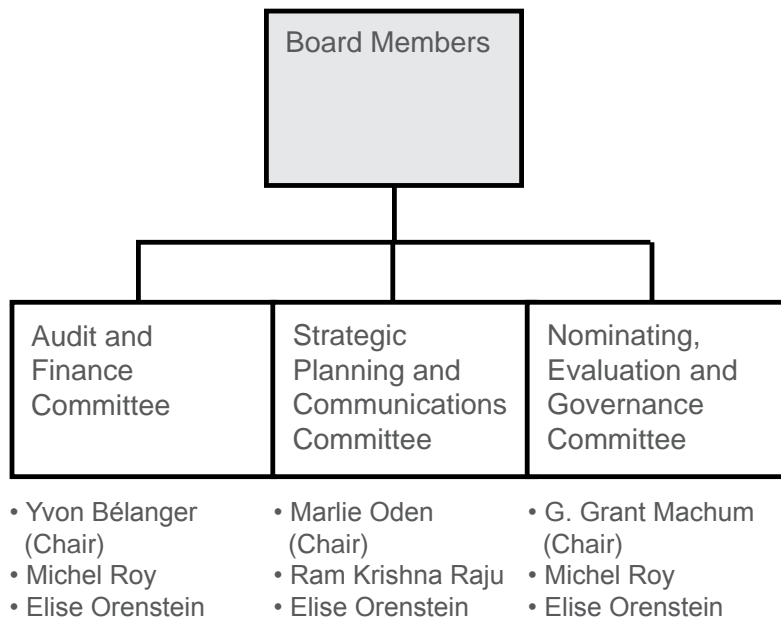
- Approval of renewed services agreement with the CMF
- Approval of March 31, 2010 Financial Statements
- Approval of the annual report
- Approval of salary increases and bonuses
- Approval of the 2011-2012 budget
- Approval of the new corporate plan
- Meeting with the Auditor General of Canada and receipt of the final report from the special examination
- Approval of an archiving policy
- Approval of the business continuity management plan
- Approval of changes to the organizational structure
- Approval of a strategic framework to enhance the value of the organization's brand

Appointments

The Governor in Council appointed Ram Krishna Raju of Ottawa to Telefilm's Board of Directors on May 14, 2010, for a five-year term.

Governance

Committees of the Board



To facilitate its decision-making process, the Board has set up three committees. These committees deliberate on issues pertaining to their areas of competence and subsequently issue recommendations to the Board.

Audit & Finance Committee

Summary of charter and responsibilities

- 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

Highlights

- Approval of March 31, 2010 Financial Statements
- Approval of budgets
- Approval of the audit plan
- Approval of a support plan for preparing the risk management program
- Approval of internal audit report
- Approval of a new information system for human resources activities

Governance

Strategic Planning & Communications Committee

Summary of charter and responsibilities

- Review of the corporate plan
- Review of the annual report
- Examination of all matters relating to communications

Highlights

- Examination of the strategic planning process
- Revision of the corporate plan
- Revision of a strategic framework to enhance the value of the organization's brand

Nominating, Evaluation & Governance Committee

Summary of charter and responsibilities

- Assess the Executive Director's performance and submit report to the Board
- Oversee general human resource practices
- Ensure sound composition of the Board and assessment of its members
- Deal with all matters related to governance

Highlights

- Performance evaluation of the Executive Director
- Revision of the policy on bonus programs
- Revision of the Human Resources Master Plan
- Examination of Telefilm's practices relative to employee exit interviews
- Examination of Telefilm's succession planning practices
- Examination of Telefilm's employment equity practices

Governance

Board and committee attendance

	Board	Audit and Finance Committee	Strategic Planning and Communications Committee*	Nominating, Evaluation and Governance Committee
Number of meetings	7	6	4	3
Attendance:				
Michel Roy	7	6	3	3
Elise Orenstein	7	6	4	3
Tom Perlmutter	3	0	1	0
Yvon Bélanger	6	6	1	1
G. Grant Machum	7	1	0	3
Marlie Oden	7	1	4	1
Ram Krishna Raju	6	1	3	0

Committee attendance is optional for directors who are not committee members.

*Ram Krishna Raju replaced Michel Roy on this committee during the fiscal year.

Governance

Management Committee

Biographies

Members of the committee:

Carolle Brabant, CA

Executive Director

Experience & Qualifications

- Three years of financial audit as a chartered accountant
- 20 years with Telefilm

Educational Background

- Bachelor of Business Administration
- Master of Business Administration

Denise Arab

Director, Communications

Experience & Qualifications

- 20 years as a communications practitioner
- Two years with Telefilm

Educational Background

- Bachelor of Arts
- Bachelor of Journalism

Dave Forget

Director, Business Affairs and Certification

Experience & Qualifications

- 20 years in film distribution
- Ten years with Telefilm

Educational Background

- Bachelor of Arts

Sheila de La Varende

Director, National and International Business Development

Experience & Qualifications

- 25 years in the audiovisual/new media industry
- Ten years with Telefilm

Educational Background

- Bachelor of Arts

Governance

Jean-Claude Mahé

Director, Public and Governmental Affairs

Experience & Qualifications

- 25 years at the National Film Board of Canada and as a communications consultant
- Seven years with Telefilm

Educational Background

- Bachelor of Education

Stéphane Odesse, LL.B.

Director, Legal Services and Access to Information and Corporate Secretary

Experience & Qualifications

- More than 20 years practicing commercial, corporate and copyright law
- 16 years with Telefilm

Educational Background

- Bachelor of Laws
- Specialized Graduate Diploma in Taxation

Denis Pion

Director, Administration and Corporate Services

Experience & Qualifications

- 25 years in information technology and project management
- 20 years with Telefilm

Educational Background

- Bachelor of Computer Management

Michel Pradier

Director, Projects Financing

Experience & Qualifications

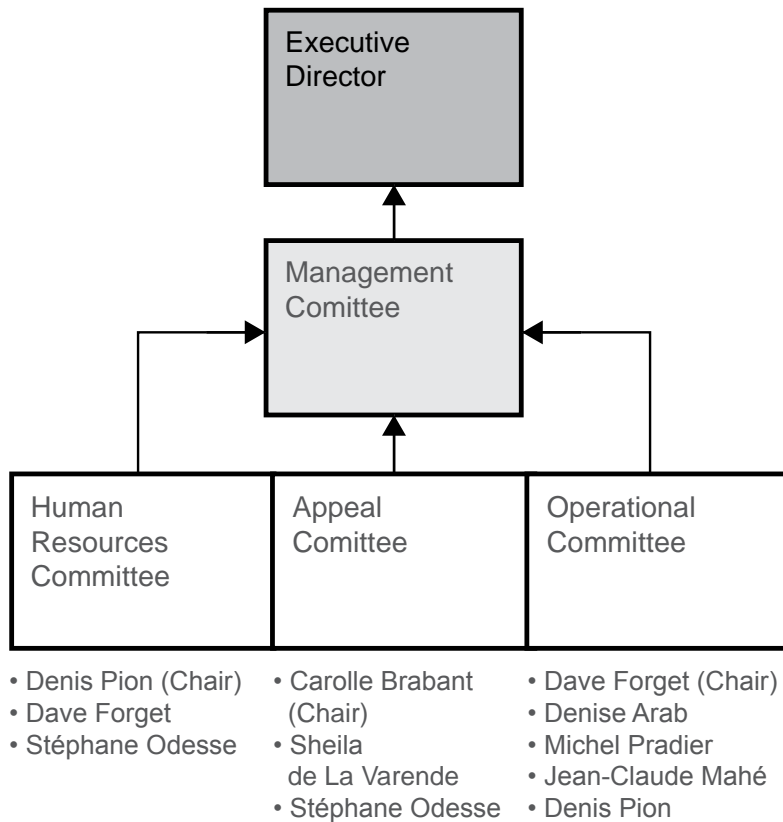
- Six years in financial roles with the Société de développement des entreprises culturelles (SODEC) and at the Quebec Tax Credit Office
- 11 years in film production
- 13 years with Telefilm

Educational Background

- Certificates in music and computer management

Governance

Management's governing structure



The Executive Director implemented a new governance structure in 2010-2011 to make Telefilm more efficient and to facilitate the decision-making process. The Management Committee assists the Executive Director in making key decisions about strategic planning and organizational development, as well as administrative and operational issues.

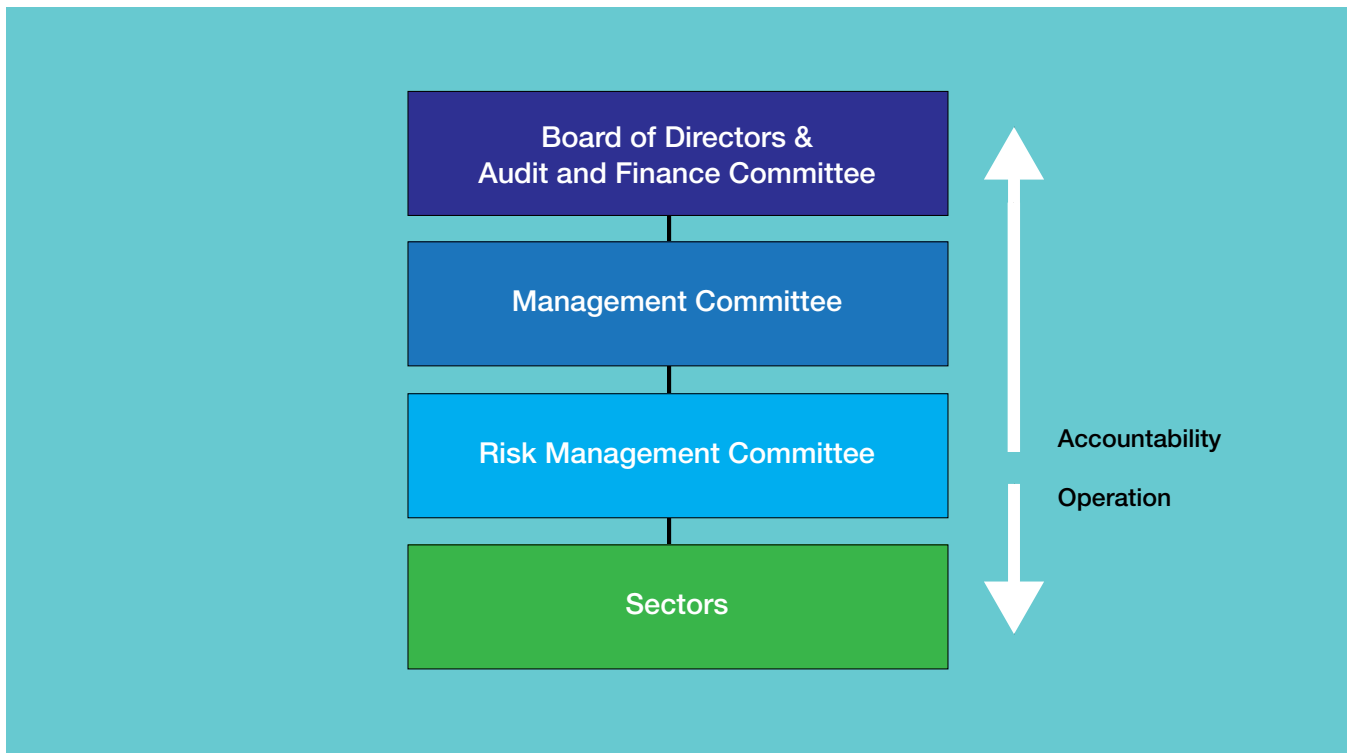
Telefilm's Management Committee has eight members from different sectors with relevant and complementary skills. Three sub-committees report to the Management Committee. The Human Resources Committee supports the Human Resources department in interpreting and applying the HR policies of Telefilm, and in determining and responding to non-standard situations.

The Operational Committee makes decisions on matters involving various operational and administrative policies of Telefilm, as well as decisions that concern any specific issue, interpretation or situation with respect to standard practices.

The Appeal Committee, chaired by the Executive Director, reviews decisions made by the Operational and the Human Resources committees that are being appealed by a client or an employee.

For 2010-2011, the committees' performances have been assessed by its members.

Governance



Risk management

Sound risk management contributes to a more efficient and flexible organization.

The Board of Directors and the Audit and Finance Committee approve acceptable risk thresholds and action plans to mitigate the organization's principal risks, and ensure that strategic orientations and risks are aligned.

The Management Committee challenges the risk identification process and assessment, and approves action plans.

The Risk Management Committee continuously monitors and assesses risks, recommends and implements risk mitigation strategies, and acts as a catalyst for change in matters regarding sound risk management practices.

Types of risks

The risks that affect Telefilm can be related to strategy, operations, finance or compliance. Over the past few years, Telefilm has succeeded in reducing its operational, financial and compliance-related risks – a finding validated by recent internal audits. Risks that remain more material for Telefilm are strategic in nature.

Governance

Principal risks and mitigation mechanisms

Categories	Risks	Mitigation mechanisms	Future actions for 2012-2015
Strategic	Canadian Content Funding <i>Industry may not find sufficient funding to sustain a critical mass of diversified products.</i>	Help Canada's audiovisual industry to become more competitive on the domestic and international scenes. Simplify administrative guidelines, including increased flexibility for coproductions.	Expand our role as a traditional funder by investigating alternative sources of funding for the industry. Follow-up on briefs submitted during the consultation on the implementation of Canada's Policy on Audiovisual Treaty Coproduction.
Strategic	Reaching audiences <i>Stimulating demand for Canadian products could prove difficult.</i>	Revamp activities which promote the industry's successes via different platforms. Redefine distribution and marketing assistance programs to take into account new market realities and digital shift. Consult the industry and the Canada Feature Film Fund Working Groups.	Develop regional and international promotional strategies. Revise funding and support programs to better serve the industry's needs.
Strategic	Government funding <i>Deficit reduction exercise could affect Telefilm's funding.</i>	Search for new funding sources and partnerships. Undertake ongoing discussions with PCH on innovative ways to maintain and/or facilitate the creation of new funding vehicles.	Establish new partnerships at national and international levels.
Operational	Customer service <i>Difficulty in meeting client demand for a more flexible management approach.</i>	Consult the industry and conduct client surveys. Standardize and simplify program requirements. Creation of the Operational Committee.	Streamline processes while maintaining an appropriate level of due diligence.
Compliance	Services agreement with the Canada Media Fund (CMF) <i>CMF services agreement is renewed on a yearly basis.</i>	Steering committee in place to ensure that operations function well. Systematic and standardized production of reports. Maintain efficiency of program management costs. Client service approach/Regular meetings and outreach.	Continually review processes to simplify management and maintain accountability. Consultation with CMF and CMF's clients.
Operational	Information security <i>Confidentiality, availability and integrity of information</i>	Policies and directives pertaining to management of information security, including codes of conduct. Employee training and <i>Declaration of Compliance and Confidentiality</i> signed annually.	Conduct annual employee awareness campaign on information security.
Operational	Business interruption <i>Unforeseen events could hamper ability to provide customer service and fulfill the organization's mission.</i>	Business continuity plan tested and revised annually. Annual training program.	Ensure continuous improvement of business continuity plan.

Governance

Performance evaluation and remuneration

Board of Directors

In 2010-2011, the Board conducted a performance review of its members and its committees in compliance with the Board Performance Assessment Policy.

For fiscal 2010-2011, an expense of \$0.1M was incurred for director participation in (and preparation for) Board and committee meetings. Director remuneration is based on the Board's Remuneration and Compensation Policy which provides an annual honorarium for the Chair and a per diem for the Chair and directors preparing for and attending Board/committee meetings.

Executive Director

Each year, the Board assesses the Executive Director's performance in compliance with performance management program guidelines issued by the Privy Council Office. These guidelines, among other things, call for the implementation of a performance agreement and fixed performance objectives. The Executive Director's remuneration is established in compliance with Privy Council Office policy and guidelines.

Employees

All employees are subject to Telefilm's Policy on Performance Assessment. Performance appraisal focuses on responsibilities and competencies, and is structured with a mid-year and year-end documented performance review. In order to remain competitive and transparent in its practices, Telefilm uses a compensation policy that defines a salary and management structure to reflect the organization's values, and to attract, retain and motivate human resources. Increases in remuneration for all employees including managers have been established in respect of the [Expenditure Restraint Act](#)

Governance

Orientation and training

Telefilm has identified training needs according to its new leadership model. Specific training has been provided to employees in relation to time and performance management, communications and reinstatement of employees after extended absences. Regular forums have also been held to respond to specific managers' needs.

Communication and consultations

Telefilm continuously communicates with and solicits feedback from clients, partners and key stakeholders through various means.

Annual Public Meeting

Telefilm held its second annual public meeting in Halifax, Nova Scotia on December 8, 2010. Telefilm's achievements of the previous fiscal year were presented to over 325 participants who attended either in person or via live webcast. It enabled members of the public and representatives of the audiovisual industry to interact with Telefilm's Board members and directors.

Executive Director's consultations

Throughout 2010, Telefilm's Executive Director met with over 175 stakeholders across Canada in an industry-wide consultation. The results of this consultation proved crucial for structuring Telefilm's new corporate plan.

Stakeholder consultations

Canada Feature Film Fund Working Groups (CFFF WG) provides a forum to discuss needs, challenges and objectives of the industry. Its mandate is to provide guidance and feedback about Telefilm's programs.

The CFFF WG has representatives from various industry groups, unions, guilds and associations. In 2010-2011, two meetings and several subcommittee meetings were held for each linguistic group.

International Business Development Group (IBDG) develops and implements strategies that help the Canadian audiovisual industry become more internationally competitive. Members of the IBDG include provincial agencies, industry associations and the Canada Media Fund. The IBDG met formally four times this fiscal year.

Governance

Code of conduct and ethics

Conflict of interest

The Board of Directors adopted a *Conflict of Interest and Post-Employment Code* for employees and senior managers. Each year, Telefilm employees must declare that they are in compliance with the Code. During fiscal 2010-2011, presentations were made in every office to remind employees of their ethical obligation.

Board members are subject to the *Conflict of Interest Act* as well as to Section 5 of the *Telefilm Canada Act*. If a member were to have a material interest in a contract with Telefilm that was not covered by Section 5, he or she would be required to declare such interest, as per the provisions of Telefilm's Bylaw 1, which contains a declaration-of-interest mechanism.

To ensure the highest degree of transparency, members are required to submit a written statement to the Chair each year disclosing any situation that may contravene Section 5 of the *Telefilm Canada Act*.

Public Servants Disclosure Protection Act

Telefilm is subject to the *Public Servants Disclosure Protection Act*. This Act advises employees about the correct procedure for reporting unethical or illegal behaviour they may witness in the workplace.

As a small organization, Telefilm is eligible for an exception that permits such reports to be made directly to the Office of the Public Sector Integrity Commissioner of Canada.

This year, all employees attended presentations about the Act and its procedures.



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