

FEATURE FILM / PARTI DES HOMMES / ADDICTION / AIGRE / BEGULLI AND GRENDEL / CAKE / C'EST PAS MOI... C'EST L'AUTRE! / COMMENT DEVENIR UN TROU DE CUL ET ENFIN PLAIRE AUX FEMMES / C.R.A.Z.Y. / THE DARK HOUR /

FILM / ÉTATS-UNIS D'ALBERT / EVE & THE FIRE HORSE / FAMILIA / FETCHING COOY / HORLOGE BIOLOGIQUE / IDOLE INSTANTANÉE / ILL FATED / JE TE CHERCHE MARIE / LIE WITH ME / THE LIFE AND HARD TIMES OF GUY

ERIK / LES SALESMAN / LUCID / MALE FANTASY / MAMAN LAST CALL / LA NEUVAINNE / NIAGARA MOTEL / ORDO / PARTITION / PURE / QUE DIEU BÉNISSE L'AMÉRIQUE / THE RIVER KING / SABAH / SAINTS-MARTYRS-

DES DAMNÉS / SIBLINGS / A SIMPLE CURVÉ / SIX FIGURES / STEEL TOES / LE SURVENANT / TIDELAND / WATER / WHERE THE TRUTH LIES / THE ZERO SUM EQUATION / TELEVISION 100% WOMAN / 109 (SANG NEUF) / IS/LOVE II /

ISO, CHEMIN DU GOLF III / STEEN / LES 7 DOIGTS DE LA MAIN / 72 HOURS. TRUE CRIME II / A+ / ABLONI / LA CHEMISE / L'ACADIE EN CHANSONS / ADAM'S EYES / ADDIS-ABEBA-CANADA / L'ESPRIT DU LYCÉE / ADVENTURES OF

THE AFTERMATH CREW III, IV / ALEXANDRA'S ECHO / ALTER EGOS / L'AMOUR EN PEN / ANNE MURRAY: THE MUSIC OF MY LIFE / ANNIE ET SES HOMMES III / ANORMAL / APPASSIONATA / ARIANE MOFFATT AU FESTIVAL D'ÉTÉ

RANCOFROTE DE VANCOUVER 2004 / L'ART D'ÊTRE PARENT U / LES ARTISANS DU REBUT GLOBAL / ASHLEY MACISAAC: ME, MYSELF & THE DEVIL / AT DEATH'S DOOR / ATOMIC BETTY / AUVINS / L'AVIS D'ARTISTES / BAISE

MAJESTÉ / BALLET GIRLS / BANZAI III / A BEACHCOMBERS CHRISTMAS / A BEAR NAMED WINNIE / BEETHOVEN'S HAIR / BEHIND THE MASK / BEING IAN II / BELLE ET BUM II / BEYOND WORDS U / BOPAL: THE SEARCH FOR

JUSTICE / THE BIG «U» / BIG GAZELLE / BIG SUGAR / THE BIOGRAPHER'S VOICE: THE LIFE AND TIMES OF PETER C. NEWMAN / BIOGRAPHIE - FRANCINE CHALOULT / BIOGRAPHIE - LUCIE LAURIER / BIRTH STORIES VI / BLACK

WOOD / THE BLUE BUDDHA / BLUES BLANC ROUGE 2004 / BODY OF KNOWLEDGE / BOMBER BOYS: THE FIGHTING LANCASTER / BOOTLEGGERS D'ATLANTIQUE / LES BOUGON - C'EST AUSSI ÇA LA VIE II / BOYS FROM THE FRINGE /

BURIED AT SEA / BURNT TOAST / C.W. JEFFERYS: PICTURING CANADA / CAMPUS UETS II / CANTATA FOR THE KING / CAPTIVE - THE STORY OF ESTHER / CARL 2 / CASTING / CATCHING THE CHAMELEON / C'EST D'MES AFFAIRES! /

C'EST MON SHOW / CG KIDS IV / LA CHAÎNE ALIMENTAIRE COMME UN DÉPÔTOIR! / LA CHAMBRE NO 13 / CHANTIERS / LA CHARIA AU CANADA / CHARLIE JADE / LE CHEMIN D'EAU DE LA BASSE-CÔTE-NORD / CHEMIN FAISANT / CHIEFS

AND CHAMPIONS / CHILLY BEACH II / THE CHURCHWOMEN / CINDY KLASSEN - WORLD RECORD SPEED / CIRCA / CIRCUMPOLAR BEARS / CIRCUS OF GOD / CLASS OF THE TITANS / LE COEUR A SES RAISONS / THE COLLECTOR II /

THE COLOUR OF MEMORY: CONVERSATIONS WITH GUIDO MOLINARI / COMEDY GOLD / COMEDY NOW VIII / COMING HOME: THE LIFE AND TIMES OF UMBERTO MENGHI / COMPLETE FREAKS OF NATURE / COVER GIRL / CRAZY CRACKS /

THE CREATIVE NATIVE IV / LE CRI D'ALARME / CRIME STORIES II / THE CROSS AND BONES / DA VINCI'S INQUEST VII / DAB IJ1YU II / ABSOLUTELY ABORIGINAL / DANCES WITH BULLS / DANS LES COULISSES DU HOCKEY / DARK

PIÑES: A DOCUMENTARY INVESTIGATION INTO THE DEATH OF TOM THOMSON / DAY INSIDE - CALGARY STAMPEDE / DE LA SOURCE AU RUISSEAU / DE VIRTUEL AU RÉEL / DEAFPLANET.COM / LES DÉCOUVERTES DE SHANIPIAP II /

DÉFAILLANCES TECHNIQUES II / DEGRASSI: THE NEXT GENERATION IV / A DELICATE BATTLE / DELILAH & JULIUS / DEMENTIA / LE DERNIER MATCH DE LA VIE / LES DERNIÈRES VIOLENCES / DES MORUES ET DES HOMMES

DESTINIES APART / DÉTECT. INC. / LE DEUIL DE LA VIOLENCE / THE DISAPPEARANCE OF THE PX-15 / DJANGOMANIA! / DOCUMENTARY GURU / THE DONNELLYS - MURDER AND RETRIBUTION IN THE NEW WORLD / DOSSIERS JUSTE

III / DOUBLE MIXTE / DRAGON II / DRUÏ! / DU QUÉBEC À LAS VEGAS / ÉLÉGIE / THE ELEVENTH HOUR III / EMBRYO ADOPTION / EN SPECTACLE / LES ENFANTS DE LA BALLE / ENFANTS DE LA DPJ / ENGLISH TEACHERS III /

ENQUÊTE D'AVENTURE / ENQUÊTES III / ENTRE L'AUTONOMIE ET LA DÉPENDANCE / ESCAPE FROM IRAN: THE HOLLYWOOD OPTION / L'EST RENCONTRE L'OUEST SUR LA ROUTE DE LA SOIE / ET DIEU CRÉA... LAFLAQUE / L'ÉTÉ, C'EST

PAS JUSTE NOËL! / LES EX / EXTREMIS III / THE FACE OF VICTORY / FALCON BEACH: THE MOVIE / FALL'N' Y PENSER! / A FAMILY TREE NARRATIVE / FERLAND, LE CHOEUR À LA FÊTE / THE FIRES THAT BURN / FIRST CANADIANS

THE FIRST TIME / THE FIRST YEAR / FOR KING & COUNTRY / THE FOUR SEASONS MOSAIC / FOUR WINGS AND A PRAYER / FOUS DU RISQUE / FRANCOEUR III / FRANNY'S FEET I, II / FREEDOM / FUNGI FILM / THE GARAGE III / GIRL

RACERS / GIRLSTUFF/BOYSTUFF II / GODIVA'S / LE GRAND RIRE BLEUE 2004 / THE GREAT POLAR BEAR ADVENTURE / G-SPOT / H. O. / HARRY AND HIS BUCKET FULL OF DINOSAURS / HATCHING, MATCHING & DISPATCHING /

HEARTBEATS / HEAVY METAL: A MINING DISASTER IN NORTHERN QUEBEC / HER BRILLIANT CAREER / L' HÉRITIÈRE DE GRANDE OURSE / LES HÉROÏNES DE L'OMBRE / HISTOIRE DE FAMILLE / HISTOIRE DE PUB / HISTOIRES DE FILLES

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IGLOU-GLOU III / IL ÉTAIT UNE FOIS DANS LE TROUBLE / INDECENTLY EXPOSED / INFORMATION / JACOB TWO-TWO III, IV / JASON

MCCOY'S ALL THROUGH THE NIGHT / JE CLOUNE POUR TOÏ / JERI BROWN: THE SPIRIT COY / JOUR DE PLAINES / KEEPING IT OFF? / KEN LEISHMAN: THE FLYING BANDIT /

KENNY VS SPENNY / KINK IV / KM/H VII / LADY IN WAITING: JOURNEY TO DISCOVERY / THE LAST BATTLE OF HAMPTON GRAY / LAST DANCE: REX HARRINGTON'S STORY / LAST

FLIGHT TO BERLIN / LETTERS FROM HOME / THE LIBERATORS / THE LIFE AND TIMES OF GUY ERIC / THE LIFE AND TIMES OF RANDY BACHMAN: TAKIN' CARE OF BUSINESS / THE

LIFE AND TIMES OF RON LANCASTER / LIFE WITH DEREK / LIFELIKE / LITTLE MIRACLES HO / JOURNEY HOME / LOST BATTLEFIELDS / THE LOST SEASON / THE LOVE CRIMES OF COLUMBIAN

GUESS / A LOVE STORY / LOVE'S A GAMBLE / LA MACHINE À BROYER LES HOMMES / T / MED STUDENTS II / THE MESSENGERS - CONNECTING TO THE BEYOND / METAL: A

HEADBANGER'S HISTORY / METCOM IV / MIGRATION, CES DRÔLES D'OISEAUX MIGRATEURS / MIKUAN & TSHAKAPESH / MISCHIEF CITY II / MISS BG / MISSION BALEINES / MISSION CASCADES / MOCCASIN FLATS II / MODERN LOVE /

MONTFORT, LE SOUFFLE VITAL / MONTRÉAL PLANÈTE FOOT / MOVIN'ON / LES MULTIPLES VISAGES DE L'ANXIÉTÉ II / MURDER 19C - UNDER THE DRAGON'S TAIL / MUSICOGRAPHIE U / THE MUTANT / MY FATHER, MY TEACHER /

NAKED / THE NAKED ARCHAEOLOGIST / NANALAN' II / NATASHA INTERNATIONAL / LE NÉGOCIATEUR / THE NEWSROOM III / NIGHTMARE IN CANADA: CANADIAN HORROR ON FILM / NIKAMUN / NORTHERN TOWN / NOS ÉTÉS /

NUNAVUT ELDERS SERIES / ONE DEAD INDIAN / OPENING SOON III / OPÉRATION HOMECOMING / THE OTHER ZIONISTS / PARADISE FALLS II / PARIZEAU, L'HOMME DERRIÈRE LE COMPLET 3 PIÈCES / PARES ET MUSIQUE III /

PÉLLAN... LA FEMME DÉSIRÉE / PENIS DEMENTIA: THE SEARCH FOR THE PERFECT PENIS / THE PERFECT HERESY: THE STORY OF THE CATHAR REBELLION / PETER J. REVEEN / PHOTOS II / PIED-DE-BICHE / THE PINES OF EMILY CARR /

LE PLAFOND DE VERRE / PLAN B : LA LÉGENDE BRICKLIN / LES PLUS BEAUX VILLAGES DU QUÉBEC / POKO II / POUNDMAKER'S PEOPLES / LES POUPEES RUSSES IV / POUR L'AMOUR DU COUNTRY II / PRISONERS OF AGE / LA

PROMESSE / PROVIDENCE / PUPPETS WHO KILL III / PURE LAINE / QALLUNAJATUT (URBAN INUK) / QUEENS OF DIAMONDS / QUELS CIRQUES! / QUEST / RAGÉ / RANDOM IV / REBIRTH OF AN OPERA: PERSÉE IN THE COURT OF

ATELIER / THE RECIPE DIARIES / THE RED GREEN SHOW XIV / REGENESIS / RENÉ LÉVESQUE / RENEGADEPRESS.COM II / RÉSEAUX CLAMÉSTINS / THE RETURN OF THE HOCKEY NOMAD: INTO RUSSIA / RETURN TO SENDER / REZ

BLUEZ / ROAD SCHOLARS: INUIT ADVENTURE AFRICA / ROBSON ARMS / ROCKET MAN / LE ROUGE ET LE NOIR... AU SERVICE DU BLANC... / LA RUE ZONE INTERDITE / RUMEURS DE MIRACLES / RUMEURS III / RUNAWAY GROOMS /

SAINT-CHARLES-BORROMÉE, UN AN APRÈS! / SALVATION ARMY: MUSIC IN THEIR SOULS / SAMBA NORTH / SAPOTHEU KISKINUAHAMA TOUJIN / ERITLIS HEDARELDI / THE SCORE / THE SEA HUNTERS U / SECOND CITY: A LIFE AND

TIMES SPECIAL / THE SECRET WORLD OF BENJAMIN BEAR II / SECRETS / SELLING INNOCENCE II / SHAKE HANDS WITH THE DEVIL, THE JOURNEY OF ROMÉO DALLAIRE / SHANIA: A LIFE IN EIGHT ALBUMS /

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ONE / UN ÉTÉ

TELEFILM CANADA 2004 / 2005 ANNUAL REPORT / UNME / LA VOIX DES MECHIF II / LES VOYAGEURS / VU DU LARGE / WAKING UP WALLY - THE WALTER GRETZKY STORY / THE

WAR OF THE SEXES / WARDEN OF THE CROWN / WATATATOU XIV / WEBDREAMS / WEIRD SEX AND SNOWSHOES / WHAT IT'S LIKE BEING ALONE / WHISKEY ECHO / WINNING / WOMEN BEHIND THE BADGE / WOODWARD'S: THE COMPETITION /

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OPERATION VICTORY / LE QUÉBEC AU NATUREL (COLLECTION GÉO-QUÉBEC) / REGENESIS EXTENDED REALITY / RENEGEZ-VOUS VOYAGEUR / SILA: UN EDUCATIONAL WEBSITE ABOUT INUIT CULTURE / SOUTHERNERS INTERACTIVE /

THIS IS DANIEL COOK / VUEGUIDE

TELEFILM
CANADA

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Canada

TELEFILM CANADA OFFICES

OFFICES IN CANADA

HALIFAX

1717 Barrington Street, Suite 300
Halifax, Nova Scotia
B3J 2A4
Phone: (902) 426-8425
Toll free: 1 800 565-1773
Fax: (902) 426-4445

MONTRÉAL*

360 St. Jacques Street, Suite 700
Montréal, Quebec H2Y 4A9
Phone: (514) 283-6363
Toll free: 1 800 567-0890
Fax: (514) 283-8212

*Head office and Quebec office

TORONTO

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

VANCOUVER

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

WWW.TELEFILM.GC.CA

EUROPEAN OFFICE

PARIS

5, rue de Constantine
75007 Paris
France
Phone: (33-1) 44.18.35.30
Fax: (33-1) 47.05.72.76

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Additional copies may be obtained by writing to the following address:

Telefilm Canada

Communications and Public Affairs
360 St. Jacques Street, Suite 700
Montréal, Quebec
H2Y 4A9
info@telefilm.gc.ca

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I am the sum of my memories,
I am my father's anger,
my brother's canage,

FEATURE FILM / MÉMOIRES AFFECTIVES

and my daughter's hope

I am Wolf that Dreams,
the Son of our Land.



2004-2005 EXECUTIVE SUMMARY

In 2004-2005, Telefilm Canada, as an investor in Canadian film, television and interactive media, supported the development of Canadian talent and companies. Its investments, in stories and images that foster understanding from coast to coast, attract significant private-sector financing to provide Canadians with Canadian entertainment choices.

Telefilm provided end-to-end industry support to Canadian companies from all regions, from project development to international promotion, chiefly through the Canada Feature Film Fund, the Equity Investment Program of the Canadian Television Fund and the Canada New Media Fund.

Recently, Telefilm and the Canadian Television Fund were given the mandate to put into place, for April 1, 2006, a new structure whereby the governance of television resources falls under the responsibility of the CTF and program administration is ensured by Telefilm.

SUCCESS WITH CANADIAN AUDIENCES

Canadian cinema enjoyed new levels of success again in 2004 with its best performance in 20 years. Canadian films generated over \$41 million in box-office receipts, to attain a national market share of 4.5%.

This is only 0.5% shy of the 5% target established for the Canada Feature Film Fund in 2000; Telefilm and the industry are a year ahead of schedule.

This year's analysis of baseline data on domestic audiences for Canadian television drama revealed a surprising result. For the broadcast year analysed, 2003-2004, dramatic programs supported by the Canadian Television Fund made up 19% of all Canadian programming, and drew a remarkable 35% of overall viewing.

INVESTING IN EXCELLENCE FOR A VIBRANT CANADIAN INDUSTRY

Telefilm's investment strategy centers on the creation of a portfolio of film, television and new media products in a variety of genres and budget sizes. Chosen for their potential appeal to Canadian audiences, these investments also encourage the growth and renewal of these cultural industries.

In 2004-2005, close to \$200 million in investments leveraged some \$800 million in total production financing, resulting in the creation of close to 1,200 hours of new Canadian cultural content.

On the international front, Telefilm provided strategic support to 350 Canadian companies to sell their productions at seven key markets in the feature film, television and new media sectors. Satisfaction rates with services provided by Telefilm were over 80% for all events canvassed.

In 2004-2005, the Corporation invested in talent development through a range of specialized programs aimed at ensuring that the industry benefits from a highly developed work force. The innovative Spark Plug Program, designed to advance the business and creative skills of visible-minority and Aboriginal producers of television drama, drew numerous kudos from this year's 17 participants.

A COMMITMENT TO VALUE

In 2004-2005, Telefilm remained focused on transparent and accountable administration. This year's annual report includes a new look to the financial statements together with a new management discussion and analysis section.

The Corporation continued to streamline its internal procedures and policies. Most notably, Telefilm's Technology and Information Systems department rolled out a centralized document management system and continued to enhance the range of online services provided through eTelefilm®. By March 2005, Telefilm was pleased to see that close to 325 clients were registered for access to this service, compared to 130 last year.

EFFECTIVE CORPORATE GOVERNANCE

Telefilm's Board supported the Government of Canada in obtaining passage of Bill C-18, which modified the Telefilm Canada Act. The changes brought to the Act involved adjustments relating to good administration.

In November, following the departure of Richard Stursberg, the Minister of Canadian Heritage, on recommendation of the Board, announced the nomination of Wayne Clarkson, who took office as Telefilm's new Executive Director in January 2005.

Finally, the appointment of Suzanne Sheaves from Halifax, Nova Scotia in January 2005 completed Telefilm's Board.

BOARD MEMBERS

As at March 31, 2005



CHARLES BÉLANGER

Chair
Montréal, Quebec

Charles Bélanger has been involved in the television and communication industries for over 30 years. He was previously President and CEO of CFCF Inc., Vice-President and CEO of the Réseau de télévision Quatre Saisons, Vice-President of Broadcasting of the Canadian Radio-television and Telecommunications Commission (CRTC), and Vice-President of Corporate Development and Regulatory Communications at CANCOM. Mr. Bélanger was also Chair (Television) of the Canadian Association of Broadcasters.



FELIX (FIL) FRASER

Member
Edmonton, Alberta

Currently an adjunct Professor of Communications Studies at Athabasca University, Fil Fraser was previously President and Chief Executive Officer of Vision TV. He founded the Banff Television Festival, was the Chief Commissioner of the Alberta Human Rights Commission, and managed his own audiovisual production company for 10 years. Known for his commitment to human rights, multiculturalism and diversity, he has published many texts on these topics.



TRINA MCQUEEN

Chair
Audit and Finance Committee
(until March 21, 2005)
Toronto, Ontario

Starting off as a reporter, Trina McQueen enjoyed a 25-year career at the CBC where she distinguished herself as Executive Producer of *The National* and Vice-President of Television News and Current and International Affairs. She was also President and Chief Operating Officer of CTV. Ms. McQueen has garnered numerous awards and honours during her television career, including an induction in the Canadian Broadcast Hall of Fame. She is involved on the boards of many organizations such as the Canadian Television Fund and Historica.



LOUISE PELLETIER

Member
Montreal, Quebec

Initially a researcher and then a scriptwriter of youth programs, Louise Pelletier has worked at Radio-Canada as well as in the private sector. Since the late 1980s, she has written works intended for the general public including *À nous deux*, *Blanche* and *The First Day of My Life*. Ms. Pelletier served as President of the Société des auteurs de radio-télévision-cinéma (SARTEC) from 1992 to 1996, after having represented scriptwriters at the Institut québécois du cinéma.



ELVIRA SÁNCHEZ DE MALICKI

Member
Etobicoke, Ontario

Ms. Sánchez de Malicki was the founder and first national president of the Canadian Hispanic Congress from 1989 to 1996. She was also involved in groups dedicated to cultural diversity, such as the Citizens' Forum on Canada's Future and the Canadian Ethnocultural Council, and has worked in the television and radio field as a producer, researcher and program host for Teletatino and Multilingual Television. In addition, she founded the Open Experience Theatre.



SUZANNE SHEAVES

Member
Halifax, Nova Scotia

Suzanne Sheaves has a solid track record in the business and investment sector. She is currently First Vice-President and Investment Advisor of CIBC Wood Gundy, and conducts business there through the Suzanne Sheaves Group. She has also served as Senior Vice-President of Nesbitt Burns and Vice-President of Dean Witter.



JACQUES BENSIMON

Ex-officio Member
Government Film
Commissioner
Chair, Cultural and Linguistic
Diversity Committee
Montréal, Quebec

Since his appointment as Government Film Commissioner and Chairperson of the National Film Board of Canada in 2001, Jacques Bensimon has been an ex-officio member of Telefilm's Board. He was previously Executive Vice-President of the Banff Television Foundation and its Chief Operating Officer. Mr. Bensimon also worked at the NFB for nearly 20 years as a scriptwriter, editor, director and producer, and served as Director of TFO, the French network of TVOntario.



LETTER TO THE MINISTER

Montréal, June 30, 2005

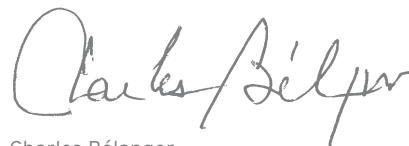
The Honourable Liza Frulla
Minister of Canadian Heritage
Ottawa, Canada

Dear Madam:

In accordance with the provisions of Section 23 of the **Telefilm Canada Act**, I have the honour of presenting you, on behalf of the Board of Directors, with Telefilm Canada's 37th annual report, and the Corporation's financial statements for the year ended March 31, 2005.

Yours very truly,

The Chair,



Charles Bélanger





SENIOR MANAGEMENT

As at March 31, 2005

Wayne Clarkson
Executive Director

POLICY, PLANNING AND RESEARCH

Elizabeth Friesen
Director – Policy, Planning and Research

ENGLISH OPERATIONS

Karen Franklin
Director – English Operations

ATLANTIC REGION OFFICE

Gordon Whittaker
Director – Atlantic Region Office

ONTARIO AND NUNAVUT OFFICE

Dave Forget
Director – Ontario and Nunavut Office

WESTERN REGION OFFICE

Earl Hong Tai
Director – Western Region Office

FRENCH OPERATIONS

QUEBEC OFFICE

Michel Pradier
Director – French Operations and Quebec Office

INTERNATIONAL OPERATIONS AND DEVELOPMENT

Danny Chalifour
Director – International Operations
and Development

EUROPEAN OFFICE

Hans Fraikin
Director – European Office

FINANCE AND ADMINISTRATION

Carolle Brabant
Director – Finance and Administration

COMMUNICATIONS AND PUBLIC AFFAIRS

Jean-Claude Mahé
Director – Communications and Public Affairs

HUMAN RESOURCES

Stella Riggi
Director – Human Resources

LEGAL SERVICES AND ACCESS TO INFORMATION

Stéphane Odesse
General Counsel, Corporate Secretary
and Access to Information Coordinator



MESSAGE FROM THE CHAIR

As Chair of the Board of Telefilm Canada, I am pleased to report that, in 2004-2005, Telefilm carried out its primary role as a cultural investor. The Corporation responded with professionalism to diverse public tastes in terms of Canadian cultural products, to the industry's financial and strategic needs, and to government requirements regarding the use of public funds.

A number of issues compelled the Board's attention during the year, most notably the revision and amendment of the **Telefilm Canada Act**; the governance of the Canadian Television Fund (CTF); the renewal of our main funds and programs; and, of course, with the departure of Executive Director Richard Stursberg in July 2004, the need for accountable interim management and the search for an executive director who would continue to implement our objectives identified in 2003 while implementing a solid corporate plan for 2005-2010.

The agency's cultural and financial performance has been a foremost daily concern. I am satisfied with the progress made in achieving our three key objectives: increasing audiences,

strengthening industry viability and furthering Telefilm as a strong administrator. These objectives are measurable and, as shown in this annual report, the Corporation has improved its measurement and control tools for feature film, television and new media operations, and for its own administration.

With a better picture of the impact of its funds and programs, and more thorough knowledge of the national and international environment, Telefilm is working from a perspective of long-term strategic planning, conscious that the deployment of new technological platforms is growing and changing the way we create, distribute and consume cultural products.

THE TELEFILM CANADA ACT

Updating the **Telefilm Canada Act** was a priority this past fiscal year, as it dated to the agency's creation in 1967 and included responsibility for feature film only. Today, the Act authorizes Telefilm to pursue its activities in the audiovisual industry, specifically in the areas of feature film, television and new media.

This change recognizes Telefilm's historical contribution to Canadian culture and its unique role in the audiovisual sector. However, it is my view that the legislative process should be taken a step further so as to better define Telefilm's mandate in a rapidly evolving world. In the coming months, I hope to see an in-depth strategic review of the **Telefilm Canada Act** that will clearly delineate the powers, latitude and resources necessary to the ongoing development of the cultural industries well into the future.

GOVERNANCE OF THE CANADIAN TELEVISION FUND

As its administration and successful investments have made clear over the past 20-some years, Telefilm is an indispensable partner to Canadian television. The Corporation has been working with the Department of Canadian Heritage to explore new avenues and find a permanent solution to the management of television production funding. We were thus greatly encouraged by the June 2005 announcement of a new proposed public-private partnership for the Canadian Television Fund. While renewing the CTF's resources for 2005-2006, and reiterating her determination to ensure long-term funding for television, Canadian Heritage Minister Liza Frulla proposed that the Fund is to be governed by the CTF Board of Directors and its programs administered by Telefilm.

In television, as elsewhere, cultural and industrial objectives must be astutely integrated, as must financial and strategic thinking. Telefilm is a unique instrument of integration in Canada, since it is the best-positioned agency to encourage synergy among television, feature film and new media, from product development to promotion, and on a regional, national and international basis. Moreover, as a public agency, Telefilm pursues a cultural diversity objective and has proven itself a vital partner for regional production, production in linguistic minority situations and Aboriginal production.

Therefore, Telefilm will maintain a constructive dialogue with its partners and clients on the optimal use of television funding to ensure that viable efforts are put to winning over Canadian audiences, especially in English Canada.

MAINTAINING AND INCREASING FINANCIAL RESOURCES

The key to the future of Canada's cultural industries lies with their financing sources. The long-term dependability of these sources, and their fit with growth needs, are the ingredients required for efficient planning, sustainable development and continued success.

In raising the 2005-2006 budget of the Canada New Media Fund to \$14 million, the government has acknowledged the significance of new technologies in the Canadian cultural continuum.

Elsewhere, Canadian feature films achieved a record 4.5% market share in 2004, and this augurs well for renewal of the Canada Feature Film Fund in 2006.

That said, it must be noted that the financial situation is reaching a critical point. The Canadian government and several provinces have recognized culture as the cornerstone of our identity, and increased resources for the creation of cultural products accordingly. However, if financial resources remain at current levels it will be more and more difficult to maintain the volume of production needed to forge audience loyalty at home and make further headway abroad.

Telefilm thus looks with concern on an environment where creativity and productivity are contending with ever-higher costs, diluted markets and a slowdown in international coproduction.

Despite many cultural and financial success stories, the demand for funding increasingly exceeds the available resources, and this is equally true for television and feature film. The public purse still provides the largest share of product costs and, contrary to all hopes, there has been no increase in private-sector investment.

What is needed is a Canadian cultural policy tailored to the 21st century. This annual report demonstrates how Telefilm, within its own mandate, has already taken steps in that direction by focusing on and measuring performance.

PUTTING CULTURAL DIVERSITY ON SCREEN

One of the greatest challenges concerns the rightful place of cultural diversity behind, and in front, of the cameras. Of the 460 or so audiovisual products listed in Telefilm's 2004 catalogues, 58, or 13%, are notable for significant multicultural content. These works facilitate understanding among Canadians of different backgrounds, including Aboriginal people, in line with national commitments regarding Canada's two official languages.

Telefilm also supports diversity through the Spark Plug Program, created under the Department of Canadian Heritage's Spark Initiative. TV drama development, training, professional development and networking workshops: rarely has a program shown such immediate results. In a climate of intense competition for public funds, it is essential to preserve the resources needed to tell the stories of Canada's visible-minority and Aboriginal communities.

THANKS AND CONGRATULATIONS

This year the Board was pleased to welcome Suzanne Sheaves, of Halifax. Ms. Sheaves comes with extensive business and investment expertise. My gratitude goes to all of my colleagues on the Board for their availability and invaluable contributions in what has been an eventful year, above all in respect to television and festivals.

I also want to thank Richard Stursberg, whose leadership gave fresh impetus to both Telefilm and the industry. Today, our common goal is to build larger audiences for Canadian cultural products. And the public has access to diverse, original works made by a wide array of creators and produced by companies of all sizes.

Thanks are also due to Carolle Brabant, who brought outstanding team spirit to her term as Interim Executive Director from July to December 2004. She is now back deploying her skills as Director of Finance and Administration.

In seeking to replace the Executive Director, the Board followed new Treasury Board directives by forming a selection committee and hiring an executive search firm. The process was quick, allowing the Minister of Canadian Heritage to announce the appointment of Wayne Clarkson in November 2004.

This appointment was well received in all quarters, and I am convinced that the vigour, cultural commitment and sense of continuity already evident in Wayne Clarkson's leadership will be valuable assets for Telefilm, its partners and clients, and the Canadian public.

In closing, I want to applaud the artists and artisans of our culture for their numerous triumphs. And I salute Telefilm's staff for its dedication and know-how.



Charles Bélanger





MESSAGE FROM THE EXECUTIVE DIRECTOR

Upon taking up my duties on January 17, 2005, as Executive Director of Telefilm Canada, I embarked on a nation-wide tour, meeting with employees, associations, unions, guilds, and individual leaders of our film, television and new media industries.

I learned a great deal in a short period of time about the breadth and depth of Canada's audiovisual industry – an industry that is strong, vibrant and growing in every region of the country. The creative individuals I met in each of the cities I visited were inspiring in their innovation, self-confidence and commitment to their craft.

A BALANCED APPROACH TO CANADIAN FEATURE FILM

For me, building audiences for Canadian cultural products, at home and abroad, is an objective that Telefilm must continue to pursue. This can best be achieved by supporting a balanced portfolio of films that connect with a culturally, regionally and linguistically diverse Canadian market.

In 2004, French-language Canadian films performed extremely well once again, achieving a 21% domestic market share. And there's no reason that relative success can't be achieved in the English-language market.

In fact, I am pleased to report on the progress made in the last few years. In particular, the English-language market saw its box office grow six times over since 2001 (from \$2 million to \$12 million), and its domestic market share multiply by five (from 0.3% to 1.6%).

However, the numbers only tell part of the story. In 2004-2005, we saw *Mémoires affectives* take home several Jutras and Genies; *Being Julia*'s Annette Bening win a Golden Globe; the beautifully bittersweet *Saint Ralph* score rave reviews; and the animated feature *Les Triplettes de Belleville* charm audiences around the world.

And with renewed and increased funding for the Canada Feature Film Fund, we can continue to strengthen the English-language market and break more records in French-language cinema.

A RENEWED PUBLIC-PRIVATE PARTNERSHIP FOR CANADIAN TELEVISION

In the last years, Telefilm has been successful in helping to reorient Canadian television towards reaching audiences.

In the French market in 2004-2005, Canadian-made French-language drama regularly attracted more than a million viewers, with hits like *Les Bougon – C'est aussi ça la vie* and *Les Poupées russes*. And on the English side, perennial favourites such as *Trailer Park Boys*, *Corner Gas* and *Degrassi: The Next Generation* continued to be among the top Canadian performers, along with the mini-series *H₂O* and movie-of-the-week *Crazy Canucks*.

On a special note, the powerful documentary *Shake Hands with the Devil: The Journey of Roméo Dallaire* took home a top audience prize at Sundance, and was personally introduced by Robert Redford – a rare honour indeed.

Given these success stories, one of my key priorities since I started my job, has been working with the Department of Canadian Heritage, the Board of the Canadian Television Fund and the industry to find the best solution concerning the governance of the CTF.

In its second response to the Lincoln Report, the government made the commitment to build a strong framework of support for the second century of broadcasting, and recognized the CTF as an essential component of the Canadian broadcasting system.

Telefilm looks forward to administering the Fund under a new form of public-private partnership. The proposed partnership should foster clarity of governance, reach new cost efficiencies in its administration, and provide national service for CTF clients.

We look forward to working closely with the CTF's Board of Directors and staff to ensure an effective transition.

CANADIAN NEW MEDIA: INVESTING IN TOMORROW TODAY

On the new media front, these are exciting times with new ways of disseminating culture and new kinds of content creation. Innovations in Web, gaming and wireless applications present new challenges and new prospects. Canadian new media is an area of much importance for Telefilm.

With the Canada New Media Fund's additional resources for 2005-2006, Telefilm will continue to help talented Canadians maintain their competitive edge through innovative products like *Broken Saints*, *Mission arctique: le cyberdocumentaire*, *This is Daniel Cook* and *madeinMTL.com*.

A STRONG PRESENCE ON THE INTERNATIONAL SCENE

In helping the Canadian industry achieve long-term sustainability, Telefilm has been working on the international scene to help open doors for Canadians. At major international film and television markets, the Canada Pavilion is attracting an increasing number of Canadian companies looking to leverage the Pavilion's strategic and promotional opportunities. More than 90 Canadian companies – a record number – gathered together at MIPCOM 2004.

Telefilm has also been busy promoting Canada as a coproduction partner of choice. Upcoming immersion sessions include two Paris meetings, one on animation and another, in conjunction with the SODEC, on French-language features.

TALENT DEVELOPMENT FOR A THRIVING INDUSTRY

Telefilm recognizes that the degree to which it can equip Canada's talented individuals with the means to succeed is also vital to promoting healthy and thriving film, television and new media industries.

In 2004-2005, Telefilm continued to back inventive initiatives, such as the Department of Canadian Heritage's Interdepartmental Partnership with Official-Language Communities (IPOLC) program, for Francophone television professionals from outside Quebec, and the Low Budget Independent Feature Film Assistance Program, for the production and completion of high-quality, director-driven films by emerging and established filmmakers.

FOCUSING ON CLIENT SERVICE

Of course, Telefilm's success in helping to build larger audiences for Canadian cultural products also depends to a large extent on the performance of Telefilm itself.

In 2004-2005, customer service continued to be at the heart of our business practices. Most notably, eTelefilm®, our extranet service, gained in popularity with 325 registered clients as of March 2005. This was dramatically up from 130 the same time the prior year. A number of new initiatives are in the works for this online service, including direct deposit.

Telefilm Canada remains committed to continuously improving the services it provides to the industry, including its business policies and processes.

Finally, I would like to salute the industry for their kind and candid counsel over the past months, and applaud their commitment to building and strengthening Canada's audiovisual industries.

And last, but certainly not least, my warmest thanks go to Telefilm's Board and staff for so warmly welcoming me, and making my first months here as smooth as possible with their continued dedication and professionalism.



S. Wayne Clarkson



INDUSTRY EVENTS



SUPPORTING CULTURAL DIVERSITY

Charles Bélanger, Telefilm Canada's Chair, returned from the 2004 Banff Television Festival with a plaque celebrating the Corporation's innovative spirit in cultural diversity. The Canadian Diversity Producer's Association recognized Telefilm for having implemented the Spark Initiative, a program for mid- to advanced-career audiovisual professionals from visible-minority and Aboriginal communities, through which we administer our own Spark Plug Program.



CANADIAN CINEMA FRONT AND CENTRE IN NEW YORK

Telefilm was proud to again collaborate with the Museum of Modern Art for Canadian Front: New Films 2005, the second annual showcase of new cinema from Canada in New York City. The nine-film program featured an eclectic selection of our country's brightest filmmaking talent.

From left to right: Cameron Bailey, *Hotel Saudade*; Daniel Roby, *La Peau blanche*; Benoit Pilon, *Roger Toupin, épicier variété*; Ruba Nadda, *Sabah*; Bruce McDonald, *The Love Crimes of Gillian Guess*; Brigitte Hubmann, Telefilm; Caroline Martel, *Le Fantôme de l'opératrice*; Noam Gonick, *Stryker*; Charles Bélanger; Laurence Kardish, Senior Curator, Department of Film and Media, MoMA; and Rob Stefaniuk, *Phil the Alien*.



STRENGTHENING STRATEGIC ALLIANCES

In September 2004, approximately 200 people – Telefilm clients and national and international delegates from the Strategic Partners coproduction conference – attended the Halifax office's successful open house, which took place in conjunction with the 24th Atlantic Film Festival.

From left to right: Michael Garfield, Paul Pope, Telefilm's Ralph Holt and Hans Fraikin, and Michael Cowan.



MIPCOM 2004: A HUGE SUCCESS

The Canada Pavilion was a big hit at MIPCOM, with 93 participating companies, new activity areas and the dedicated professional services that visitors have come to expect from Telefilm and its provincial partners. Many Canadian professionals said that this was the best MIPCOM they had ever attended in terms of networking, projects and sales. Telefilm received warm praise for its logistics and promotional work.



CONSULTING WITH THE INDUSTRY

In February 2005, Telefilm’s newly minted Executive Director, Wayne Clarkson, headed to Nova Scotia, Alberta and British Columbia to meet with staff, clients, industry associations and government partners. One of the goals was to give Mr. Clarkson an opportunity to sit down with the industry, in order to create discussion on issues that are of main concern to our stakeholders.

From left to right: producers Shirley Vercruysse and George Baptist, and Wayne Clarkson.



CANADA AT CANNES 2004

With six films at Cannes, including two in the Official Competition, Canada had a strong presence at the 57th edition of this highly visible, prestigious film festival. Telefilm actively promotes and facilitates the selection of Canadian productions by working in close collaboration with the heads of key international events.

From left to right: producer Denise Robert (*Les Invasions barbares*), and Telefilm’s Elizabeth Friesen and Michel Pradier.



NOUVELLE-FRANCE: SPECIAL SCREENING IN OTTAWA, NOVEMBER 17, 2004

Charles Bélanger and director Jean Beaudin.

Actors David LaHaye and Juliette Gosselin with The Honourable Liza Frulla, Minister of Canadian Heritage and Minister responsible for Status of Women.

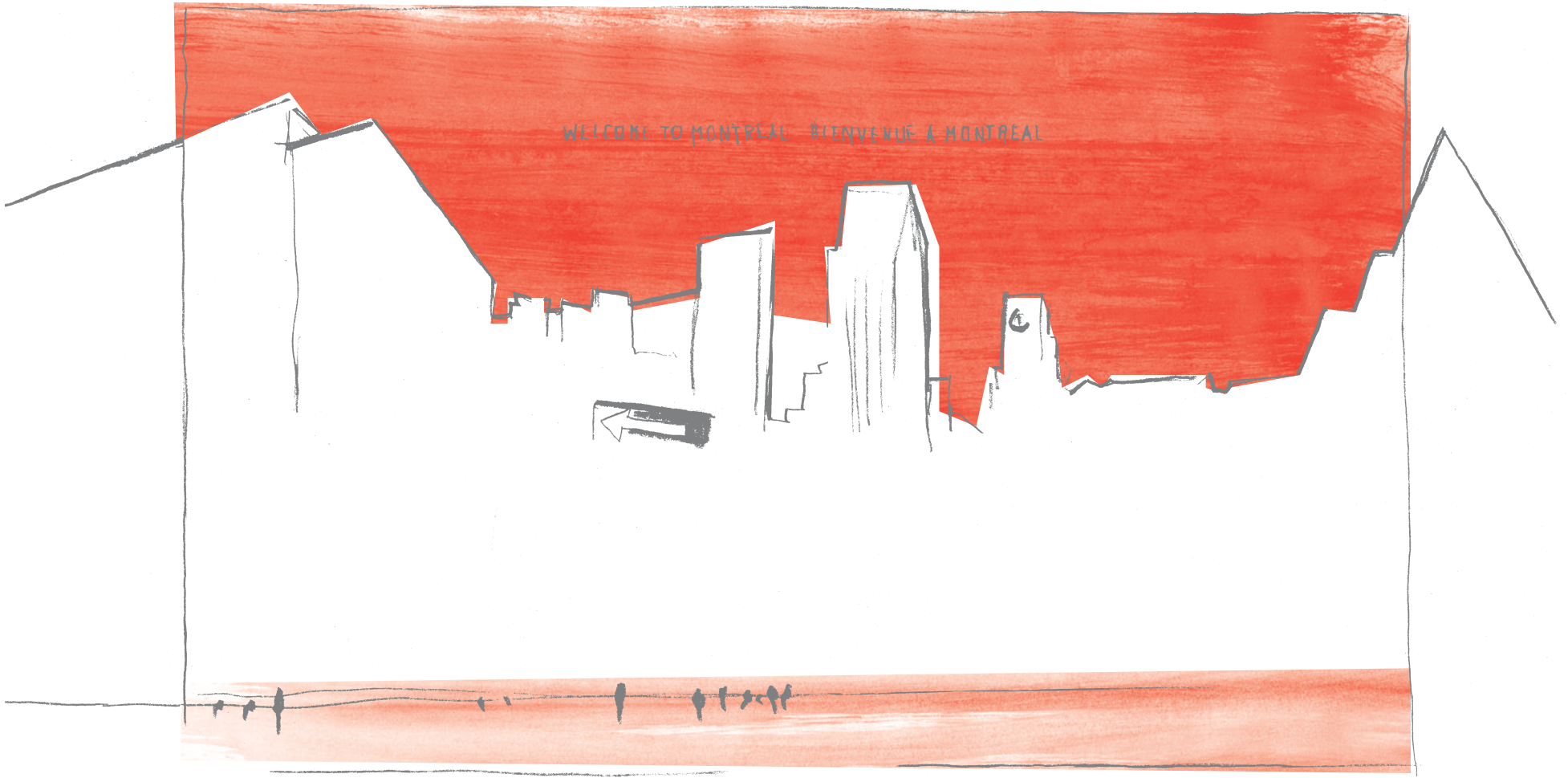


THE BRIGHT SPARKS OF TOMORROW

Thirteen participants in the English component of our Spark Plug Program took part in a weeklong training session in Toronto. Mandated by Telefilm, the National Screen Institute organized informative work sessions, from story development to marketing and promotion, for visible minority and Aboriginal television producers. Participants also had the chance to build their contacts with key producers and broadcasters in attendance.

Back: Steven Martin, Ron Scott, Jeremy Torrie, Azmi Haq, Shirley Cheechoo, Min Sook Lee; Middle: Karen Franklin (Telefilm), Jennifer Holness, Wayne Clarkson, Rajiv Maikhuri, Tanya Brunel, Kerry Haigh; Front: Vanz Chapman, Ngozi Paul, Jennifer Podemski

WELCOME TO MONTREAL BIENVENUE A MONTREAL



I want to eat Italian cheap

I want to learn a sport that is extreme

I want to listen to music that is techno

NEW MEDIA / MADE IN MTL.COM

I want to see a film that is independent

I want to shop for jewelry that is unusual

CORPORATE PROFILE

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WHO WE ARE

Telefilm Canada is a Crown Corporation reporting to Parliament through the Minister of Canadian Heritage. Headquartered in Montréal, Telefilm provides its services to the Canadian audiovisual industries through four Canadian offices, in Vancouver, Toronto, Montréal and Halifax, and a European bureau in Paris.

OUR MANDATE

As an instrument of government policy, Telefilm provides support to Canada's audiovisual industries to create cultural programs and products that reflect the diversity of Canada, for the benefit of Canadian audiences. Through its programs, Telefilm serves three sectors of the Canadian industry: feature film, television and new media.

VISION

Telefilm strives to finance high-quality works that have the best chance of reaching Canadian audiences, while at the same time fostering the long-term sustainability of the Canadian industry. Our vision is to assure a thriving Canadian audiovisual culture, produced by Canadian creators and production companies, and disseminated through Canadian distribution companies, broadcasters, Web operators and local festivals. Telefilm's participation ensures the renewal of the Canadian industry and the creative expression of talented Canadians.

Telefilm believes that the extent to which Canadians watch and use the products it helps finance is the key measure of success in meeting its mandate. A secondary measure of success is a strong and vibrant industry capable of developing, producing, distributing and exhibiting the cultural creations that it helps to finance.

HUMAN RESOURCES

Our ability to meet our objectives depends on the quality of our human resources. For several years now, Telefilm has endeavoured to create a work environment that recognizes the importance of qualified employees who exemplify our required competencies and can thrive in our corporate culture. We also provide our employees with opportunities for professional development and training.

Telefilm's staff complement of 180 employees includes a large number of professionals with extensive industry experience, as well as legal, economic, communications and policy experts. Industry expertise is an essential requirement of all individuals who make decisions on projects. Of Telefilm's educated staff (59% have university degrees), 8.3% belong to visible minorities, while over half of all female employees hold professional or executive positions.

In 2004-2005, Telefilm reviewed the roles and responsibilities of all positions. This exercise was aimed at giving employees a clear picture of the responsibilities connected to their role in the organization. We also wanted to make sure that everyone understood the level of accountability attached to his or her position.

WHAT WE DO

Telefilm provides assistance to Canadian companies and professionals throughout the entire value chain, from highly specialized training to project financing, from development to distribution and marketing, and from promotion to sales of finished products. Telefilm provides a full range of support through the various instruments at its disposal, which are aligned with our corporate objectives.

Telefilm is also a catalyst for talent. Its support has made it possible for thousands of Canadian screenwriters, directors, producers, distributors, technicians, performers and new media creators to pursue careers in Canada, and to work in their region and in the official or Aboriginal language of their choice. We also provide support for creators from cultural communities by way of tailor-made programs.

Telefilm is an active player in the worldwide market – from promoting Canadian films at major festivals to stimulating new coproduction partnerships.

With an annual budget totalling \$216 million – consisting of a \$128.3 million parliamentary appropriation; contributions, amounting to \$68.4 million, from the Department of Canadian Heritage; and recoveries budgeted at \$19.2 million in 2004-2005 – the major share of Telefilm's resources are committed through four core initiatives. They are: the Canada Feature Film Fund (CFFF); the Canadian Television Fund, in partnership with the industry; the Canada New Media Fund (CNMF); and the Music Entrepreneur Program (MEP) of the Canada Music Fund.

Through its funds, industry players of all sizes contribute to the expression and promotion of Canadian culture, whether they are small- and medium-sized businesses (SMBs), publicly traded companies or vertically integrated conglomerates. Nearly 1,000 clients, primarily SMBs, receive support each year, ensuring diversity, creating jobs and making a substantial contribution to building Canadian audiences. In addition, complementary programs aimed at individuals ensure that creators from all corners of Canada have opportunities to enhance their skills and develop innovative projects for uptake by Canadian companies.

Building audiences also depends on improving the management of the organization. Standardized and transparent business processes and procedures, advanced information systems, an empowered workforce, and performance evaluation and accountability are all fundamental elements of its business activity.

OUR FINANCIAL RESOURCES

Telefilm's annual budget comes from three sources:

- 1 **A parliamentary appropriation:** an amount made available to Telefilm through Parliament. A parliamentary appropriation must be disbursed in the fiscal year in which it is received; otherwise, it lapses. This amount represents the largest portion of the Corporation's resources;
- 1 **Department contributions:** amounts paid to Telefilm through the Department of Canadian Heritage by virtue of contribution agreements. These contributions come from the Department budget and must be disbursed in the year in which they are received. Telefilm receives Department contributions for the Canadian Television Fund, the Canada New Media Fund, the Music Entrepreneur Program and the National Training School Program; and
- 1 **Revenues:** amounts received by Telefilm in respect of its operations. Revenues derive mainly from the recoupment of investments, the repayment of advances and loans, the collection of interest charges, and from the recovery of costs relating to services provided to clients attending international markets.

OUR VALUES

As a public sector agency and a partner to the industry, Telefilm has six core values:

- 1 Celebrate the telling of unique Canadian stories;
- 1 Actively champion a sustainable Canadian audiovisual culture;
- 1 Recognize performance and encourage new thinking;
- 1 Promote diversity in policies and programs;
- 1 Be open, transparent and accessible to stakeholders, the industry and the public; and
- 1 Deliver the best cost effectiveness possible to meet the expectations of Parliament and the Canadian public.

HOW WE GOVERN OURSELVES

With greater demand for services and stronger accountability, effective corporate governance is key to maintaining Telefilm's credibility and its major role in the audiovisual sector.

ACT AND AGREEMENTS WITH THE DEPARTMENT OF CANADIAN HERITAGE

The Canadian Parliament established the Canadian Film Development Corporation (CFDC) in 1967 under the Canadian Film Development Corporation Act, in order to foster and promote the feature film industry (renamed in 2002 as the Telefilm Canada Act and amended in March 2005). Over the years, the government has expanded the Corporation's mandate, increasing its responsibilities and financial resources to include television, new media and music.

Each fund and program assigned to Telefilm is covered by an agreement between the Corporation and the Department of Canadian Heritage. These agreements define the mandates assigned to Telefilm and stipulate the operating rules, requirements, and legal and administrative framework governing its activities.

As a public agency, Telefilm complies with the following Acts: Section 8 of the former Financial Administration Act, certain provisions of the current Financial Administration Act, the Official Languages Act, the Canadian Multiculturalism Act, the Employment Equity Act, the Privacy Act and the Access to Information Act.

Telefilm's status as a Crown Corporation affords it greater managerial autonomy than that enjoyed by government departments. Investment decisions are free from political considerations as day-to-day operations are carried out at arm's length from ministers and civil servants.

NEW GOVERNANCE STRUCTURE FOR THE CANADIAN TELEVISION FUND

In its extensive report on the state of Canada's broadcast system, Our Cultural Sovereignty: The Second Century of Canadian Broadcasting, the Standing Committee on Canadian Heritage recommended that the operations and governance structure of the Canadian Television Fund be simplified. Throughout 2004-2005, Telefilm's Board was pleased to collaborate with the Department and the Canadian Television Fund Corporation to propose governance and administration model for the CTF.

A BOARD OF DIRECTORS

Telefilm's Board of Directors is composed of a chair and six members. It has three working groups, the Audit and Finance Committee, the Cultural and Linguistic Diversity Committee, and since the summer of 2004, the Selection Committee. The Board works with management to define Telefilm's strategic directions, and to ensure that every effort is made to achieve the Corporation's objectives. The Board sees to it that management practices, and information and audit systems meet the organization's needs and generate trustworthy results.

AUDIT AND FINANCE COMMITTEE

The objective of the Audit and Finance Committee is to assist the members of the Board in fulfilling their duty to review and approve Telefilm's financial information, reporting systems, internal control systems, reports by external auditors and the scope of internal auditing.

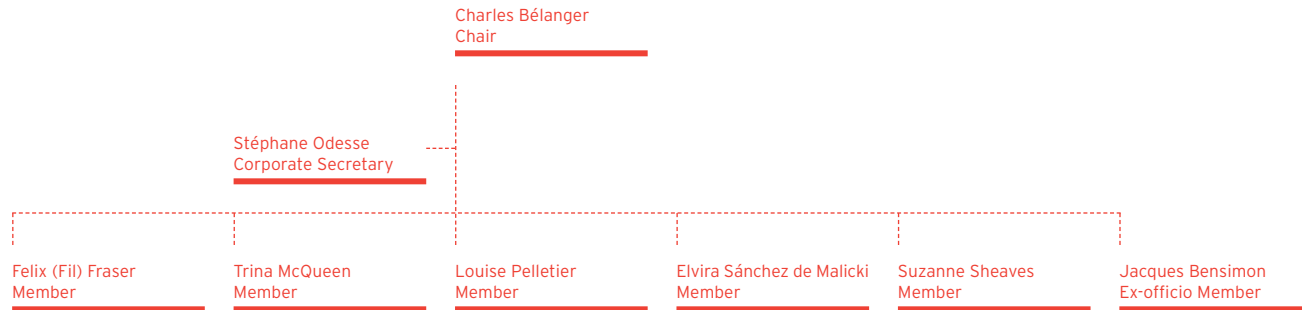
CULTURAL AND LINGUISTIC DIVERSITY COMMITTEE

The Cultural and Linguistic Diversity Committee ensures that Canadian cultural diversity is heard and seen in the audiovisual products Telefilm supports, and that Canadians have access to works stemming from the country's different communities.

SELECTION COMMITTEE

The Selection Committee recommends to the Minister of Canadian Heritage the appointment of the Executive Director and of the members of the Board.

BOARD OF DIRECTORS



APPOINTMENT OF DIRECTORS

MEMBERS OF THE BOARD

Board members are generally appointed for five-year terms. The Governor in Council appoints Telefilm's Board, on the recommendation of the Minister of Canadian Heritage. During their nomination, the Office of the Ethics Counsellor takes charge of examining the potential conflict of interest of members. The Governor in Council also names the Chair upon the recommendation of the Minister of Canadian Heritage. The Board names the members of its working groups.

EXECUTIVE DIRECTOR

The Executive Director is the Chief Executive Officer of the Corporation. The Executive Director has overall responsibility for, and execution of, Telefilm's strategic directions, activities, resources, external relations and results, within the framework of the Telefilm Canada Act. This position is appointed, in consultation with the Corporation's Board and on recommendation of the Minister of Heritage, by the Governor in Council to hold office for such term as he/she considers appropriate.

MAJOR ACCOMPLISHMENTS OF THE BOARD IN 2004-2005

A NEW TELEFILM CANADA ACT

Telefilm's Board supported the Government of Canada in obtaining passage of Bill C-18, which modifies the Telefilm Canada Act. The changes brought to the Act are technical in nature, involving adjustments relating to good administration.

A NEW EXECUTIVE DIRECTOR

Following the departure of Richard Stursberg in July 2004, the Board created a selection committee in line with the new procedures laid out by the Treasury Board of Canada. The Committee is composed of three members: the Chair of the Board, one member of the Board, and a third person wholly independent of Telefilm. In November, on recommendation of the Board, the Honourable Liza Frulla, Minister of Canadian Heritage, announced the nomination of Wayne Clarkson, who took office as Telefilm's new Executive Director in January 2005.

APPOINTMENT OF A NEW BOARD MEMBER

The appointment of Suzanne Sheaves from Halifax, Nova Scotia in January 2005 completed Telefilm's Board.

PRESENTATION TO THE STANDING COMMITTEE ON CANADIAN HERITAGE

Telefilm's senior management and chair appeared before the Standing Committee on Canadian Heritage, in the context of public consultations on feature film in Canada. Telefilm's presentation was well received and members of the Standing Committee congratulated the Corporation on its stewardship of the Fund.

HOW WE MANAGE RISK

CORPORATE STRUCTURE AND RISK MANAGEMENT FRAMEWORK

Under the leadership of the Chair of the Board and the Executive Director, Telefilm has five main administrative divisions.

ADMINISTRATIVE DIVISIONS

OPERATIONS: ENGLISH, FRENCH AND INTERNATIONAL

The Operations divisions are responsible for the administration of Telefilm's programs. In order to reflect the asymmetrical nature of the Corporation's investment policies, Canadian operations are organised according to the two language markets in Canada: English and French. International Operations and Development is responsible for initiatives in all cultural industry sectors and in each language market served by Telefilm.

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POLICY, PLANNING AND RESEARCH

This division oversees Policy, Planning and Research, Special Project Management and Corporate Affairs. It is responsible for gathering and sharing market intelligence, and ensures that the Corporation's performance is measured.

FINANCE AND ADMINISTRATION

The Finance and Administration Division is responsible for accounting services, collection and compliance, material resources and financial planning. Information systems are also located within this division.

EXECUTIVE COMMITTEE

The Executive Committee makes strategic decisions, assigns responsibilities and allocates internal resources. Its six members include the Executive Director and the directors of Telefilm's five main divisions.

RISK MANAGEMENT

Risk management at Telefilm is based on the Integrated Risk Management Framework issued by the Treasury Board of Canada in 2001. This framework responds to one of the objectives set out in Results for Canadians – A Management Framework for the Government of Canada (March 2000), which is to strengthen risk management practices within the public service. As such, Telefilm supports the four management commitments outlined in Results for Canadians: citizen focus, values, results and responsible spending.

At Telefilm, this framework translates to a risk management approach that emphasizes quality interventions with the industry and our stakeholders, efficient, economical management of public funds, and respect for fundamental public-service values: honesty, integrity and probity. It helps improve results by managing risk proactively.

RISK MANAGEMENT PROCESS

Telefilm has integrated risk management into its organizational strategy. Appropriate risk management serves not only to reduce the probability of organizational activity failure and the attendant uncertainty, but also to take better advantage of opportunities. Telefilm bases its risk management on a vision and a clear mission, precise and measurable objectives, and well-defined responsibilities.

Risk management responsibilities are spread across the organization. Senior management is responsible for identifying significant risks and ensuring that the level of risk management accountability is adequate throughout the organization. Managers are responsible for managing risks that pertain to their sector. They must keep themselves informed about the risks that affect them, and about how these risks impact other sectors and, conversely, how the risks of other operational units impact their sector. The capacity to manage risks is part of the basic skill set required for all employees.

OPERATIONAL, ORGANIZATIONAL AND FINANCIAL, AND STRATEGIC RISKS

Telefilm faces three types of serious risks: operational risks, organizational and financial risks, and strategic risks. Operational and financial risks are most serious for the organization. Several years ago, the Corporation undertook an operational and financial risk review program.

Operational risks concern losses or costs associated with deficiencies in internal controls or systems linked to day-to-day activities necessary to manage the various funds for which Telefilm is responsible. Operational policies and procedures, internal audits and quality control mechanisms serve to reduce these risks.

Recognizing the importance of access to quality information in risk management, Telefilm has given priority to implementing information systems that favour the sharing, standardization and availability of information. The implementation of a centralized application management system, a documentation management system and online services has improved operational risk management.



Organizational risks consist of costs associated with losses in the organizational structure (human resource management, knowledge and skill management, values and ethics). Policies and procedures and internal controls serve to manage this type of risk.

Financial risks include the risk of losses or costs associated with inefficient management of the organization's finances. Telefilm has put in place policies and practices that enable it to monitor financial management risks. During the last fiscal year, Telefilm revised a number of its financial management policies and practices, such as the budget planning process.

Strategic risks are associated with losses linked to changes in client and stakeholder needs. Strategic risks also include losses or costs associated with regulations. Consultation-based practices, an environment favouring research and development, and policies protect the organization against the negative effects of strategic risks.

LEGAL RISKS

Telefilm, like any organization, is exposed to lawsuits concerning its operations. At present, no ongoing lawsuit threatens the Corporation's financial viability.

RISKS RELATED TO A YEARLY FINANCING ENVIRONMENT

The policies governing Telefilm oblige it to spend nearly all of its annual resources within the fiscal year. Given the often long-term nature of funded projects, there is a real risk of monies lapsing at year-end. To avoid having its funding capacity altered, and especially, avert potential impacts on the industry, the Corporation must be extremely vigilant in managing its cash flow. Telefilm has addressed risk in this area through an improved budget planning process and specialized accounting tools to support management, the impacts of which have been significant and positive.

Furthermore, Telefilm's financing structure is based on a mix of a Parliamentary appropriation and four different contribution agreements with the Department of Canadian Heritage. Telefilm's contribution agreements vary from year to year, and put the

Corporation at risk of having to modify the infrastructure and staff complement needed to manage its funds, sometimes with only a few months' notice.

Telefilm does its best to manage these risks through a dynamic management structure; one that can readily adapt to important fluctuations in financial resources and new administrative circumstances, and assures effective and open communication with government departments. In addition, corporate planning is adjusted in accordance with the agreements in place each year.

RULES OF ETHICS

Telefilm has a code concerning conflict of interest, in accordance with Treasury Board regulations. This code for Telefilm employees establishes clear rules of conduct on the subject of conflict of interest and post-employment. It aims to reduce the possibility of conflicts between the personal interests and the official duties of employees, and provides the means to settle such conflicts, in the public interest. Each new employee is subject to the conflict of interest disclosure requirement, and it is the responsibility of each employee to review his or her obligations at least once a year. The more difficult cases are discussed with the Office of Public Service Values and Ethics.

OUR FUNDS

THE WHOLE VALUE CHAIN

Telefilm provides a full range of support throughout the value chain in the four sectors it serves. The added value that the Corporation brings to the production chain is the special role it plays in helping producers secure other sources of financing; raising the awareness of Canadians about Canadian cultural productions, in partnership with cultural institutions nationwide; and providing unique opportunities for professional development to Canada's most gifted creators. Telefilm's oversight of all four cultural sectors helps it chart a path, which respects and enhances synergies between sectors, as it works with the industries to achieve common goals.

Telefilm's major funds are focused on increasing the domestic audience market share for Canadian audiovisual culture. Telefilm therefore pursues an asymmetrical approach to the Canadian feature film and television markets with different operational strategies for each.

CANADA FEATURE FILM FUND

In 2000, the federal government announced a new policy for Canadian feature film, entitled **From Script to Screen – New Policy Directions for Canadian Feature Film**. The main objective is to achieve 5% of the domestic box office for Canadian cinema by 2006 by strengthening production and distribution.

Two other objectives, within the new feature film policy for reaching larger audiences, are to increase average production budgets to \$5 million and the average size of marketing budgets to \$500,000.

The primary instrument to achieve these objectives is the Canada Feature Film Fund, administered by Telefilm, which provides assistance for screenwriting, project development, production, marketing and complementary activities. To meet its goals, the Fund has resources of approximately \$100 million annually (a parliamentary appropriation of \$70 million, recoveries of \$12 million, and an amount of \$15 million from the feature film component of the Canadian Television Fund – Equity Investment Program), which are allocated in productions most likely to reach Canadian and international audiences.

CANADIAN TELEVISION FUND

The Department of Canadian Heritage, the Cable Production Fund (a creation of the Canadian cable industry) and Telefilm joined forces in 1996 to create the Canadian Television Fund. The CTF is a public-private initiative with an annual budget of \$275 million (a parliamentary appropriation of \$39 million, a contribution agreement of \$99 million, an amount of \$125 million from broadcasters, and recoveries of \$10 million). Telefilm shares responsibility for administering this fund with the Canadian Television Fund Corporation.

Historically, the CTF has measured success in this sector in terms of the volume of production supported. In light of the difficulty of the English market to connect with television viewers, a new perspective was needed to prioritize support to projects with audience potential. The CTF's guidelines were considerably revised for 2004-2005, to bring the Fund in line with a new audience objective.

The overhauled CTF consists of three streams of support: a Broadcaster Performance Envelope Stream administered by the Canadian Television Fund Corporation, an English-Language Drama Stream, and a Special Initiatives Stream managed by Telefilm. The Special Initiatives Stream provides support for development, versioning, Aboriginal-language production, French-language production outside Quebec, special initiatives for English-language drama, and feature film productions with a broadcast window.

CANADA NEW MEDIA FUND

The Canada New Media Fund is one of a number of funds created to meet the objectives of the Canadian Culture Online Program of the Department of Canadian Heritage. The main objectives of the CNMF are to encourage the development, production, marketing and distribution of high-quality, original, interactive digital entertainment products, in both official languages, and to assist in the growth and development of a Canadian new media production industry that is competitive in international markets.

MUSIC ENTREPRENEUR PROGRAM — A PILOT INITIATIVE

The Music Entrepreneur Program was created within the framework of the Department of Canadian Heritage's Canada Music Fund. The ultimate goal of the Program is to ensure that Canadian music entrepreneurs build strong, sustainable businesses. The MEP also contributes to the goal of the Department's Sound Recording Policy, which is to provide Canada and the world with a diverse range of music on their radios and television sets, in stores, at public venues and on the Internet. The Program provides corporate assistance to established Canadian companies that are actively engaged in developing and promoting Canadian musical content, creators and performers.

The Program is now at the end of the three-year cycle on which it was designed. Telefilm will be conducting a full analysis of the performance of the Program, which it will be sharing with the Department of Canadian Heritage later in the year.

INDUSTRIAL AND PROFESSIONAL DEVELOPMENT

Telefilm complements its support, for production and distribution activity, through a number of programs designed to support activities that enhance the overall environment and conditions in which Canadian audiovisual culture is produced, promoted, sold and distributed. The Corporation provides a range of programs that back Canadian festivals, international business development, financing and sales, and high-calibre professional development.

The Canada Showcase Program provides assistance to Canadian festivals to promote Canadian audiovisual productions.

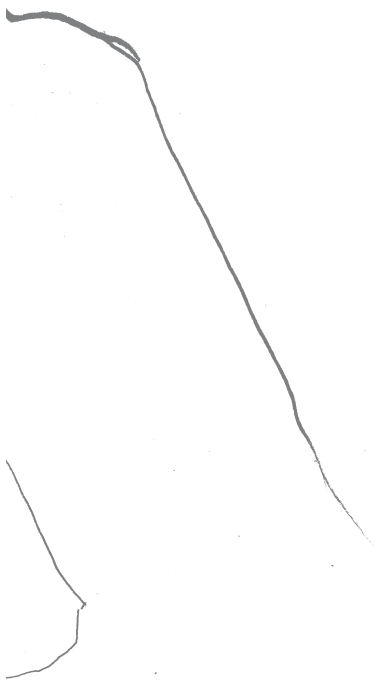
The International Festivals and Events Participation Assistance Program provides a range of support to directors and producers to promote their works at key international events.

The International Coproduction Department recommends international coproductions to the Minister of Canadian Heritage for treatment as official Canadian coproductions.

The National Training Program in the Film and Video Sector and the Industrial and Professional Development Program provide strategic professional development opportunities to talented Canadian professionals in the audiovisual sector.

The Spark Plug and IPOLC programs provide targeted professional development opportunities to visible and linguistic-minority professionals.





There are certain things I can't talk about.

TELEVISION / L'HÉRITIÈRE DE GRANDE OURSE

You know that.

And things I can't prevent

PERFORMANCE REPORT

CANADA AT THE BOX OFFICE

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A REPORT ON CANADIAN THEATRICAL FEATURE FILM EXHIBITION IN 2004

The following is an overview of Canadian theatrical feature exhibition and a performance report for 2004. The report presents both a general survey of feature film theatrical exhibition in Canada and highlights the success of Canadian films with Canadian audiences. The information here was compiled using Telefilm Canada's film exhibition database.

In 2004, films supported through the Canada Feature Film Fund generated 81% of the Canadian box office. This figure represents a 15% drop from 2003, where CFFF-supported films represented 96% of Canadian box office. The change is largely attributable to the success of one film produced without the assistance of the Fund.

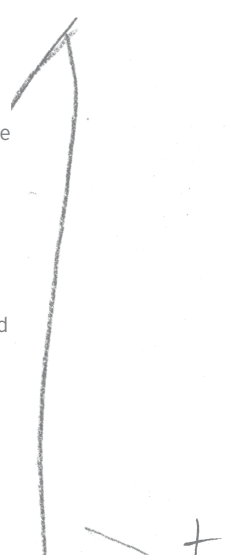
HIGHLIGHTS OF CANADIAN CINEMA IN 2004

Canadian cinema enjoyed new levels of success again in 2004. Following on the heels of the exceptional success of 2003, Canada once again saw the best performance of its domestic film production in 20 years.

Canadian films generated over \$41 million in box-office receipts, to attain a national market share of 4.5%. This is only 0.5% shy of the 5% market share target established for the Canada Feature Film Fund in 2000. And Telefilm's date for achieving that target is still a year away.

Sixteen Canadian films broke the \$1-million mark, up from six the year before. They earned a total of \$34 million, compared to the \$27 million brought in by their counterparts in 2003, representing an increase of 24% among the top earners over last year.

Canada's two top performers in 2004 were *Resident Evil: Apocalypse* and *Camping sauvage*. The former title was the only film among the top 20 Canadian box-office earners not supported through the CFFF. In addition, some of last year's strong box-office earners continued to lead in 2004. *The Corporation*,



Les Invasions barbares (The Barbarian Invasions) and La Grande séduction (Seducing Dr. Lewis) continued to figure among the top twenty Canadian earners in 2004.

TOP 20 CANADIAN FILMS OF 2004

In thousands of dollars

Title	French-language box office	English-language box office	Total 2004 box- office receipts
Resident Evil: Apocalypse	\$ 1,161	\$ 5,034	\$ 6,195
Camping sauvage	\$ 4,288	\$ 23	\$ 4,311
Dans une galaxie près de chez vous	\$ 2,832	\$ 0	\$ 2,832
Elvis Gratton XXX	\$ 2,292	\$ 0	\$ 2,292
Elles étaient cinq	\$ 2,106	\$ 16	\$ 2,122
The Blue Butterfly	\$ 1,890	\$ 67	\$ 1,957
Nouvelle-France	\$ 1,927	\$ 23	\$ 1,950
Le Dernier tunnel	\$ 1,677	\$ 21	\$ 1,698
Monica la mitraille	\$ 1,648	\$ 17	\$ 1,666
The Corporation	\$ 139	\$ 1,373	\$ 1,512
Ma vie en cinémascope	\$ 1,456	\$ 9	\$ 1,465
Going The Distance	\$ 488	\$ 888	\$ 1,376
Les Aimants	\$ 1,311	\$ 7	\$ 1,318
Les Invasions barbares	\$ 666	\$ 491	\$ 1,157
La Grande séduction	\$ 607	\$ 486	\$ 1,094
Les Triplettes de Belleville	\$ 414	\$ 587	\$ 1,001
L'Incomparable Mademoiselle C.	\$ 733	\$ 3	\$ 736
Nez rouge	\$ 674	\$ 6	\$ 679
Being Julia	\$ 20	\$ 532	\$ 552
Mémoires affectives	\$ 280	\$ 26	\$ 306

BOX-OFFICE PERFORMANCE

Box-office earnings for Canadian films have grown at the spectacular rate of 43% over the past four years. This remarkable growth has been achieved in the context of an overall market that grew at a far slower average rate of 2% between 2001 and 2004.

In fact, as the following table shows, the total box office in Canada shrank by 4% in 2004 over 2003, falling from \$949 million to \$910 million in receipts.



BOX-OFFICE GROWTH – CANADIAN FILMS VS. OVERALL MARKET

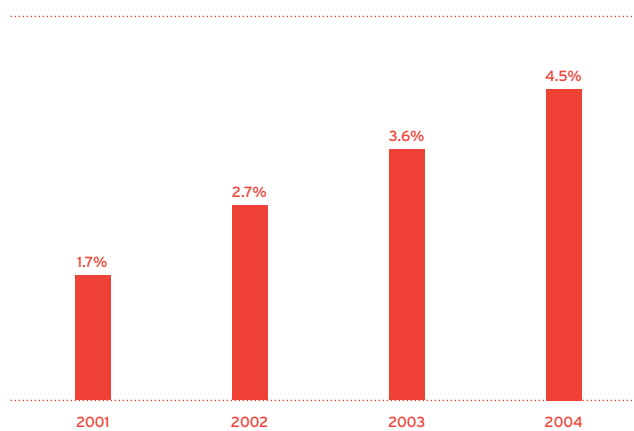
In millions of dollars

	2001	2002	2003	2004	Four-year average growth	Growth over last year
Canadian films	\$ 14.3	\$ 26.2	\$ 34.4	\$ 41.4	42.7 %	20.4 %
All films	\$ 855.6	\$ 968.9	\$ 949.0	\$ 910.4	2.1 %	(4.1)%

GROWTH IN MARKET SHARE FOR CANADIAN FILMS

Increased box-office revenues have translated into steady market share gains for Canadian films. The Canadian market share has grown at a rate of approximately 1% per year, with Canadian films achieving a national market share of 4.5% by the end of 2004.

MARKET SHARE GROWTH OF CANADIAN FILMS SINCE 2001



With productions of similar size and scope of release, independent films are the closest competition for Canadian films. The market share of the independent film sub-market achieved by Canadian films grew by 250% between 2001 and 2004, from 7.1% in 2001 to 17.6% in 2004. The growth happened mostly at the expense of foreign films. American films had the smallest share of the independent film sub-market in 2004.

MARKET SHARE BY ORIGIN

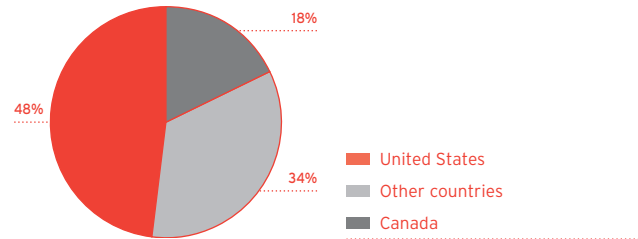
Independent films only

	2001	2002	2003	2004
Canadian films	7.1 %	10.1 %	12.7 %	17.6 %
American films	74.6 %	77.3 %	74.7 %	70.1 %
Other countries	18.3 %	12.6 %	12.6 %	12.3 %

FEATURE FILM DISTRIBUTION: NEW RELEASES

American films achieve their market dominance not only through the earnings of individual films, but by flooding the market with product. Of the 369 fictional features released in Canada in 2004, almost half (48%) were American. Eighteen percent (68 films) were Canadian, slightly more than in 2003. Foreign non-American films accounted for the remaining 34%.

SHARE OF NEW TITLES RELEASED IN 2004 BY ORIGIN



RELEASE PATTERNS

The numbers of screens on which a film is presented sets the stage for eventual box-office earnings. There are three types of release patterns typically employed in the Canadian theatrical market: limited, platform and wide releases. Limited releases occupy a limited number of screens in a few cities only. Platform releases start small, usually in no more than a few cities, and if the film is successful, the release is expanded to many more screens across the country. Wide releases open on the greatest number of screens, most often in all key cities. For the purposes of this analysis, we have chosen three broad categories of release sizes to approximate these patterns.

“Screen time” refers to the number of screens per week on which a film is shown in a given year. In movie-house terms, it represents “shelf space.” In economic terms, it is an approximate way of calculating supply¹. U.S. properties in both language markets are most often widely released. American films occupy 85% of all available screen time in Canada, even though they account for only 47% of all releases. By contrast, the majority of Canadian productions are released on a limited number of screens.

In spite of the overwhelming dominance of American films, Canadian productions have come to occupy a greater and greater share of available screen time, doubling their access from 3% in 2001, to 6% in 2004.

¹ The methodology proposed here does not take into account other variables such as the size of local markets (big city, small town), the number of seats available in theatres, nor the number of weekly screenings in any given theatre, which, taken together, would give a more precise understanding of supply.

SCREEN TIME IN CANADA BY ORIGIN

	2001	2002	2003	2004
Canadian films	2.8 %	3.9 %	5.4 %	6.0 %
American films	88.3 %	86.4 %	88.8 %	84.6 %
Other countries	8.9 %	9.7 %	5.8 %	9.3 %

EFFICIENCIES

The growth in market share obtained by Canadian films over the last four years has been outpacing their rising share of total screen time. In other words, Canadian films are doing a far better job of attracting audiences, but only partially attributable to their greater availability. They are increasing in efficiency.

RATIO MARKET SHARE TO SCREEN TIME

	2001	2002	2003	2004
Canadian films	0.59	0.70	0.67	0.75
American films	1.02	1.01	1.02	1.02
Other countries	0.94	1.02	1.02	0.93

The ratio of market share (demand) to screen time (supply) is obtained by dividing the percentage of market share obtained by films by their percentage of screen time in this market. A ratio of 1.00 means that the market share obtained by a particular category of film is equal to the screen time that they occupied, while a ratio of greater than 1.00 means that the films in question obtained a greater market share than their share of screens. Such a category would be said to be more efficient. A ratio of less than one indicates that market share was lower than the share of screen time.

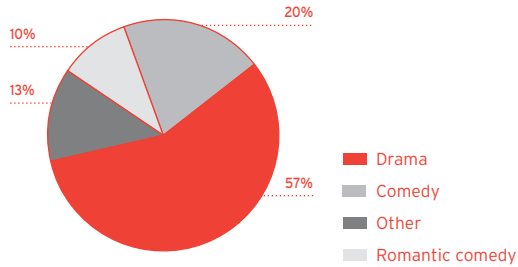
THE CANADA FEATURE FILM FUND PORTFOLIO

Since the launch of the Canada Feature Film Fund, Telefilm has invested in the production of 163 films through the main programs of the CFFF. To date, 95 films supported through the CFFF have been released in Canada. Other titles are currently in, or will be in production.

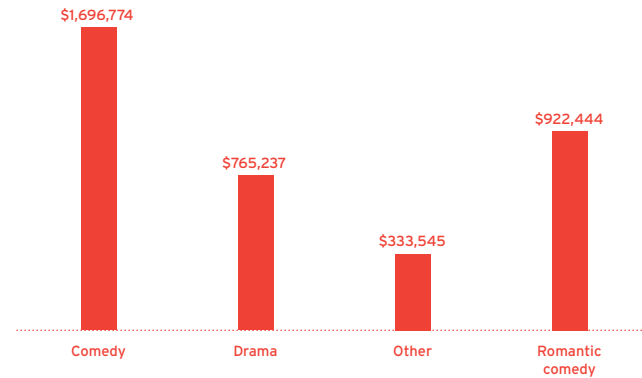
PORTFOLIO DISTRIBUTION BY FILM GENRE

Telefilm's portfolio of investments through the Canada Feature Film Fund is concentrated in three genres. Fifty-seven percent of films supported were dramas. Comedies and romantic comedies represent the two other significant components of the portfolio. Other genres represent a smaller fraction of the portfolio.

CANADA FEATURE FILM FUND PORTFOLIO BY GENRE 2001-2002 TO 2004-2005



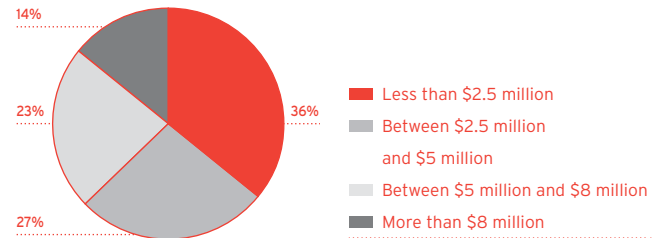
CANADA FEATURE FILM FUND PORTFOLIO – AVERAGE BOX OFFICE BY GENRE 2001-2002 TO 2004-2005



SIZE OF PRODUCTION BUDGETS

Sixty-three percent of films supported were low- and medium-low budget films (under \$5 million). Films in the medium-high budget range (between \$5 million and \$8 million), which represented 23% of Telefilm's portfolio, have so far performed the best.

CANADA FEATURE FILM FUND PORTFOLIO BY TOTAL BUDGET 2001-2002 TO 2004-2005



CULTURAL DIVERSITY OF THE PORTFOLIO

Twenty-eight of 163 films (17%) in which Telefilm has invested since the launch of the CFFF, in terms of production through the Fund's main programs, tell stories that reflect the cultural diversity of Canada. Two of these films earned over \$1 million at the box office. The success of **Bollywood/Hollywood** and **Mambo Italiano** can no doubt be further attributed to the strong cinematic vision of their auteurs.

TWO LINGUISTIC MARKETS – AN ASYMMETRICAL APPROACH TO SUPPORTING CANADIAN CINEMA

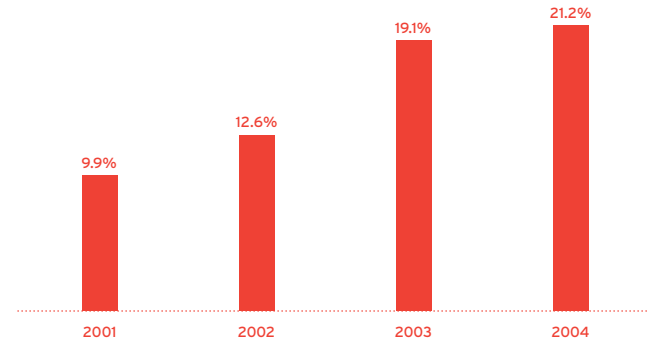
There are two distinct universes in Canadian cinema – English-language and French-language productions. As revealed in the following sections of this report, these two markets in Canadian feature film face different market challenges.

ANALYSIS OF THE FRENCH-LANGUAGE MARKET

French-language Canadian films performed extremely well once again, achieving a 21% share of the French-language market.

MARKET SHARE GROWTH OF CANADIAN FILMS

French-language market



BOX-OFFICE PERFORMANCE

Canadian films in the French-language market achieved an impressive average annual growth of 34% in box-office revenues over the last four years, while the market inched forward at the rate of 4% between 2001 and 2004.

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BOX-OFFICE GROWTH – CANADIAN FILMS VS. OVERALL MARKET

French-language market
In millions of dollars

	2001	2002	2003	2004	Four-year average growth	Growth over last year
Canadian films	\$ 12.1	\$ 17.4	\$ 27.1	\$ 29.3	34.1 %	8.0 %
All films	\$ 122.2	\$ 138.6	\$ 142.4	\$ 138.4	4.2 %	(2.8)%

Actually, the French-language box office grew from an already impressive \$27.1 million to \$29.3 million, a growth of 8% over 2003.

The average box-office revenues of Canadian French-language films were competitive with American films, whether produced by the big studios or independently, and three times higher than foreign films exhibited in French.

AVERAGE BOX OFFICE* – HOW CANADIAN FILMS MEASURE UP

French-language market

Canadian films	Other countries	American "indie" films	American studio films
\$ 607,344	\$ 201,337	\$ 503,304	\$ 734,027

* Average box office is calculated on all films released in 2004 in the French-language market, and includes fiction films only. For films crossing over to 2005, box office was measured as at May 5, 2005.

The comedy **Camping sauvage** was this year's runaway Canadian hit in the French-language market, earning over \$4 million at the box office. In all, 12 French-language Canadian features grossed over \$1 million in 2004. Seven French-language Canadian films ranked among the top 20 in 2004 in their market, one more than in 2003. **Camping sauvage** led the pack, followed by **Dans une galaxie près de chez vous**, **Elvis Gratton XXX – La Vengeance d'Elvis Wong** and **Elles étaient cinq**.

Eleven French-language Canadian films ranked among the top 20 independent films, almost doubling the performance achieved in 2003 when six French-language films shared this distinction.

TOP 20 FILMS OF 2004

French-language market
In millions of dollars

Title	2004 box office (French-language market)
Spider-Man 2	\$ 6.4
Harry Potter and the Prisoner of Azkaban	\$ 5.6
Shrek 2	\$ 5.3
Camping sauvage	\$ 4.3
Dans une galaxie près de chez vous	\$ 2.8
The Lord of the Rings: The Return of the King	\$ 2.7
Troy	\$ 2.4
The Day After Tomorrow	\$ 2.4
Elvis Gratton XXX	\$ 2.3
Les Choristes	\$ 2.2
50 First Dates	\$ 2.1
Elles étaient cinq	\$ 2.1
Fahrenheit 9/11	\$ 2.0
The Bourne Supremacy	\$ 2.0
The Passion of the Christ	\$ 1.9
Nouvelle-France	\$ 1.9
The Blue Butterfly	\$ 1.9
The Butterfly Effect	\$ 1.7
Le Dernier tunnel	\$ 1.7
I, Robot	\$ 1.7



TOP 20 INDEPENDENT FILMS OF 2004

French-language market
In millions of dollars

Title	2004 box office (French-language market)
Camping sauvage	\$ 4.3
Dans une galaxie près de chez vous	\$ 2.8
The Lord of the Rings: The Return of the King	\$ 2.7
Elvis Gratton XXX	\$ 2.3
Les Choristes	\$ 2.2
Elles étaient cinq	\$ 2.1
Fahrenheit 9/11	\$ 2.0
The Passion of the Christ	\$ 1.9
Nouvelle-France	\$ 1.9
The Blue Butterfly	\$ 1.9
The Butterfly Effect	\$ 1.7
Le Dernier tunnel	\$ 1.7
Monica la mitraille	\$ 1.6
Hero	\$ 1.5
Ma vie en cinémascope	\$ 1.5
Shall We Dance	\$ 1.4
Les Aimants	\$ 1.3
Resident Evil: Apocalypse	\$ 1.2
Blade: Trinity	\$ 0.9
Kill Bill Vol. 2	\$ 0.8

SCREEN TIME AND MARKET SHARE

The success of French-language Canadian films is attributable to a number of factors, not least of which is the quality of the films themselves. Secondly, producers and distributors of French-language Canadian films do a good job of targeting and reaching their audiences with effective marketing and release strategies. The strength of recent titles has bolstered distributor confidence, translating into bolder launch strategies and greater "shelf space."

French-language Canadian films occupied more than twice as many screens at release as foreign films in 2004, while the ratio of screens occupied by American films at release compared to Canadian films in the French-language market was less than 2:1, a significantly lower ratio than in other markets where American films dominate.

AVERAGE NUMBER OF SCREENS AT RELEASE BY ORIGIN OF FILMS

French-language market

	2004	2003
Canadian films	28	23
American films	41	42
Other countries	12	8

French-language Canadian films are also exceptionally efficient at reaching audiences in their market. With a ratio of 1.14 to one in 2004, Canadian films in the French-language market are outperforming American and other foreign films, which must occupy more "shelf space" to reach their share of the market.

RATIO MARKET SHARE TO SCREEN TIME

French-language market

	2001	2002	2003	2004
Canadian films	1.01	1.01	1.21	1.14
American films	1.00	1.00	0.94	0.97
Other countries	0.98	0.99	1.10	0.93

**THE CANADA FEATURE FILM FUND
PORTFOLIO — FRENCH-LANGUAGE PRODUCTION**

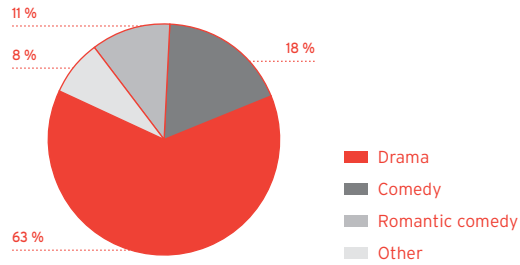
Since the launch of the Canada Feature Film Fund, Telefilm has invested in 65 films produced in French, of which 60% were auteur films. To date, 47 films have been released in Canada in the French-language market. Other titles are currently in, or will be in production.

PORTFOLIO DISTRIBUTION BY FILM GENRE

In the French-language market, the CFFF portfolio was comprised of 63% dramas, 18% comedies, 11% romantic comedies with 8% making up the rest. Audiences for these films have had a good appetite for CFFF-supported Canadian dramas, as well as for home-grown comedies and romantic comedies.

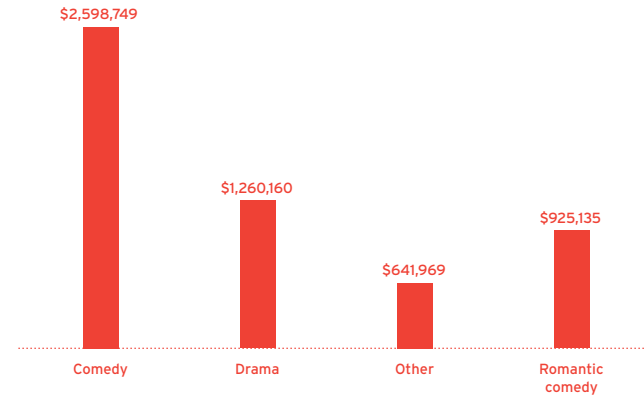
**CANADIAN FEATURE FILM FUND PORTFOLIO
BY GENRE**

French-language market (2001-2002 to 2004-2005)



**CANADA FEATURE FILM FUND PORTFOLIO —
AVERAGE BOX OFFICE BY GENRE**

French-language market (2001-2002 to 2004-2005)

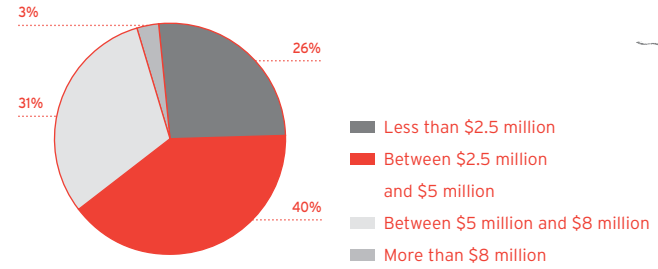


SIZE OF PRODUCTION BUDGETS

Three percent of films in the French-language portfolio of the CFFF were big-budget films, compared with 71% in the middle range and 26% with low budgets. Average box-office receipts in every budget category were consistent with higher box-office averages overall for Canadian films in the French-language market.

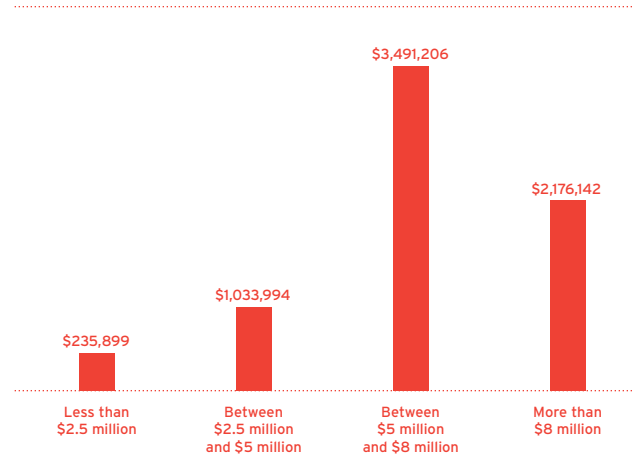
**CANADA FEATURE FILM FUND PORTFOLIO BY
TOTAL BUDGET SIZE**

French-language market (2001-2002 to 2004-2005)



CANADA FEATURE FILM FUND PORTFOLIO – AVERAGE BOX OFFICE BY TOTAL BUDGET SIZE

French-language market (2001-2002 to 2004-2005)



ANALYSIS OF THE ENGLISH-LANGUAGE MARKET

Canada produced four “millionaire” English-language feature films in 2004, an exceptional achievement over last year when only one English-language film earned over \$1 million. The four English-language Canadian millionaires earned a total of \$7.4 million, representing 61% of English-language Canadian box-office receipts.

BOX-OFFICE PERFORMANCE

Growth in total box-office revenues for Canadian films has been sharpest in the overall English-language market. They grew at an annual rate of 79% between 2001 and 2004, while the total English-language market grew by a mere 1.7% over the same period.

Growth in ticket sales rose by 67% in 2004, from the \$7.2 million achieved in 2003, to \$12.1 million.

Canadian cinema, with its limited production and P&A (print and advertising) budgets, is no match for big U.S. blockbusters. Despite the growing success of English-language Canadian films, average box-office revenues continue to lag behind the competition by a considerable margin when measured against independent films with their more competitive budgets.

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BOX-OFFICE GROWTH – CANADIAN FILMS VS. OVERALL MARKET

English-language market
In millions of dollars

	2001	2002	2003	2004	Four-year average growth	Growth over last year
Canadian films	\$ 2.1	\$ 8.7	\$ 7.2	\$ 12.1	78.8 %	67.0 %
All films	\$ 733.3	\$ 826.9	\$ 806.7	\$ 771.9	1.7 %	(4.3)%

AVERAGE BOX OFFICE* – HOW CANADIAN FILMS MEASURE UP

English-language market

Canadian films	Other countries	American "indie" films	American studio films
\$ 175,687	\$ 707,431	\$ 1,963,749	\$ 4,723,653

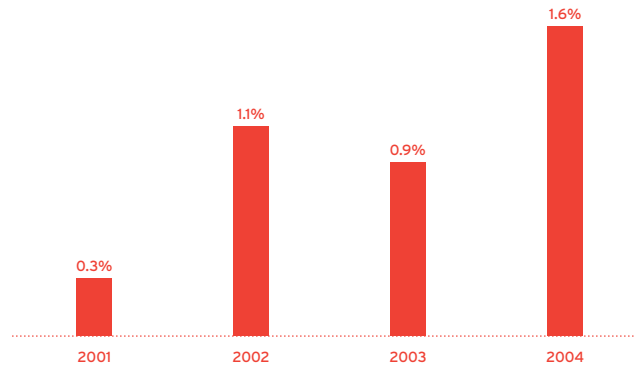
* Average box office is calculated on all films released in 2004 in the English-language market, and includes fiction films only. For films crossing over to 2005, box office was measured as at May 5, 2005.

GROWTH IN MARKET SHARE

English-language Canadian films increased their market share again this year to achieve 1.6% of box-office receipts. In the independent film sub-market, Canadian productions increased their share significantly, to 6.9% in 2004, up from 1.3% in 2001.

MARKET SHARE GROWTH OF CANADIAN FILMS

English-language market



In spite of this impressive growth, Canadian English-language films were still shut out of the top 20. To give an indication of how tough it is to rank in the English-language market, Canada's top-grossing English-language film, *Resident Evil: Apocalypse*, which took in over \$5 million in box-office receipts, ranked 47th overall.

TOP 20 FILMS OF 2004

English-language market
In millions of dollars

Title	2004 box office (English-language market)
Shrek 2	\$ 39.6
Spider-Man 2	\$ 34.2
Harry Potter and the Prisoner of Azkaban	\$ 23.9
The Passion of the Christ	\$ 21.0
The Bourne Supremacy	\$ 18.3
The Incredibles	\$ 17.6
The Lord of the Rings: The Return of the King	\$ 16.6
Troy	\$ 16.5
Fahrenheit 9/11	\$ 16.2
50 First Dates	\$ 12.9
The Day After Tomorrow	\$ 12.9
Shark Tale	\$ 12.8
Collateral	\$ 10.3
The Grudge	\$ 10.0
I, Robot	\$ 9.7
Starsky & Hutch	\$ 9.6
Ocean's Twelve	\$ 9.6
The Polar Express	\$ 9.5
The Notebook	\$ 8.9
Van Helsing	\$ 8.9

In addition, fuelled by its international star power and the success of its first episode, **Resident Evil: Apocalypse** was the only Canadian film ranked among the top 20 independent films in the English-language market.

TOP 20 INDEPENDENT FILMS OF 2004

English-language market
In millions of dollars

Title	2004 box office (English-language market)
The Passion of the Christ	\$ 21.0
The Lord of the Rings: The Return of the King	\$ 16.6
Fahrenheit 9/11	\$ 16.2
The Notebook	\$ 8.9
Kill Bill Vol. 2	\$ 8.4
Shall We Dance	\$ 7.5
The Butterfly Effect	\$ 6.9
Hero	\$ 6.1
Cold Mountain	\$ 5.4
Monster	\$ 5.2
Resident Evil: Apocalypse	\$ 5.0
Blade: Trinity	\$ 4.0
Saw	\$ 3.5
The Punisher	\$ 3.4
Cellular	\$ 2.9
Eternal Sunshine of the Spotless Mind	\$ 2.9
After The Sunset	\$ 2.8
Jersey Girl	\$ 2.7
Finding Neverland	\$ 2.4
Open Water	\$ 2.4

SCREEN TIME AND MARKET SHARE

Canadian and foreign-language films are launched on only a small fraction of screens in the English-language market. American films are released on far more screens, far more often, providing greater challenges for Canadian product in this market.

AVERAGE NUMBER OF SCREENS AT RELEASE BY ORIGIN OF FILMS

English-language market	2004	2003
Canadian films	13	15
American films	109	110
Other countries	21	9

Canadian films trail far behind American films, in terms of the exposure, when they are initially launched (13 screens compared to 109). In the English-language market, American releases occupy eight times more screens than Canadian releases.

EFFICIENCIES

In the English-language market, Canadian films have achieved their highest ratio of market share to screen time in the last four years. Since 2001, just after the CFFF was launched, Canadian films produced in English have improved their ratio of market share to screen time significantly, almost doubling their ratio from only 0.38 in 2003 to 0.76 in 2004.

RATIO OF MARKET SHARE TO SCREEN TIME

English-language market

	2001	2002	2003	2004
Canadian films	0.26	0.65	0.38	0.76
American films	1.01	1.00	1.01	1.01
Other countries	0.98	1.05	1.07	0.99

THE CANADA FEATURE FILM FUND PORTFOLIO — ENGLISH-LANGUAGE PRODUCTION

Since the launch of the Canada Feature Film Fund, Telefilm has invested in 98 films produced in English, of which 50% were “auteur”² films. To date, 48 films supported through the CFFF have been released in Canada in the English-language market. Other titles are currently in, or will be in production.

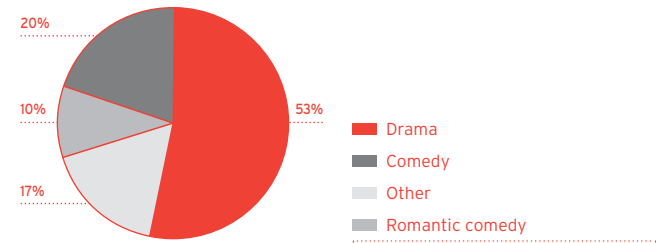
- 2 Telefilm uses the following indicators to help analysts identify “auteur” films in its database:
- 1] the director is also the writer;
 - 2] the director is actively involved in the development of the project;
 - 3] the director has “final cut”; and
 - 4] the style of the director is unique, and is a key element of the completed film.

PORTFOLIO DISTRIBUTION BY FILM GENRE

In the English-language market, the CFFF portfolio was comprised of 53% dramas, 20% comedies, 10% romantic comedies with 17% making up the rest. The greatest challenge in English Canada is to reach audiences with Canadian dramas. Comedies, including romantic comedies, supported by the CFFF have to date proven more popular with English-Canadian audiences.

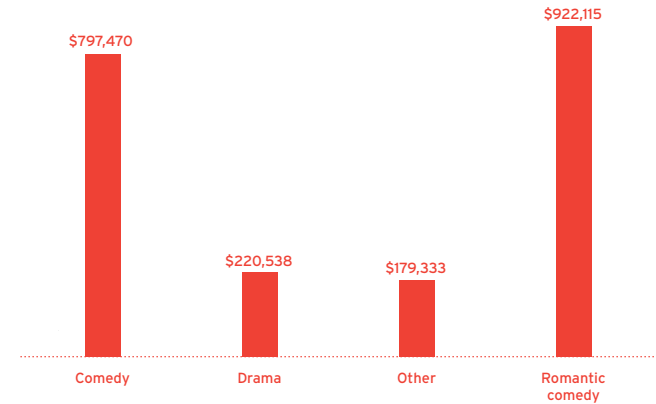
CANADA FEATURE FILM FUND PORTFOLIO BY GENRE

English-language market (2001-2002 to 2004-2005)



CANADA FEATURE FILM FUND PORTFOLIO — AVERAGE BOX OFFICE BY GENRE

English-language market (2001-2002 to 2004-2005)

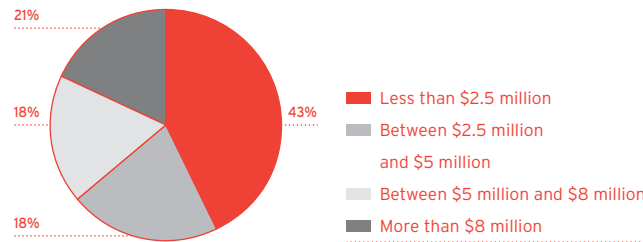


SIZE OF PRODUCTION BUDGETS

Twenty-one percent of films in the English-language portfolio of the CFFF were big-budget films, compared with 36% in the middle range, and 43% with low budgets. Big-budget films are a more expensive gamble.

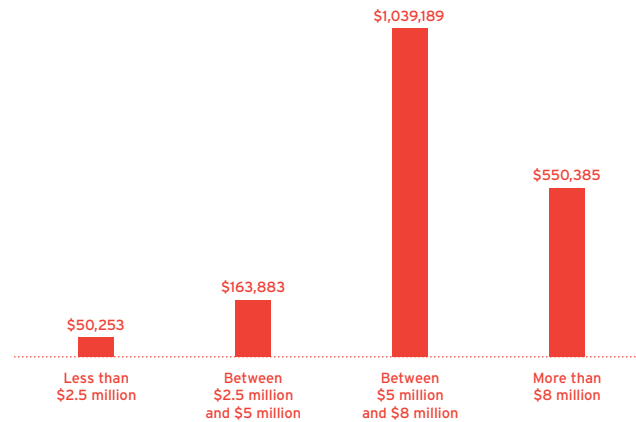
CANADA FEATURE FILM FUND PORTFOLIO BY TOTAL BUDGET SIZE

English-language market (2001-2002 to 2004-2005)



CANADA FEATURE FILM FUND PORTFOLIO – AVERAGE BOX OFFICE BY TOTAL BUDGET SIZE

English-language market (2001-2002 to 2004-2005)



PERFORMANCE FORECAST TO 2005 FOR THE CANADA FEATURE FILM FUND

In spite of the remarkable growth in Canadian market share since the inception of the Canada Feature Film Fund, Telefilm expects the market share of box office for Canadian films to remain steady in 2005. The reasons for this projection are twofold.

First, the market has been shrinking slightly since 2002, and early indications suggest that this trend will continue this year. As overall box-office receipts are up for Canadian films, a shrinking market should help them achieve a greater market share. However, the number of films in which Telefilm invests is also declining, as average budgets have increased. These two conditions may mitigate against each other. Finally, Canadians films scheduled for release in the latter half of 2005 do not suggest any significant change in trends at the box office.



THE STATE OF PRIME TIME

A REPORT ON CANADIAN TELEVISION DRAMA AUDIENCES IN 2004

A new coding system for Canadian television audience measurement was implemented in 2003. For the first time, genre and country of origin can be filtered and measured. This new coding allows for unprecedented analysis of Canadian cultural product on television.

While the CTF supports television productions in four major genres: drama, documentary, performing arts, and children's and youth programming, in 2004-2005 the bulk of Telefilm Canada's financing activity was directed towards English-language dramatic programming. Telefilm's audience objective in television was therefore defined as the Fund's ability to attract audiences for dramatic programming in prime time. This report establishes baseline data with respect to audiences for Canadian drama that will be used to evaluate the Fund's performance in future years.

The most recent full broadcast year, 2003-2004, is now available for analysis. This profile of Canadian television is made possible by this new technology.

Canadian television is a big place. There was a constant stream of programming 24 hours a day, on hundreds of individual signals during the broadcast year of 2003 to 2004 (September to August). For this report, only prime time (7 pm to 11 pm) is examined, and only measurable stations have been included – the major networks and most analogue specialty stations. Programming data is not yet available for the recently added category one and two digital signals, however the broadcasters captured in this analysis account for over 90% of all tuning.

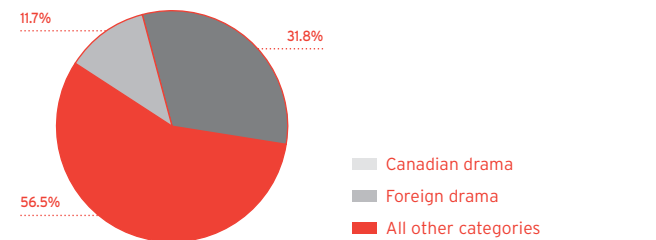
BBM National Meter data was used exclusively for all audience data in this report. For most performance analyses, share of cumulative viewing hours was applied as the main metric. This figure is determined by multiplying the audience of a program

by its duration. For example, a single episode of a half-hour program that had an average audience of 100,000 would account for 50,000 viewing hours. Total viewed hours are then aggregated for all episodes of all programs for the whole broadcast year, and expressed as a share.

OVERVIEW OF CANADIAN TELEVISION DRAMA

For the broadcast year 2003-2004, Canadian drama held an 11.7% share of all prime-time viewing. This figure includes all Canadian drama regardless of language or sub-format.

SHARE OF OVERALL VIEWING HOURS



Ongoing dramatic series were the strongest sub-format, with a total TV market share of 5.3%. The second strongest performance, interestingly, came from comedy sketches and improvisation comedies. Given the current diet of U.S. programming available, this category of programming appeared to be of unique interest to Canadian audiences.

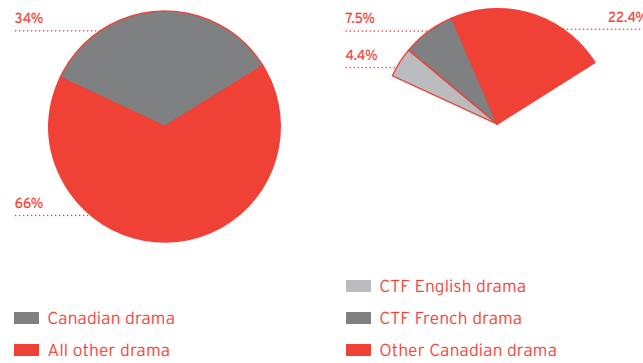
DISTRIBUTION OF VIEWING AMONG DRAMA SUB-FORMATS

	Cumulative TV hours	Percentage of total
Ongoing comedy series	164,976.4	1.8 %
Ongoing dramatic series	496,271.4	5.3 %
Other drama	21,567.6	0.2 %
Comedy sketch and improvisation programs	188,534.0	2.0 %
Specials, mini-series or made-for-TV feature films	150,745.8	1.6 %
Theatrical feature films aired on TV	72,891.2	0.8 %
Total drama	1,094,986.4	11.7 %

CANADIAN DRAMA AND CTF PERFORMANCE

Canadian-made content in both languages accounted for 34% of all prime-time television drama viewing in 2003-2004. That is to say that 66% of all drama viewed in Canada was foreign made, the vast majority of which was American in origin.

SHARE OF VIEWING TO DRAMA



Canadian Television Fund-supported programs accounted for 12% of all prime-time drama viewing in 2003-2004, regardless of country of origin. The CTF supported just over one-third of all Canadian drama viewed in prime time.

Of importance to note among these CTF-funded program analyses is that theatrical films aired on TV have been omitted from the drama universe. This adjustment was made to reflect the fact that CTF support to feature films is administered through the Canada Feature Film Fund. Therefore, a proper share analysis was not considered in a full universe of all sub-genres/formats.

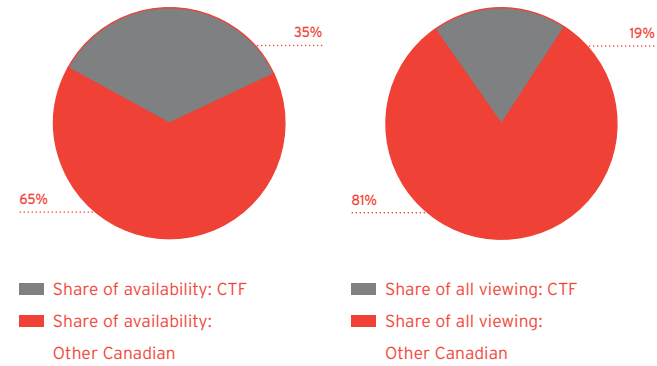
CTF PROGRAMMING EFFICIENCY

CTF-funded programming may appear to have a modest representation in the overall drama landscape, but there is strong evidence that suggests it is more efficient at attracting audiences than other non-CTF Canadian programming.

For example, overall, CTF-funded programs accounted for only 19% of all available programs, yet represented 35% of all viewing. This indicates a relatively solid efficiency; despite the modest amount of broadcasted CTF-funded television hours, there was a fair amount of consumption of these programs.

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SHARE OF AVAILABILITY AND SHARE OF ALL VIEWING – CTF-FUNDED VS. OTHER CANADIAN TELEVISION PROGRAMS

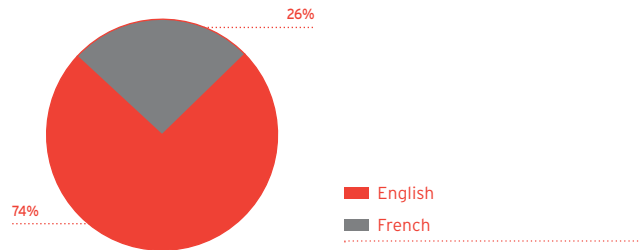


Although CTF-funded programs have moderate overall performances, with respect to television consumption and viewership, there is something to be said of the high attractiveness of these programs. Audiences consume CTF product at a much higher rate than any other Canadian-produced programming. It could be speculated that this indicates a quality over quantity consideration for the Fund's portfolio.

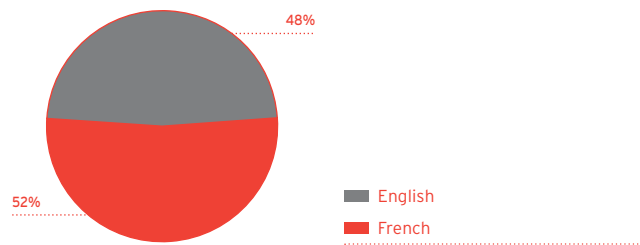
English-language programs accounted for three-quarters of all television viewed in Canada. English-language programs also made up 74% of all available hours of tuning, which was the aggregate of all hours of English programming aired on Canadian television. The smaller French-language market accounted for the remaining 26% of programming.

Despite accounting for only 26% of all hours viewed, French-language productions accounted for just over half of the total Canadian drama market share.

SHARE OF ALL TV HOURS VIEWED



SHARE OF ALL TV HOURS TUNED TO CANADIAN DRAMA



THE FRENCH-LANGUAGE MARKET

Canadian-made French-language drama regularly attracts more than a million viewers. Some programs, notably *Les Bougon - C'est aussi ça la vie* and *Fortier*, attract more than two million viewers. Even more impressive, every single program in the top 10, 20, 30 or even 50 in the French-language market in 2003-2004 was Canadian produced.

On a single-airing episode basis, the Radio-Canada phenomenon *Les Bougon* was the first through seventh most-watched French-language drama program. It achieved audiences that were larger (relative to population) than any program, American or Canadian, aired in the English-language market. Only *Star Académie* (a non-dramatic production) bested *Les Bougon* in the 2003-2004 season.

Other extremely successful programs in the French-language market were *Fortier* (two million viewers), *Histoires de filles* (1.5 million viewers), *Km/h* (1.5 million viewers) and *Les Poupées russes* (1.4 million viewers).

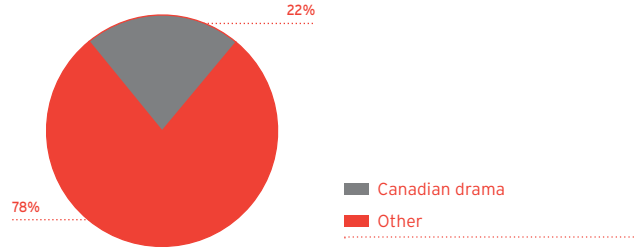
MARKET SHARE

Overall, French-language Canadian-produced drama accounted for 5.7% of the total market, made up of all genres in French and English. In the French-language market, Canadian-produced drama achieved a 22% market share, meaning that 22% of programs viewed were Canadian-made dramas.

Overall, the strongest category in the French market was ongoing dramatic series with an overall share of the Canadian market of 2.3%.

SHARE OF CANADIAN-MADE DRAMA

French-language market



DISTRIBUTION OF VIEWING AMONG DRAMA SUB-FORMATS

French-language market

	% of hours viewed
Ongoing comedy series	1.3 %
Ongoing dramatic series	2.3 %
Other drama	0.2 %
Comedy sketch and improvisation programs	0.7 %
Specials, mini-series or made-for-TV feature films	0.8 %
Theatrical feature films aired on TV	0.4 %
Total French-language drama	5.7 %

DISTRIBUTION OF VIEWING AMONG DRAMA SUB-FORMATS – BY BROADCASTER TYPE

French-language market

	French conventional	French specialty
Ongoing comedy series	1.2 %	0.1 %
Ongoing dramatic series	2.1 %	0.2 %
Other drama	0.2 %	0.0 %
Comedy sketch and improvisation programs	0.7 %	0.0 %
Specials, mini-series or made-for-TV feature films	0.8 %	0.0 %
Theatrical feature films aired on TV	0.4 %	0.0 %
Total drama	5.3 %	0.3 %

TOP FRENCH-LANGUAGE CANADIAN DRAMA PROGRAMS

The most striking thing about the French-language market that is every single program was Canadian-made.

Les Bougon was without a doubt one of the major success stories of French television in the 2003-2004 season. The top-ranked show had the highest average-per-episode audience (2.1 million), and the highest single audience of any French-language series (2.4 million viewers).

Les Poupées russes ranked a very decent second with a per-episode average of 1.2 million viewers. This was made all the more impressive because this program had 28 episodes: in other words, **Les Poupées russes** had to maintain a loyal audience over many more episodes than **Les Bougon**. This was followed by **Cauchemar d'amour**, which attracted 1.1 million viewers per episode on average.

As well, there were eight programs that attracted more than a million viewers on average per episode, and 14 programs that broke the one million-viewer mark for at least one of their episodes in the French-language market.

TOP CANADIAN FRENCH-LANGUAGE SERIES (DRAMAS, SITCOMS, SKETCH COMEDIES) RANKED BY AVERAGE PER EPISODE (2003-2004)

Average minute audience (in thousands)

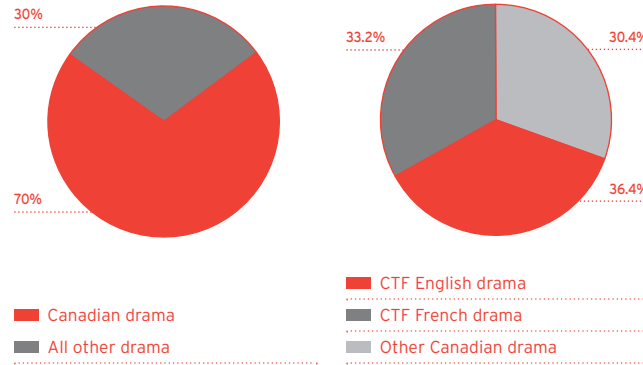
Rank	Program	Channel	Day	Start time	Episodes	Average per episode	Best single audience
1	Les Bougon	SRC	Wednesday	9 p.m.	13	2,083.2	2,432.1
2	Les Poupées russes	TVA	Wednesday	8 p.m.	28	1,221.3	1,405.8
3	Cauchemar d'amour	TVA	Thursday	8 p.m.	7	1,107.3	1,212.9
4	Grande Ourse	SRC	Monday	9 p.m.	10	1,096.6	1,472.1
5	Histoires de filles	TVA	Tuesday	8 p.m.	35	1,086.9	1,524.0
6	Tribu.com	TVA	Thursday	9 p.m.	9	1,060.2	1,302.5
7	Jack Carter	SRC	Monday	9 p.m.	8	1,059.6	1,216.7
8	Km/h	TVA	Tuesday	8:30 p.m.	44	1,052.6	1,479.0
9	Le Petit monde de Laura Cadieux	TVA	Monday	9 p.m.	7	908.4	1,014.5
10	Annie et ses hommes	TVA	Monday	8 p.m.	24	893.0	1,204.4
11	Fortier	TVA	Tues., Thurs., Sun.	9 p.m.	25	887.9	2,034.7
12	Emma	TVA	Wednesday	9 p.m.	26	874.9	1,117.4
13	L'Auberge du chien noir	SRC	Monday	8 p.m.	29	795.7	987.5
14	Caméra café	TVA	Monday, Tuesday	9 p.m.	46	733.8	1,142.1
15	3 X rien	TQS	Wednesday	8:30 p.m.	13	715.9	870.1
16	Virginie	SRC	Monday to Thursday	7 p.m.	119	691.3	990.3
17	450, chemin du Golf	TQS	Wednesday	8 p.m.	25	689.8	913.2
18	Comicographie	TVA	Monday, Sunday	7 p.m.	8	657.2	960.8
19	Le Bleu du ciel	SRC	Tuesday	8 p.m.	10	573.1	930.7

Source: BBM National Meter Service

Canadian-made productions represented a full 70% of all prime-time viewing of drama programming in the French market. The breakdown of market share, between CTF-funded programs and all other Canadian drama, was almost split down the middle, with the CTF portfolio taking a slight edge.

SHARE OF VIEWING TO DRAMA

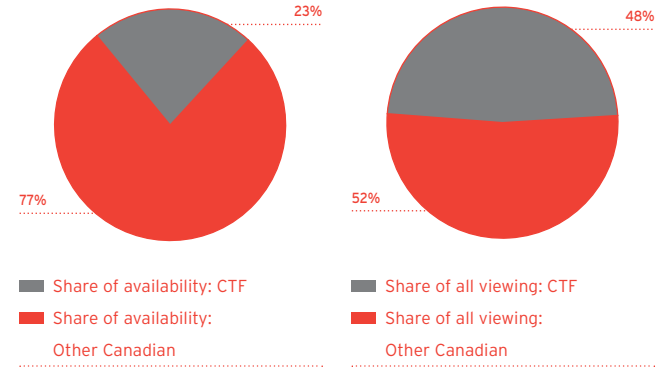
French-language market



Of all Canadian drama available on French television, only 23% belonged to the CTF portfolio. However, a majority (52%) of all viewing was of CTF-funded programs. This is an exceptional level of efficiency.

SHARE OF AVAILABILITY AND SHARE OF ALL VIEWING – CTF-FUNDED VS. OTHER CANADIAN TELEVISION PROGRAMS

French-language market



CONVENTIONAL AND SPECIALTY TELEVISION

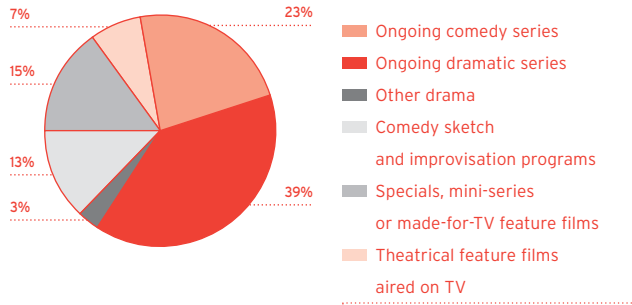
Different types of broadcasters, whether specialty or conventional, were better at attracting audiences for certain types of drama sub-formats than others in 2003-2004. In addition, there were distinctive differences across language markets. These are discussed in the following analyses.

In the French-language market, the popularity of the various dramatic sub-genres (specials, mini-series or movies of the week, ongoing comedy series, ongoing dramatic series, etc.) differed sharply across broadcaster type. Whereas Canadian-produced French-language drama has proven to be competitive on conventional television, it has not made any major strides in specialty television. The niche-style programming that specialty television offers has played a large part in the dissemination of English drama, but is largely missed in the French market. Canadian-made French-language drama on specialty television only represented a 0.3% share of the overall market.

FRENCH-LANGUAGE CONVENTIONAL — SUB-FORMATS

French-language conventional television showed a slightly more balanced breakdown of the sub-formats than was seen in specialty television. No sub-format held over 50% of viewing time. Ongoing dramatic series attracted the highest concentration of viewing. This included such programs as *Fortier* and *Annie et ses hommes*. French conventional television also had a strong showing for Canadian-made comedy series. Comedies held more than one-fifth (23%) of all viewing of Canadian product. French-language conventional television also had a stronger ability to attract audiences for specials, mini-series and movies of the week (15%) than did French-language specialty channels.

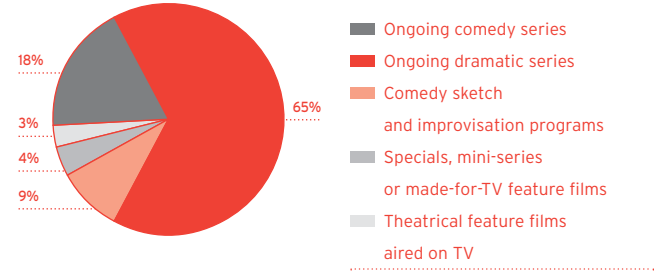
FRENCH-LANGUAGE CONVENTIONAL TV DRAMA VIEWING



FRENCH-LANGUAGE SPECIALTY — SUB-FORMATS

The distribution of sub-formats in French-language specialty television took a strong departure from conventional broadcasters in 2003-2004. The ongoing dramatic series category accounted for 66% of all viewing of Canadian product. Other than ongoing comedy/sitcoms, which accounted for 18% of viewing, all other categories sat below 10%.

FRENCH-LANGUAGE SPECIALTY TV DRAMA VIEWING



EFFICIENCIES

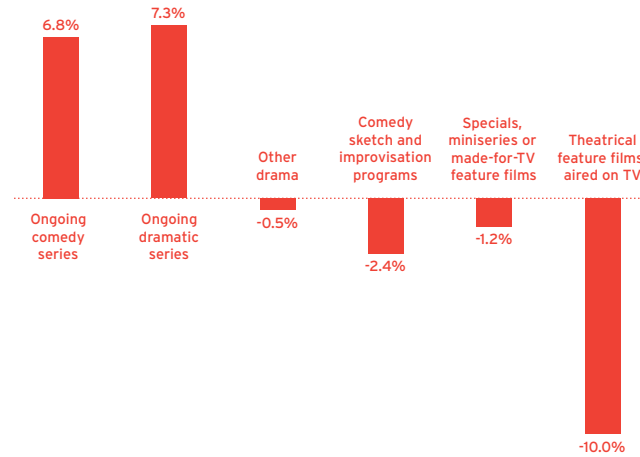
A sub-genre breakdown of TV hours viewed is only half the story. Also to be considered is the availability of programming in each category. Efficiencies are charted by type of broadcaster in each language market section.

The tables on the following page detail the difference between the share of the hours aired for each sub-genre, and the market share of all audience viewer hours for each category. A positive value indicates efficiency, in the sense that despite the smaller amount of available programming, a large number of viewers tune in. A negative value represents inefficiency – despite a large availability of a particular sub-genre on television, audiences were not watching. Zero represents a perfect balance between supply and demand.

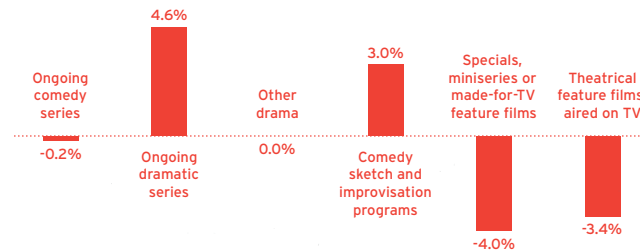
In the French-language market, both ongoing comedy series and ongoing dramatic series showed strong efficiencies on conventional television. At about 7% for each category, viewers in the French-language market demonstrated a keen interest in these sub-formats. The most notable inefficiency came from theatrical feature films aired on television. There was a 10% differential between supply and consumption for this category on French-language conventional television.

French-language specialty stations exhibited a balance between sub-formats. There was no sub-format category that achieved higher than a 5% differential in either direction.

EFFICIENCY – FRENCH-LANGUAGE CONVENTIONAL TELEVISION



EFFICIENCY – FRENCH-LANGUAGE SPECIALTY TELEVISION



THE ENGLISH-LANGUAGE MARKET

In the broadcast year of 2003-2004, the most-watched Canadian English-language drama was the CBC mini-series, *Shattered City: The Halifax Explosion*. The first episode, broadcast on a Sunday night, had an average audience of 1.4 million viewers. At 1.3 million viewers, the second episode of *Shattered City* was the second most-watched English Canadian drama.

Corner Gas, about a rural community in Saskatchewan, performed beyond anyone's wildest expectations and raised the bar for other Canadian programs in 2003-2004. The show regularly attracted more than a million viewers and was the first English-language Canadian drama to do so in years. If the preliminary numbers for the present season (2004-2005) are any indication, *Corner Gas* will continue to be successful.

A new addition to the CBC comedy line-up, *Monday Report* had a very successful launch and a series average of approximately 870,000 viewers. On an individual episode basis, it managed to break the million-viewer mark. The other fully Canadian-produced English series to attract more than a million viewers for at least one episode, *Royal Canadian Air Farce*, has been a CBC mainstay for many years.

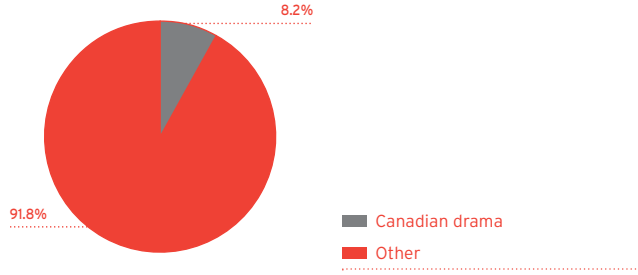
Despite these strong performances by Canadian programs, imported drama is exceptionally difficult to compete with on English television. This trend is neither new nor novel. Even the best single-episode performance of *Corner Gas* only attained an overall ranking of 554th place behind individual episodes of *Friends* (5.1 million viewers), *CSI* (3.1 million viewers), *Law & Order* (2.2 million viewers) and many other hit U.S. fare. On an average per episode over the span of the season, however, *Corner Gas* proved more competitive attaining 35th place among all series.

MARKET SHARE OF THE DRAMA GENRE — ENGLISH-LANGUAGE MARKET

Overall, Canadian-produced English drama accounted for roughly 6.1% of the total television market. Considering the volume of available English television (74% of the total market) it showed a startling lack of efficiency. Moreover, Canadian-produced English drama represented a mere 8.2% of all English television viewing.

SHARE OF CANADIAN-MADE DRAMA

English-language market



In the English-language market, Canadian dramatic programming appears to attract viewers in more equal proportions across specialty and conventional broadcasting. Interestingly, Canadian-made English drama flourishes on specialty television.

DISTRIBUTION OF VIEWING AMONG DRAMA SUB-FORMATS – BY BROADCASTER TYPE

English-language market

	English conventional	English specialty
Ongoing comedy series	0.3 %	0.1 %
Ongoing dramatic series	1.7 %	1.3 %
Other drama	0.0 %	0.1 %
Comedy sketch and improvisation programs	0.9 %	0.4 %
Specials, mini-series or made-for-TV feature films	0.5 %	0.2 %
Theatrical feature films aired on TV	0.2 %	0.2 %
Total drama	3.8 %	2.3 %

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DISTRIBUTION OF VIEWING AMONG DRAMA SUB-FORMATS

English-language market

	% of hours viewed
Ongoing comedy series	0.5 %
Ongoing dramatic series	3.0 %
Other drama	0.1 %
Comedy sketch and improvisation programs	1.3 %
Specials, mini-series or made-for-TV feature films	0.8 %
Theatrical feature films aired on TV	0.4 %
Total drama	6.1 %



TOP ENGLISH-LANGUAGE CANADIAN DRAMA PROGRAMS

The following table details the top English-Canadian programs. **Corner Gas** ranked 35th overall, with an average-per-episode audience of 1.1 million viewers, with its best performance for a single episode for the season being over 1.3 million.

TOP ENGLISH-LANGUAGE CANADIAN SERIES (DRAMAS, COMEDIES, SKETCHES/IMPROV) RANKED BY AVERAGE PER EPISODE (2003-2004)

Average minute audience (in thousands)

Overall rank	Canadian drama rank	Program	Broadcaster	Day	Start time	Episodes	Average per episode	Best audience of season
35	1	Corner Gas	CTV Network	Tuesday to Thursday	8 p.m.	23	1,071.2	1,343
59	2	Monday Report	CBC Network	Monday	8 p.m.	11	871.7	1,054
71	3	Sue Thomas F.B. Eye	CTV Network	Saturday	8 p.m.	42	706.5	1,146
104	4	Just For Laughs	CBC Network	Monday to Friday	9 p.m.	21	570.7	929
107	5	Degrassi: The Next Generation	CTV Network	Monday, Wednesday	8:30 p.m.	23	563.0	731
111	6	Royal Canadian Air Farce	CBC Network	Mon., Wed., Fri.	8 p.m.	66	554.8	1,060
123	7	Da Vinci's Inquest	CBC Network	Sunday	9 p.m.	11	487.4	654
129	8	This Hour Has 22 Minutes	CBC Network	Mon., Tues., Fri., Sun.	8:30 p.m.	63	440.3	959
130	9	Zoe Busiek: Wild Card	Global	Tuesday, Wednesday	10 p.m.	20	439.2	562
138	10	The Red Green Show	CBC Network	Monday, Wednesday, Friday	9 p.m.	33	401.2	691
147	11	Blue Murder	Global	Wednesday	10 p.m.	10	373.8	518
154	12	Newsroom	CBC Network	Monday	8:30 p.m.	12	350.7	538
155	13	This is Wonderland	CBC Network	Monday, Tuesday	9 p.m.	19	342.8	600
158	14	Snakes And Ladders	CBC Network	Wednesday	8 p.m.	6	335.2	495
161	15	The Eleventh Hour	CTV Network	Saturday, Sunday	10 p.m.	26	326.7	600
196	16	American in Canada	CBC Network	Tuesday, Friday	9 p.m.	21	229.3	384
202	17	The Last Chapter	CBC Network	Sunday	10:30 p.m.	7	210.0	296
208	18	Kenny vs Spenny	CBC Network	Saturday	10:15 p.m.	6	199.9	301
211	19	Train 48	Global	Monday to Friday	7:00 p.m.	189	198.7	339

Source: BBM National Meter Service

After *Corner Gas*, all other English-language Canadian series ranked well below the top 40 and few were able to break half a million for their season averages. In 59th position, CBC's *Monday Report* was the second most-successful Canadian series, with an average audience of 871,700 and a best-episode audience of just over one million. Only two other Canadian programs were able to break the million mark with a single episode during the season: *Royal Canadian Air Farce* and *Sue Thomas F.B. Eye*³.

Also of particular note last broadcast season was the increasingly popular *Trailer Park Boys* on Showcase. Its best performance for the season was almost half-a-million viewers for its premiere episode in April 2004. It typically attracted 100,000 or so loyal viewers during its prime-time airing throughout the year. Like *Corner Gas*, this program is a fresh take on the traditional sitcom, and despite the trends south of the border, it is proving that the 30-minute ongoing comedy series can attract viewers in Canada.

Regardless of the successes of a few programs, the overall audience numbers in the English-language market clearly reveal the exceptional difficulty indigenous products have competing with imported television. It will take many more *Corner Gas*' to make a dent in the competition.

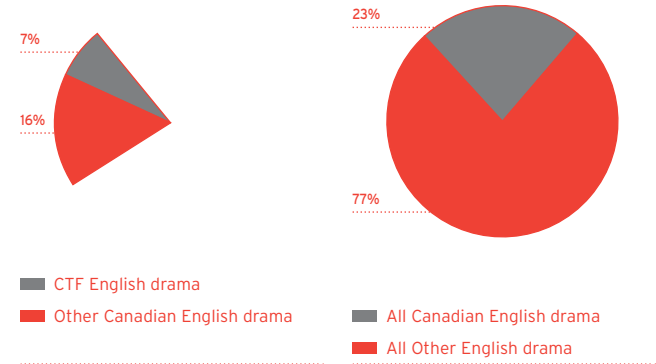
In the English-language market, one Canadian-produced program (*Corner Gas*) achieved the one million-viewer mark on an average-per-episode basis, and only two programs did so with a single episode over the entire broadcast season.

Of all English drama consumed in prime time, a full 77% was foreign product. Of these foreign programs, the vast majority were American made.

³ Although technically Canadian-produced, this program is a Canada-U.S. coproduction set in the U.S.

SHARE OF VIEWING TO DRAMA

English-language market

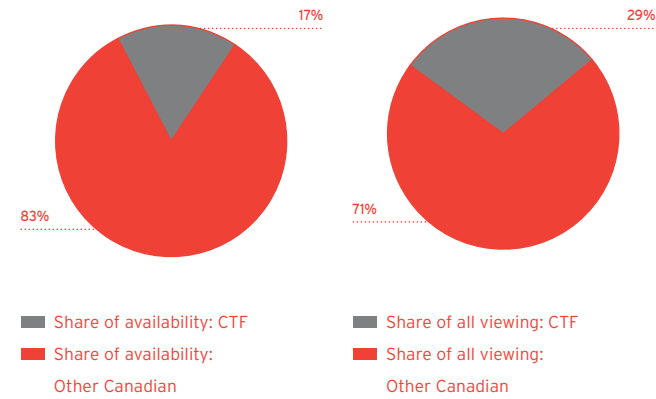


Canadian-made English-language drama accounted for 23% of all drama, with the CTF English drama portfolio accounting for a relatively small 6.6%-share of the pie.

Of all available hours of Canadian-produced programs, only 17% were CTF-funded programs. Yet the CTF English drama portfolio accounted for almost 30% of all viewing to Canadian drama.

SHARE OF AVAILABILITY AND SHARE OF ALL VIEWING – CTF-FUNDED VS. OTHER CANADIAN TELEVISION PROGRAMS

English language market



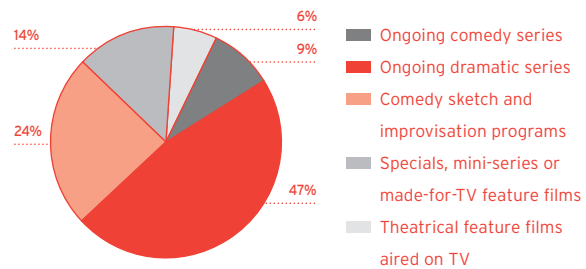
DRAMA VIEWING ON CONVENTIONAL AND SPECIALTY TELEVISION

The English-language market enjoys relatively balanced performance for Canadian drama on conventional and specialty television. The popularity of the various dramatic sub-genres is also relatively stable across broadcaster type. The balance is achieved by the popularity of niche-style programming that specialty television offers.

ENGLISH-LANGUAGE CONVENTIONAL TELEVISION

Of all English-Canadian drama viewed on television, almost half, or 47%, were ongoing dramatic (60 minutes) series. This included such programs as *Cold Squad* and *The Eleventh Hour*. The second-largest viewing portion included comedy sketches and improv-type programs. Such shows as *This Hour Has 22 Minutes* and *Royal Canadian Air Farce* no doubt boosted this. On conventional broadcast television, specials, mini-series and movies of the week accounted for 14%, while ongoing comedy series accounted for only 9% of all Canadian drama viewing.

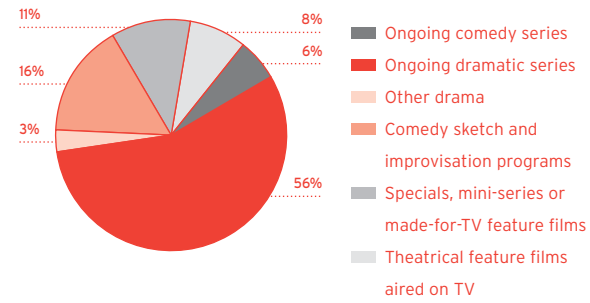
ENGLISH-LANGUAGE CONVENTIONAL TV DRAMA VIEWING



ENGLISH-LANGUAGE SPECIALTY TELEVISION

Similarly, English specialty television had the highest concentration of viewing hours dedicated to ongoing dramatic series. A full 56% of viewing of Canadian-produced programming was of this sub-format. Also like conventional television, the comedy sketch and improv category was the second most-watched with 16%. Ongoing comedy series or sitcoms had a slightly lower representation in specialty television.

ENGLISH-LANGUAGE SPECIALTY TV DRAMA VIEWING



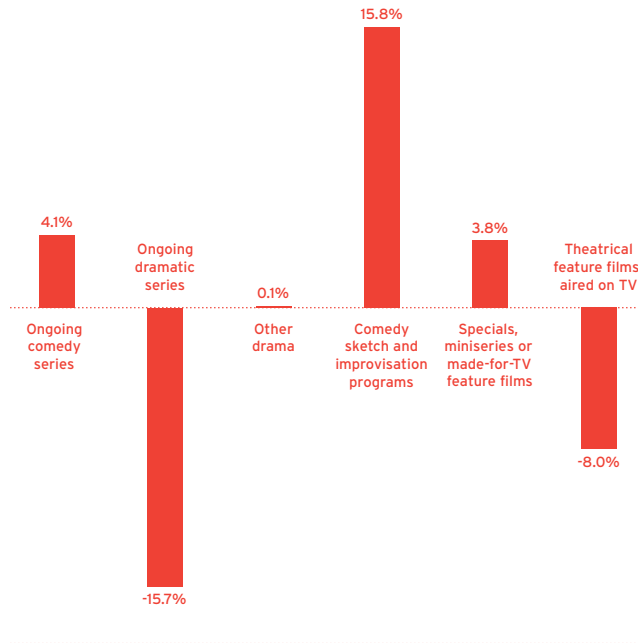
Despite the success of the 30-minute comedy series like *Corner Gas*, the majority of tuning to English-Canadian programming went to ongoing dramatic series. This category includes many “fully” Canadian productions such as *Degrassi: The Next Generation* and *Da Vinci’s Inquest*, but it also includes other programs with some foreign participation, such as adventure series like *Relic Hunter*, *Lexx* and *Andromeda*. The sheer volume of these Canadian-made products ensures this category captures the majority of Canadian television viewing; almost 57% of all specialty drama programs available were 60-minute series.

EFFICIENCIES

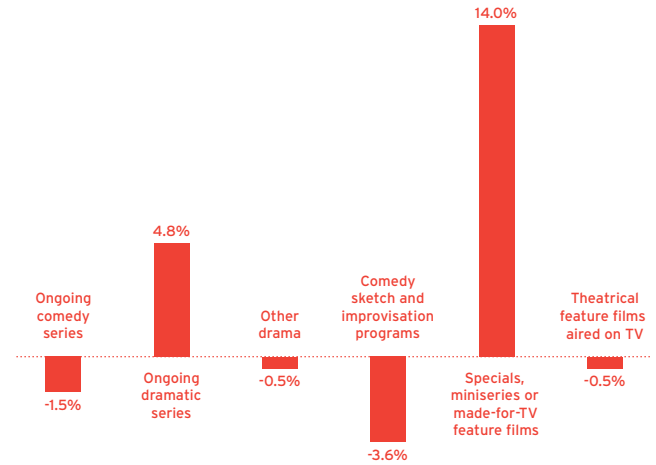
On English conventional television, the two most noticeable differentials were for ongoing dramatic series and comedy sketch programming. There was a significant lack of efficiency for ongoing dramatic series. There was almost a 16% negative differential between the available programming and the consumed programming. On the flipside, the comedy sketches/improv category proved to be extremely efficient. Despite the lower amount of available hours of programming, viewing hours were high, resulting in almost double the efficiency of dramatic series.

On English specialty television there is far more balance between supply and demand of Canadian programming. No sub-format category showed differentials of more than 5%.

EFFICIENCY – ENGLISH-LANGUAGE CONVENTIONAL TELEVISION



EFFICIENCY – ENGLISH-LANGUAGE SPECIALTY TELEVISION



WHAT OUR CLIENTS HAVE TO SAY ABOUT...

TELEFILM'S OPERATIONS TEAM

The season finale of *Da Vinci's Inquest* brought in close to 400% more fan mail than usual. The series has had an incredible run on the CBC so far, and we wanted to thank Telefilm Canada for all the support through the years – especially the hard-working team in the Vancouver office.

Laura Lightbown, CEO
Haddock Entertainment Inc., Vancouver



MEASURING AUDIENCES ONLINE

As reported in Telefilm Canada's annual report for 2003-2004, there are significant challenges to measuring audiences for Canadian cultural new media products. Tracking multiple Web sites owned and managed by multiple unrelated companies poses a unique challenge for Telefilm. Furthermore, the most commonly used industry standards for measuring online traffic are not meaningful for Telefilm's present projects.

Major metrics providers typically use "panels" to track user activity online. This panel is a group of recruited individuals who agree to have their online activities recorded for a given period of time. This method is similar to that used in measuring television audience data. A small and representative sample of media users is statistically applied to the entire population.

Television viewers are a finite group of people who are geographically traceable. Television audience measurement also has a closed set of media choices (television channels). This makes a television meter panel a powerful and accurate resource for television measurement. Online activity, however, is more difficult to track. Internet sites are practically limitless. There are millions upon millions of Internet pages to visit on the World Wide Web.

With the kind of choice Web users are given, only heavily trafficked Web sites benefit from this method of measurement. However, projects financed with the support of the Canada New Media Fund are aimed at specialised or "niche" Canadian audiences that may not always attract the heavy traffic required to be counted by methodologies that use online panels. There is also a lack of industry benchmarks that could provide context to usage statistics about cultural products that attract niche audiences.

Considering the problems associated with Web panels for tracking Canadian culture consumption online, and mindful of the need to provide some audience intelligence to its fund managers, Telefilm has spent the last year experimenting with an alternative measurement solution. Much has been learned in the process. Telefilm continues to evaluate available online measurement and has embarked on the second phase of the project for 2005-2006. With the refinement of an appropriate methodology, Telefilm hopes to be able to present a statistical performance report next year.

CANADIAN SUCCESS STORIES

A selection of Canadian and international awards won by Telefilm-financed productions in 2004-2005

Feature film

Being Julia	2005 Golden Globe Awards	Best Performance by an Actress in a Motion Picture Musical or Comedy (Annette Bening)
Camping sauvage	La Soirée des Jutra 2005	Le billet d'Or – Sears
Clean	2004 Cannes Film Festival	Best Actress Award (Maggie Cheung)
Dying At Grace	19 th Annual Gemini Awards	Donald Brittain Award for Best Social/Political Documentary Program
It's All Gone Pete Tong	2004 Toronto International Film Festival	Toronto – City Award for Best Canadian Feature Film
Mémoires affectives (Looking For Alexander)	La Soirée des Jutra 2005	Best Motion Picture
La Peau Blanche (White Skin)	25 th Annual Genie Awards	Claude Jutra Award (Daniel Roby)
Pleasant Street	2004 Atlantic Film Festival	Rex Tasker Award for Best Documentary
Seven Times Lucky	2004 Vancouver International Film Festival	CITYTV Western Canada Feature Film Award
Les Triplettes de Belleville (The Triplets of Belleville)	25 th Annual Genie Awards	Best Motion Picture

Television

Annie et ses hommes	19 ^e Gala des prix Gémeaux	Best Soap Opera
Da Vinci's Inquest	19 th Annual Gemini Awards	Best Dramatic Series
Degrassi: The Next Generation	19 th Annual Gemini Awards	Best Children's or Youth Fiction Program or Series
Grande Ourse	19 ^e Gala des prix Gémeaux	Best Dramatic Series
Human Cargo	19 th Annual Gemini Awards	Best TV Movie or Dramatic Mini-Series
Macaroni tout garni	19 ^e Gala des prix Gémeaux	Best Youth Program or Series (Ages 3-7)

CANADIAN SUCCESS STORIES (CONTINUED)

The Origins of AIDS	2004 Banff Rockie Awards	Popular Science & Natural History Programs
Rumeurs	19 ^e Gala des prix Gémeaux	Best Comedy
Shake Hands with the Devil: The Journey of Roméo Dallaire	2005 Sundance Film Festival	World Cinema Documentary Audience Award
Trailer Park Boys	19 th Annual Gemini Awards	Best Comedy Program or Series
New media		
Be The Creature Interactive	World Wide Web Awards (November 2004)	Gold Award
Broken Saints (4-disc special edition DVD)	2005 Horizon Interactive Awards	Best of Show
Didi and Ditto	2004 Parents' Choice Awards	Gold Award
madeinmtl.com	2005 SXSW Web Awards	Best of Show
Mission arctique : le cyberdocumentaire (Arctic Mission: The Cyberdocumentary)	19 ^e Gala des prix Gémeaux	Best Web Site

A COMMITMENT TO VALUE

TELEFILM CANADA'S PERFORMANCE AS AN EFFECTIVE ADMINISTRATOR

RESULTS-ORIENTED MANAGEMENT

Telefilm Canada is committed to performance-based management and accountability. Results-based management is now effective throughout the organization. Managers have access to timely performance reports relating to Telefilm's major funds, as well as improved tools and business processes with respect to financial management.

RATIONALIZING ADMINISTRATION COSTS

In line with the government's objectives, Telefilm has introduced a rationalization program.

Among the strategies that Telefilm has brought to bear, the technological shift has proven one of the most important. In emphasizing efficient information management as a means of achieving its strategic objectives, the Corporation is expecting to make significant savings.

Capital and infrastructure investments have served to put in place modern, efficient, customizable management tools that allow Telefilm to meet the expectations and requirements of all its stakeholders. Ensuring high-quality financial information and improving performance as an administrator is a central concern.

The goods and services procurement policy was revised as well, to bring it more fully into line with current Treasury Board policies. Telefilm also encourages its managers to use the various government tools available for procurement (standing offers for services, centralized travel services, etc.).

OPTIMIZING RESOURCES ALLOCATED TO PROGRAMS

One of Telefilm's key concerns is to maintain an optimal level of available resources for the programs it administers. To this end, all processes are regularly reviewed. The first of these processes involves the management of cash flow and revenues generated by Telefilm's activities. Efficient cash flow and revenue management ensures that available amounts are quickly returned to the funds for the industry's benefit.

The second process concerns rigorous management of operating costs chargeable to funds and programs. Clear policies and strict control of expenses ensure that the amounts available for the various programs remain at optimal level.

A third process concerns investments and infrastructure costs. Telefilm has adopted a service decentralization strategy designed to ensure a high level of service to its clients across the country. Despite the Corporation's geographic dispersion, infrastructure maintenance costs have been satisfactorily controlled.

REVIEW OF BUSINESS POLICIES AND ADMINISTRATIVE PROCEDURES

Following the findings of an internal program audit in 2002, which identified certain internal control deficiencies, Telefilm put in place a complete policy and procedure review program, which included a profile of the risks associated with these activities.

In 2004-2005, Telefilm's P&P (policy and procedures) review focused on the development of standardized business policies and procedures for the administration of applications to the Canada New Media Fund and the Canada Feature Film Fund. New P&Ps were also developed for the Canadian Television Fund's development component.

A quality control pilot program, designed to review compliance with, and the adequacy of, Telefilm's standardized policies and



procedures was begun this year and will establish the foundation for an ongoing quality control program.

Finally, the implementation of a centralized application management system, a document management system and online services in 2003-2004 has improved operational risk management.

In 2004-2005, all managed information was centralized. In addition to enabling increased information sharing, this raises the level of security and reliability for applications. Most of the access interfaces are now online, making the information more accessible. As a result, Telefilm has updated its information security policy, which is based on the standards prescribed by the Treasury Board and the ISO 17799 standard.

The implementation of ITIL (Information Technology Infrastructure Library) standards will help ensure that services offered are fully consistent with the Corporation's strategies. These standards are also designed to optimize management costs, and increase predictability of technology and information system initiatives.

IMPROVED PERFORMANCE MEASUREMENT TOOLS

New daily and weekly audience reports for Canadian television programs allowed us to develop the performance chapters on this sector included in this annual report. Telefilm's new performance reports empower managers to more effectively focus their efforts on achieving value for Canadians.

IMPROVED CLIENT SERVICE

Telefilm has for several years now been committed to improving its client service. The publication of the Client Service Charter was one of the first concrete deliverables. Efforts to improve service delivery processes were ongoing during the year and were in line with established objectives.

WHAT OUR CLIENTS HAVE TO SAY ABOUT...

TELEFILM'S ONLINE SERVICES

I just want to let you know that we think eTelefilm® is great. The system works well, and it saves us time and effort. Three cheers for the digital age, and thanks for making the transition easier and user friendly.

Richard Lalonde, producer
Forum Film, Montréal

Since the beginning of fiscal 2005, the Corporation's clients have had access to a full range of online services through eTelefilm®, which allows them to submit applications and access their files over the Internet. This advanced interface simplifies and democratizes the entire process, in accordance with the Canadian government's wish to be more accessible to its clientele.

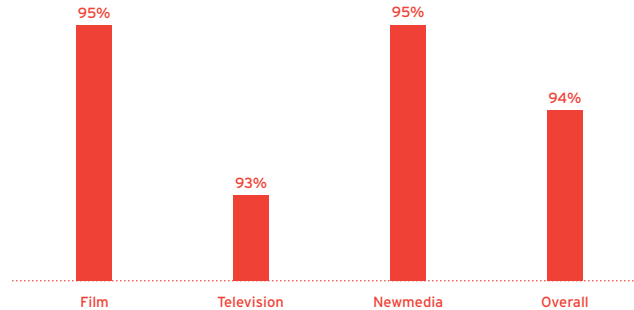
Close to 325 clients were registered with this online service as of March 2005, compared to 130 last year. In fact, 100 applications were submitted via eTelefilm®, representing 12% of all applications received.

This system also supports reporting on Telefilm's client service performance. The reports allow management to monitor the Corporation's success in meeting its client performance objectives in two key areas:

- 1 The time it takes to communicate decisions on funding applications; and
- 1 The time it takes to release cheques once all conditions to drawdown have been satisfied.

In its client service charter, Telefilm promised to "turnaround" requisitions for contract drawdowns from clients within eight business days. The following table shows the organization's success rate in meeting its target in the high-volume sectors of feature film, television and new media.

PERCENTAGE OF PROJECTS RESPECTING THE DRAWDOWN OBJECTIVE OF EIGHT BUSINESS DAYS



SERVICE TO STAKEHOLDERS

Consistent with the objective to provide its stakeholders with high-quality, pertinent information, Telefilm recently revised the presentation of its financial statements to make them more easily readable. From now on, administration costs for the different programs managed by Telefilm will be presented separately.

Throughout the year, in compliance with government requirements, Telefilm published, on its Web site, the travel and hospitality expenses of its Chair, and information on all contracts over \$10,000 awarded by the Corporation.

A SOCIALLY RESPONSIBLE ADMINISTRATOR

PHYSICAL FITNESS INCENTIVE PROGRAM

At Telefilm, promoting good health is important. The Physical Fitness Incentive Program was launched in spring 2004 with the main objective of encouraging employees to take personal responsibility for their physical well-being.

It included three steps:

- 1 A full physical evaluation of each employee by a fitness specialist;
- 1 Establishing and executing personal programs; and
- 1 Re-evaluation after six months to measure progress.

This initiative was very popular, rallying 60% of all employees. Several groups were formed, including: participation in a 5-km national walk, a running group and physical fitness sessions. The program clearly served its purpose, since 80% of participating employees who had set goals reached them.

ECOLOGICALLY SOUND PRACTICES


Telefilm wants to be an agency whose operations reflect a concern for the environment. To this end, the locations chosen for all of its offices are close to public transit services, the means of transportation used by most employees. For internal operations, Telefilm has introduced and continues to develop technological tools that help reduce the use of paper.

The Corporation was the first government agency in its category to offer an extranet that allows clients to submit funding applications and update their file information online. Since every application can generate up to 1,000 pages of text, the use of an electronic medium has a considerable impact on saving paper.

For some months now, employees have been using a sophisticated document management tool that has significantly reduced the need for multiple photocopies. To allow employees to use this tool effectively, all photocopy machines are linked to the computer network to enable document scanning. In addition, all Telefilm offices use a paper and ink cartridge recycling service.







Michael and I lead separate lives. More or less.
That's why we're so happily married. More or less.

FEATURE FILM / BEING JULIA

INVESTMENT REPORT

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INVESTMENTS IN CULTURAL PRODUCTIONS: A PORTFOLIO APPROACH

Telefilm Canada's financial participation is provided in various forms: investments, advances, loans, loan guarantees, grants and more. The majority of its activities centre on investments in individual projects based on a rigorous project selection process.

As an investor, the Corporation shares the risks and eventual revenues of the productions it participates in financially. Recoveries from investments are reinvested in new productions, allowing for new voices to be supported and new stories to be told.

PRESENTATION OF INVESTMENTS

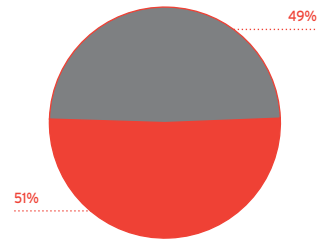
The following chapter presents information based on the Corporation's commitments contractually incurred during the 2004-2005 fiscal year. As projects financed may take more than one year to complete, the numbers on the following pages may not correspond to the audited financial statements presented at the end of this annual report.

A PORTFOLIO APPROACH

Through its investments, Telefilm encourages excellence, while creating a portfolio of projects in a variety of genres and budget sizes, which will appeal to Canadian audiences and support the renewal of the industry. To maintain and increase the number of Canadians enjoying Canadian-made entertainment, Telefilm needs to ensure continued support to the current number of projects in the widest possible variety of offerings.

CANADA FEATURE FILM FUND* – PERFORMANCE-SELECTIVE SPLIT

French-language production and development

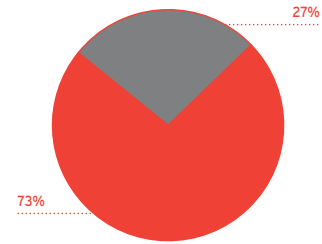


■ Performance
■ Selective

* Includes the feature film component of the Canadian Television Fund – Equity Investment Program.

CANADA FEATURE FILM FUND* – PERFORMANCE-SELECTIVE SPLIT

English-language production and development

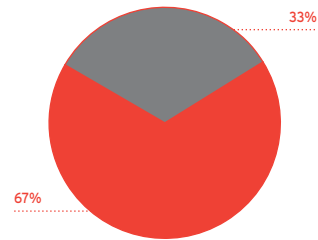


■ Performance
■ Selective

* Includes the feature film component of the Canadian Television Fund – Equity Investment Program.

CANADA FEATURE FILM FUND* – PERFORMANCE-SELECTIVE SPLIT

Marketing



■ Performance
■ Selective

* Includes the feature film component of the Canadian Television Fund – Equity Investment Program.



CANADA FEATURE FILM FUND – COMPANIES WITH ACCESS TO PERFORMANCE-BASED ENVELOPES

Development and production

Companies	Envelope in 2004-2005* (in thousands of dollars)
Cinémaginaire Inc.	6,521
Cité-Amérique Inc.	3,431
Deepa Mehta Films Inc.	537
Go Films L.P.R.S.	907
Igloolik Isuma Productions Inc.	1,079
Indian Grove Productions Ltd.	114
Keystone Entertainment Inc.	737
Max Films Inc.	1,047
Melenny Productions Inc.	2,086
Muse Entertainment Enterprises Inc.	382
Palpable Productions Inc.	422
Serendipity Point Films Inc.	3,322
Téléfiction Productions Inc.	634
Total	21,221

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CANADA FEATURE FILM FUND – COMPANIES WITH ACCESS TO PERFORMANCE-BASED ENVELOPES

Marketing assistance

Companies	Envelope in 2004-2005* (in thousands of dollars)
Alliance Atlantis Motion Picture Distribution Inc.	2,500
Christal Films Distribution inc.	1,898
Equinoxe Films inc.	1,020
Total	5,418

* Amount available at the beginning of the fiscal.

CANADA FEATURE FILM FUND

Projects contracted
In thousands of dollars

	Number of projects*	Total budgets**	Telefilm Canada's contribution***
DEVELOPMENT, PRODUCTION AND MARKETING PROGRAMS			
Development	158	9,565	4,794
Amendments	–		998
Subtotal	158	9,565	5,792
Production	30	177,147	46,591
Amendments			1,079
Subtotal	30	177,147	47,670
Green light			
Production	–		1,153
Development	3	626	400
Amendments	–		(282)
Subtotal	3	626	1,270
Marketing	40	21,148	14,868
Amendments			(1,395)
Subtotal	40	21,148	13,473
Mini-treaties with France	2	12,884	590
Amendments – Mini-treaties			152
Subtotal	2	12,884	742
Total	233	221,370	68,947
COMPLEMENTARY ACTIVITIES PROGRAM			
Grants to promotional activities	2	3,983	600
Alternative distribution networks	17	4,293	1,032
Canadian festivals	39	25,189	1,756
Versioning (theatrical)	18	611	551
Participation in foreign markets	–	–	692
Participation in foreign festivals	–	–	740
Publicity and publications	–	–	202
Other			340
Other – Marketing	1	111	68
Amendments	–	–	480
Total	77	34,187	6,461

CANADA FEATURE FILM FUND (CONTINUED)

Projects contracted
In thousands of dollars

	Number of projects*	Total budgets**	Telefilm Canada's contribution***
SCREENWRITING ASSISTANCE PROGRAM			
Amendments	63	935	935
			(2)
Total	63	935	933
LOW BUDGET INDEPENDENT FEATURE FILM ASSISTANCE PROGRAM			
Amendments	10	5,225	1,749
			(50)
Total	10	5,225	1,699
Total	383	261,717	78,040

* Includes three projects also funded through the Canadian Television Fund – Equity Investment Program.

** Includes total coproduction budgets.

*** Includes amendments to previous-year commitments.

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CANADA FEATURE FILM FUND – LINGUISTIC BREAKDOWN OF PROJECTS

Projects contracted
Production, development and amendments

	2001-2002		2002-2003		2003-2004		2004-2005		2002-2005	
	in thousands of dollars		in thousands of dollars		in thousands of dollars		in thousands of dollars		in thousands of dollars	
French	14,821	36.8 %	18,492	28.7 %	31,998	47.2 %	20,761	37.9 %	86,072	37.9 %
English	25,468	63.2 %	45,964	71.3 %	35,814	52.8 %	33,971	62.1 %	141,217	62.1 %
Total	40,289	100.0 %	64,456	100.0 %	67,812	100.0 %	54,732	100.0 %	227,289	100.0 %

CANADIAN TELEVISION FUND (EQUITY INVESTMENT PROGRAM)

Projects contracted
In thousands of dollars

	Number of projects*	Total budgets**	Telefilm Canada's contribution
French			
Production	109	142,365	26,414
Amendments***			(61)
Subtotal	109	142,365	26,353
Screenwriting and development	128	6,943	2,898
Amendments***			117
Subtotal	128	6,943	3,015
Versioning	2	243	236
Amendments***	-	-	-
Subtotal	2	243	236
Subtotal – French	239	149,551	29,604
English			
Production	154	376,016	66,016
Amendments***	(274)		
Subtotal	154	376,016	65,742
Screenwriting and development	237	14,382	7,296
Amendments***			558
Subtotal	237	14,382	7,854
Versioning	14	1,269	764
Amendments***	-	-	-
Subtotal	14	1,269	764
Subtotal – English	405	391,667	74,360
Aboriginal languages			
Production	17	7,639	787
Amendments***			(121)
Subtotal	17	7,639	666
Screenwriting and development	13	596	334
Amendments***	-	-	(13)
Subtotal	13	596	321
Subtotal – Aboriginal languages	30	8,235	987
Total	674	549,453	104,951

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

** Includes total coproduction budgets.

*** Amendments include reductions to previous-year commitments.

CANADIAN TELEVISION FUND (EQUITY INVESTMENT PROGRAM) – LINGUISTIC BREAKDOWN OF PROJECTS

Projects contracted
Production, development and amendments

	2001-2002		2002-2003		2003-2004		2004-2005		2002-2005	
	in thousands of dollars		in thousands of dollars		in thousands of dollars		in thousands of dollars		in thousands of dollars	
French	35,857	33.1 %	34,722	30.4 %	37,174	32.4 %	29,605	28.2 %	137,359	31.1 %
English	71,323	65.9 %	78,669	68.8 %	76,658	66.8 %	74,359	70.9 %	301,009	68.1 %
Aboriginal languages	1,019	0.9 %	887	0.8 %	862	0.8 %	987	0.9 %	3,756	0.8 %
Total	108,199	100.0 %	114,278	100.0 %	114,695	100.0 %	104,951	100.0 %	442,124	100.0 %

CANADA NEW MEDIA FUND

Projects contracted
In thousands of dollars

	Number of projects	Budgets	Telefilm Canada's contribution*
Product Assistance			
Market Research & Prototyping			
French	10	1,604	558
English	13	2,247	1,102
Subtotal	23	3,851	1,660
Product Development			
French	9	3,928	1,661
English	13	7,243	2,276
Subtotal	22	11,171	3,937
Marketing			
French	8	970	296
English	7	683	171
Subtotal	15	1,653	467
Subtotal – Product Assistance	60	16,675	6,064

CANADA NEW MEDIA FUND (CONTINUED)

Projects contracted
In thousands of dollars

	Number of projects	Budgets	Telefilm Canada's contribution*
Distribution Assistance			
Marketing			
French	1	199	100
English			
Subtotal – Distribution Assistance	1	199	100
Sectoral Assistance			
Sectoral development	13	3,220	668
Training schools	2	1,905	250
Canadian festivals	4	598	100
Participation in foreign markets			192
Publicity, promotion, publications and other			9
Subtotal – Sectoral Assistance	19	5,723	1,219
Total	80	22,597	7,383

* Includes amendments to previous-year commitments.

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CANADA NEW MEDIA FUND – PRODUCT ASSISTANCE LINGUISTIC BREAKDOWN OF PROJECTS

Including amendments from previous-year contracts

	2001-2002		2002-2003		2003-2004		2004-2005		2002-2005	
	in thousands of dollars		in thousands of dollars		in thousands of dollars		in thousands of dollars		in thousands of dollars	
French	2,802	31.2 %	1,727	34.7 %	2,862	33.2 %	2,516	41.5 %	9,907	34.6 %
English	6,188	68.8 %	3,254	65.3 %	5,751	66.8 %	3,548	58.5 %	18,741	65.4 %
Total	8,990	100.0 %	4,981	100.0 %	8,613	100.0 %	6,064	100.0 %	28,648	100.0 %

LEVERAGING OTHER FINANCING

Telefilm is often the first investor in Canadian productions, triggering other forms of private and public investment. In 2004-2005, Telefilm signed contracts totalling \$196 million in Canadian audiovisual production, generating a total overall production volume of more than \$800 million in the industry. Each dollar invested by Telefilm in 2004-2005 generated over \$4 in additional economic activity in the Canadian industry.

Telefilm's investments in official international coproductions also help attract foreign financing to Canadian projects. International coproductions play a pivotal role in the development of Canada's audiovisual industries. International coproduction treaties encourage trade; help Canadian companies finance bigger, more competitive budgets; and secure a place for Canadian culture on the world stage.

Canada currently has 49 official international agreements with 53 countries. In 2004-2005 Telefilm signed contracts totalling \$18 million in projects considered majority Canadian coproductions. These investments leveraged an additional \$49 million of foreign participation in project budgets while assuring international distribution and exposure.

CANADA FEATURE FILM FUND – ANALYSIS OF FINANCIAL PARTICIPATION MAIN PROGRAMS – PRODUCTION ONLY

Projects contracted

82	Number of projects*	Total budgets	Budgets**	Telefilm Canada – Canada Feature Film Fund		Telefilm Canada – Mini-treaties		Broadcasters		
		in thousands of dollars	in thousands of dollars	in thousands of dollars		in thousands of dollars		in thousands of dollars		
	French	12	63,719	58,876	22,062	37.5 %	300	0.5 %	1,675	2.8 %
	English	20	126,453	126,453	33,182	26.2 %		0.0 %	8,720	6.9 %
	Total	32	190,172	185,329	55,244	29.8 %	300	0.2 %	10,395	5.6 %

* Includes projects funded through the Canadian Television Fund – Equity Investment Program.

** Does not include the foreign share (\$4,843,288) of coproductions in which Canada is a minority partner. All percentages are calculated on these amounts.

WHAT OUR CLIENTS HAVE TO SAY ABOUT...

TELEFILM'S COPRODUCTION TEAM

Thank you for the great coproduction session at the NSI FilmExchange. The information you provided was very beneficial and easy to grasp, and it's good to hear of Canada's openness for coproductions; Telefilm's proactivity should be applauded.

Timo Puolitaipale, Producer's Representative
Mainstream Pictures, Finland

CANADA FEATURE FILM FUND (CONTINUED)

Private sector		Distributors		Other government sources		Foreign participants	
in thousands of dollars		in thousands of dollars		in thousands of dollars		in thousands of dollars	
5,185	8.8 %	4,485	7.6 %	23,670	40.2 %	1,500	2.5 %
17,030	13.5 %	5,584	4.4 %	15,414	12.2 %	46,523	36.8 %
22,214	12.0 %	10,069	5.4 %	39,084	21.1 %	48,023	25.9 %

CANADIAN TELEVISION FUND – ANALYSIS OF FINANCIAL PARTICIPATION PRODUCTION ONLY

Projects contracted

	Number of projects*	Hours of production	Total budgets		Canadian Television Fund – Equity Investment Program		Canadian Television Fund – License Fee Program	
			in thousands of dollars	Budgets** in thousands of dollars	in thousands of dollars	in thousands of dollars	in thousands of dollars	in thousands of dollars
French								
Variety/Performing Arts	5	51.5	5,036	5,036	381	7.6 %	1,038	20.6 %
Children's & Youth	13	206.6	25,053	25,053	2,481	9.9 %	5,169	20.6 %
Documentaries	72	189.3	34,233	33,876	5,112	15.1 %	7,917	23.4 %
Drama	17	132.0	71,514	71,514	15,939	22.3 %	15,296	21.4 %
Subtotal	107	579.3	135,836	135,478	23,914	17.7 %	29,420	21.7 %
English								
Variety/Performing Arts	12	16.0	7,559	7,559	976	12.9 %	1,536	20.3 %
Children's & Youth	13	95.0	71,709	63,974	4,727	7.4 %	12,050	18.8 %
Documentaries	85	176.2	50,645	49,564	8,147	16.4 %	9,809	19.8 %
Drama	41	185.5	222,007	222,007	47,166	21.2 %	48,150	21.7 %
Subtotal	151	472.7	351,920	343,105	61,016	17.8 %	71,544	20.9 %
Aboriginal languages	17	70.0	7,639	7,639	787	10.3 %	1,913	25.0 %
Total	275	1,122.0	495,395	486,221	85,717	17.6 %	102,877	21.2 %

* Does not include feature films projects funded through the Canadian Television Fund – Equity Investment Program.

** Does not include the foreign share (\$9,173,622) of coproductions in which Canada is a minority partner. All percentages are calculated on these amounts.

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CANADA NEW MEDIA FUND – ANALYSIS OF FINANCIAL PARTICIPATION PRODUCT ASSISTANCE – PRODUCTION ONLY

Projects contracted

	Number of projects	Total budgets in thousands of dollars	Telefilm Canada Canada New Media Fund		Telefilm Canada Development roll-over		Broadcasters	
			in thousands of dollars	in thousands of dollars	in thousands of dollars	in thousands of dollars	in thousands of dollars	in thousands of dollars
French	9	3,928	1,697	43.2 %	12	0.3 %	34	0.9 %
English	13	7,243	2,866	39.6 %	248	3.4 %	597	8.2 %
Total	22	11,171	4,563	40.8 %	260	2.3 %	631	5.7 %

CANADIAN TELEVISION FUND (CONTINUED)

Broadcasters		Private sector		Distributors		Other government sources		Foreign participants	
in thousands of dollars		in thousands of dollars		in thousands of dollars		in thousands of dollars		in thousands of dollars	
2,240	44.5 %	70	1.4 %	15	0.3 %	1,291	25.6 %		0.0 %
10,052	40.1 %	731	2.9 %		0.0 %	6,620	26.4 %		0.0 %
9,638	28.5 %	1,232	3.6 %	43	0.1 %	9,934	29.3 %		0.0 %
22,361	31.3 %	1,123	1.6 %		0.0 %	16,795	23.5 %		0.0 %
44,291	32.7 %	3,156	2.3 %	58	0.0 %	34,639	25.6 %	0	0.0 %
2,625	34.7 %	258	3.4 %	15	0.2 %	1,728	22.9 %	420	5.6 %
17,094	26.7 %	3,669	5.7 %	3,676	5.7 %	15,539	24.3 %	7,220	11.3 %
18,499	37.3 %	2,691	5.4 %	269	0.5 %	9,432	19.0 %	718	1.4 %
59,093	26.6 %	9,995	4.5 %	4,089	1.8 %	51,274	23.1 %	2,240	1.0 %
97,312	28.4 %	16,613	4.8 %	8,048	2.3 %	77,974	22.7 %	10,597	3.1 %
1,818	23.8 %	690	9.0 %		0.0 %	2,430	31.8 %		0.0 %
143,420	29.5 %	20,459	4.2 %	8,107	1.7 %	115,043	23.7 %	10,597	2.2 %

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CANADA NEW MEDIA FUND (CONTINUED)

Private sector		Distributors		Other government sources	
in thousands of dollars		in thousands of dollars		in thousands of dollars	
1,504	38.3 %	4	0.1 %	677	17.2 %
2,542	35.1 %	80	1.1 %	911	12.6 %
4,046	36.2 %	83	0.7 %	1,588	14.2 %

TRENDS IN INTERNATIONAL COPRODUCTION

As the tables below show, there was a marked drop in the number of official international coproductions that were produced in 2004. This drop was expected, and is in large part the result of recent changes to the regulatory environment in Europe. The changes have been designed to encourage coproduction activity between EU member states.

Canada's most significant coproduction partner countries are France and the UK. The introduction of tax credit legislation in 2004 in France has had the effect of repatriating French production. In addition, 2004 saw a significant drop in the number of animated projects coproduced with France – especially in television.

In its annual report of 2003-2004, Telefilm predicted that coproduction activity with the United Kingdom would fall sharply, as a result of changes to the latter's coproduction regulations. While the immediate effect was a rush to coproduce under the old rules, such that Canada actually saw an increase in coproduction activity with the UK in 2003, the effect was short lived. 2004 saw a marked decrease in the total volume of activity with the UK.

Also in that edition of the annual report, Telefilm indicated the need to modernize Canada's coproduction treaties to assure their renewed competitiveness in the future. Since that time, the Department of Canadian Heritage has undertaken a review of its coproduction policies in which Telefilm has participated. The Corporation looks forward to further collaboration with the Department on this topic.

VOLUME AND NUMBER OF OFFICIAL INTERNATIONAL TREATY COPRODUCTIONS BY MEDIA

	Film	Television	Film	Television
	In millions of dollars	In millions of dollars	Number of projects	Number of projects
1998	186	390	16	61
1999	219	400	23	54
2000	255	670	25	77
2001	189	593	20	83
2002	203	367	23	78
2003	365	311	31	62
2004	191	182	15	51

FINANCIAL PARTICIPATION OF COPRODUCING PARTNERS* AND NUMBER OF PROJECTS BASED ON YEAR OF PRODUCTION SPECIFIED BY CLIENTS

	France		United Kingdom		Other partners	
	In millions of dollars	Number of projects	In millions of dollars	Number of projects	In millions of dollars	Number of projects
1998	126	44	60	17	76	24
1999	175	36	43	21	79	26
2000	83	27	162	42	177	43
2001	160	37	134	52	76	26
2002	110	46	108	42	55	24
2003	137	45	132	38	72	25
2004	72	28	84	26	33	21

* This total may exceed the actual number of coproductions as number of projects includes each partner in all projects.

INVESTING IN REGIONAL DEVELOPMENT

Telefilm is committed to assuring that local stories can be told from all of Canada's major regions. Regional expenditure targets, along with decentralized decision-making, result in signed contracts in local productions from new and established companies. As described in the sections that follow, Telefilm also supports a variety of local initiatives targeted at professional development and cultural events, such as festivals.

Telefilm's rigorous selection process for production investments is two tiered. Smaller requests to Telefilm (typically under \$1 million) are made locally within its four regional offices

located across Canada. Larger requests must compete nationally to ensure that the best projects from across Canada are able to be adequately financed.

In 2004-2005, British Columbia signed contracts totalling 11% of Telefilm's program resources, compared with 7% for the Western region, 35% for the Ontario and Nunavut region, 40% for the Quebec region (including projects in both official languages), and 7% for the Atlantic region.⁴

⁴ Regions are defined as follows: British Columbia; West – Yukon, Northwest Territories, Alberta, Saskatchewan and Manitoba; Ontario and Nunavut; Quebec; and Atlantic – P.E.I., Nova Scotia, New Brunswick, and Newfoundland and Labrador. For reporting purposes, the West is split into two regions, B.C. and the Prairies, so as not to obscure the Prairie provinces.

REGIONAL BREAKDOWN – PRODUCTION AND DEVELOPMENT PROJECTS

Projects contracted

Canadian Television Fund, Canada Feature Film Fund (including Low Budget Independent Feature Film Assistance Program and Screenwriting Assistance Program), Canada New Media Fund, Regular Fund and Production Revenue Sharing Program

Location	Number of projects	Budgets*	Telefilm Canada's contribution*	Telefilm Canada's contribution
Montreal	324	279,809	64,712	38.9 %
Toronto	256	271,091	56,988	34.3 %
Subtotal	580	550,900	121,700	73.2 %
British Columbia	136	87,641	18,043	10.9 %
Alberta	32	10,673	2,609	1.6 %
Saskatchewan	26	12,131	3,542	2.1 %
Manitoba	46	22,773	5,427	3.3 %
Ontario (excluding Toronto)	22	9,793	1,828	1.1 %
Quebec (excluding Montréal)	32	8,150	1,446	0.9 %
New Brunswick	32	6,820	1,510	0.9 %
Nova Scotia	34	28,604	5,278	3.2 %
Prince Edward Island	5	687	129	0.1 %
Newfoundland and Labrador	20	12,085	2,840	1.7 %
Northwest Territories	2	6,559	1,824	1.1 %
Yukon	2	35	17	0.0 %
Subtotal	389	205,952	44,493	26.8 %
Total	969	756,852	166,192	100.0 %

* in thousands of dollars

PROMOTING HOME-GROWN CULTURAL PRODUCTIONS AT HOME AND ABROAD

To meet its objective of connecting ever-larger Canadian audiences with the products that Telefilm finances, the Corporation also allocates resources and expertise to a number of complementary programs designed to raise the profile of Canadian audiovisual cultural products with Canadians.

CANADIAN FESTIVALS AND AWARDS SHOWS

Through the Canada Showcase Program, Telefilm supported 47 Canadian festivals in 2004-2005, granting \$2.7 million to help promote their featured Canadian film, television and new media productions. The Canada Showcase program assisted the Toronto International Film Festival, the Montréal World Film Festival, the Vancouver International Film Festival and the Atlantic Film Festival, as well as 43 regional festivals spotlighting documentaries, shorts, arts programming, animation, programs for children, Aboriginal production, new media, experimental works and more.

Also in 2004-2005, following a commissioned study by SECOR Consulting of the success factors of Canada's four major film festivals, Telefilm and the Société de développement des entreprises culturelles (SODEC) held a call for proposals for a major film event in Montréal. Subsequent to a recommendation made by an evaluation committee, both funding agencies put their support behind the New Montreal FilmFest, whose first edition took place in for September 2005.

In addition, the Corporation partnered with Canadian award shows, such as the Genies, Jutras Geminis and Gémeaux, to celebrate Canadian creators and stars, and thus, contribute to long-term audience development.

PROVINCIAL BREAKDOWN – CANADIAN FESTIVALS (FEATURE FILM, TELEVISION AND NEW MEDIA)

According to the location of the festivals with which Telefilm signed contracts
Includes amendments to previous-year contracts

Telefilm's Canada's contribution		
	in thousands of dollars	%
Quebec	1,080	39.2 %
Ontario	826	30.0 %
Alberta	330	12.0 %
British Columbia	269	9.8 %
Nova Scotia	85	3.1 %
Manitoba	59	2.1 %
New Brunswick	45	1.6 %
Saskatchewan	40	1.5 %
Newfoundland	20	0.7 %
Total	2,753	100.0 %

INTERNATIONAL MARKETS AND FESTIVALS

Assuring visibility at international markets is an effective and innovative way to forge partnerships, placing Canada among the world's most highly competitive players. In 2004-2005 Telefilm provided strategic support of almost \$1.4 million – in collaboration with industry associations, provincial agencies and other Canadian organizations – for Canadian companies to sell their productions at seven key markets in the feature film, television and new media sectors.

The Corporation's Canada Pavilion continued to be a success, with a total of 350 companies participating under the Telefilm Canada umbrella in 2004-2005.

Exit surveys conducted following the three international television markets, in which Telefilm was involved, revealed that over 80% of clients rated services provided by the Corporation as good or excellent.

WHAT OUR CLIENTS HAVE TO SAY ABOUT...

THE CANADA PAVILION

I cannot say enough about the professionalism, dedication and support of the team at the Canada Pavilion. From coordinating with my staff here in Canada to ongoing support in Cannes, I found them to be top drawer. I was amazed at the level of your service at MIPCOM, given the long hours and 90 odd exhibitors all with earth-shattering needs. We are a demanding bunch because our collective future depends on making sales.

Chris Knight, Owner & President
Knight Enterprises, Ottawa

BUSINESS DEVELOPMENT AND SALES AT INTERNATIONAL TELEVISION MARKETS IN WHICH TELEFILM PARTICIPATES

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Market	Number of companies participating	Number of new projects initiated	Business developed		Sales		
			Number of contracts signed	Total business developed and signed	Number of programs sold or pre-sold	Total value of programs sold	Number of programs purchased
MIPTV 2004	81	132	0	132	583	13	62
MIPCOM 2004	93	421	18	439	182	23.4	104
NATPE 2005	24	108	1	109	57	6.4	4
Total	198	661	19	680	822	42.8	170

* In millions of dollars

Assuring visibility at international festivals helps raise awareness and win audiences for Canadian cultural productions, both at home and abroad. Telefilm supported 39 Canadian filmmakers to travel to major foreign festivals, most notably the Berlin Film Festival and the Cannes Film Festival, to promote their works.

FILMS SENT TO FESTIVALS BY TELEFILM CANADA – OFFICIAL COMPETITION AND AWARD WINNERS

	2002		2003		2004	
	Number of titles		Number of titles		Number of titles	
Foreign festivals	47		38		35	
Productions submitted to Telefilm	200		227		231	
Productions selected	94	47.0 %	91	40.1 %	75	32.5 %
Award winners or honourable mentions	5	5.3 %	5	5.5 %	11	14.7 %

Promotional support was provided to many official Canadian entries at these festivals, including advertising for the Canadian industry and its products in trade publications and high-profile promotional brochures. Again this year, the promotional brochures produced by Telefilm to help promote Canadian films at major international film festivals were repeat winners at the 2005 Prix Grafika for outstanding graphic design.

WHAT OUR CLIENTS HAVE TO SAY ABOUT...

TELEFILM'S EUROPEAN OFFICE

I want to thank you again for the very valuable help you gave me when I was in Germany and France arranging financing for two new films. It is difficult for Canadians to connect with the major European broadcasters. The help your office extended was critical for me, as it is for most Canadian producers trying to do business in Europe, and I don't know what I would have done without you. Canadian producers are lucky to have friends like Telefilm in Europe.

Daniel J. Conrad, Producer & Director
Rhodopsin Productions Ltd., Vancouver

COMMITTED TO DIVERSITY

As stated in the corporate plan of 2003-2004, it is essential that the portfolio of Canadian cultural productions in which Telefilm invests reflects the changing character of Canada's population, in order to successfully engage with all Canadian audiences. Integrating Canada's cultural communities into the domestic audiovisual industry enhances its distinctiveness and ensures innovation and renewal. Telefilm provides specialized support to minority official-language productions, and to visible-minority and Aboriginal creators to ensure that all Canadian voices are heard.

MINORITY OFFICIAL-LANGUAGE PRODUCTION

Telefilm provided support to French-language producers outside Quebec through its ongoing contribution to the Department of Canadian Heritage's Interdepartmental Partnership with the Official-Language Communities program, committing over \$700,000 in 2004-2005 to support 24 projects. The Corporation provided additional support, through its contribution to the Canadian Television Fund, to French-language production companies outside Quebec seeking access to production funds, committing a total of \$2.8 million for 27 projects.

Telefilm also supported festivals offering programming in the minority official language of the province in which they were held. These included the Cinéfest – Sudbury's International Film Festival and the Festival du film de l'Outaouais in Ontario, Cinémental in Manitoba and the Festival international du cinéma francophone en Acadie in New Brunswick. Audiences at these events had the opportunity to screen films to which they otherwise would not have had access.

SHARING STORIES, SHARING VOICES — INITIATIVES FOR ABORIGINAL AND VISIBLE-MINORITY PRODUCERS

Support for Aboriginal programming, in a variety of languages, was primarily achieved through a \$986,000 allocation within the scope of the Canadian Television Fund's Special Initiatives Stream for Aboriginal-Language Productions. This stream supported 30 projects in 2004-2005.

Funding through other programs provided additional support to Aboriginal and visible-minority producers, such as support provided for the Indigenous Arts Service Organisation in Vancouver. Telefilm also commissioned a study on the state of funding to Aboriginal producers, which sought recommendations on how to better support the full integration of Aboriginal producers into Canada's cultural industries.

WHAT OUR CLIENTS HAVE TO SAY ABOUT...

TELEFILM'S SPARK PLUG PROGRAM

I just have to send you a note and thank Telefilm. The training session was amazingly organized. I received so much information, and now have access to the television business industry. I also had an opportunity to meet many producers and people with whom I can share my obstacles and successes. I feel I can now comfortably walk and take another step forward in my career. I thank you for this great moment in my life.

Shirley Cheechoo, Producer, Writer and Director
Spoken Song Productions Inc., M'Chigeeng, Ontario

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The Corporation's Spark Plug Program is part of the Department of Canadian Heritage's Spark Initiative, a partnership between the Department's three cultural agencies – the National Film Board, the Canada Council for the Arts and Telefilm. The overall goal of the Spark Plug Program is to advance the business and creative skills of mid- to advanced-career visible-minority and Aboriginal producers in the development of dramatic television production. Through the Program, it is expected that the number of promising television scripts available for licensing from these cultural groups will increase. In 2004-2005, Telefilm supported 17 participants and 17 projects.

Grants were also provided to help Aboriginal and visible-minority filmmakers showcase their works at such events as the Festival du film et de la video autochtones de Montréal, the imagineNATIVE Aboriginal Media Arts Festival in Toronto, and the Toronto Reel Asian International Film Festival.

NURTURING CREATIVE TALENT FOR A THRIVING CULTURE

Telefilm recognizes that support for the professional development of Canadian creators is vital to promoting healthy and thriving film, television and new media industries. Of particular interest to the Corporation is the gap in available management training for small- and medium-sized cultural companies.

In addition to the Spark Plug program, individuals are supported through the Industrial Professional Development Fund, which provided 12 grants totalling \$22,000 to creators in 2004-2005, and the National Training Program in the Film and Video Sector, which provides \$2.3 million to four institutes (the National Screen Institute, the Institut national de l'image et du son, the Canadian Screen Training Centre and the Canadian Film Centre) to provide specialized film and television training. Additional support is provided to the Banff New Media Institute through the Canada New Media Fund (sectoral awareness component), which provided \$250,000 in 2004-2005.

SPECIALIZED SUPPORT TO FILM CREATORS

Canada's most talented creators need time to develop their own creative projects before bringing them to the industry for commercialization. The Canada Feature Film Fund includes two programs that provide support to professional scriptwriters and independent filmmakers to do just that. In 2004-2005, the Screenwriting Assistance Program provided 63 grants to writers totalling \$935,000, while the Low Budget Independent Film Program invested \$1.7 million to support 10 filmmakers to direct and produce their own films.



Rock Camp Online



COLLIDEASCOPE DIGITAL PRODUCTIONS

Eighteen teenaged musicians are formed into four competing bands and sent to summer camp – Rock Camp – in Halifax, Nova Scotia. **Rock Camp Online** is the Web component of the documentary television series that chronicles the teens' triumphs and heartaches.

In one of the first Canadian cross-promotional deals with AOL, audience members go online to answer poll questions. Feedback is incorporated into following episodes. Rock Camp Online comes from Steven J.P. Comeau and Suzanne Chapman. The duo also co-created the hit TV show **Delilah & Julius**, along with its interactive component.

Arctic Mission: The Cyberdocumentary



NDI MÉDIA

Take a virtual voyage to the Arctic at www.arcticmission.tv. This Web site, called **Arctic Mission: The Cyberdocumentary**, is designed to complement the five documentaries shot during the Sedna IV expedition in 2002. The site provides an interactive space where surfers can make their own scientific and environmental discoveries during their virtual journey.

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Transforming users into cyber-sailors, the online missions humanize their virtual experiences. Arctic Mission: The Cyberdocumentary won multiple awards, including the Prix Gémeaux for the Best Web Site 2004, the Prix Möbius International from UNESCO and the Canadian New Media Award for excellence in Children's Programming (online).

Saint Ralph



ALLIANCE ATLANTIS PRODUCTIONS AND AMAZE FILM + TELEVISION
Set in Hamilton in 1954, **Saint Ralph** is the unlikely story of Ralph Walker, a fatherless 14-year-old with a seriously ill mother who outruns everyone's expectations - except his own - in his bold quest for greatness. Desperate to believe a miracle will bring his mother out of a coma, Ralph becomes a convert to the church of running and determines to win the Boston Marathon.

Saint Ralph was helmed by Michael McGowan (**My Dog Vincent**) who won the Arc d'Or Grand Prize at the Festival Paris Île-de-France. The film opened in 22 American cities and was sold to every major territory worldwide. It premiered at the Toronto International Film Festival, where it was chosen as part of Canada's Top Ten in 2004.

Shake Hands with the Devil: The Journey of Roméo Dallaire



WHITE PINE PICTURES

"This is why Sundance was created; to showcase movies like this," said Robert Redford, uncharacteristically endorsing **Shake Hands with the Devil: The Journey of Roméo Dallaire** at the 2005 Sundance Film Festival – where the documentary won Canada's second-consecutive Audience Award for World Cinema Documentary.

Peter Raymont's film tells the moving story of Lt.-General Roméo Dallaire, the Canadian whose command of the United Nations mission to Rwanda during the 1994 genocide led to his own personal tragedies. Based on Dallaire's book, the documentary was filmed during his first return to the Rwanda killing fields. **Shake Hands with the Devil** was named one of Canada's Top Ten in 2004 at the Toronto International Film Festival.

Elles étaient cinq



REMSTAR PRODUCTIONS AND FORUM FILMS

Lauded for its tough subject matter, *Elle étaient cinq* is a harrowing tale about five estranged friends who survive an unthinkable teenage tragedy. This moving ensemble piece about recovery and redemption is from award-winning director Ghyslaine Côté.

Earning over \$2.1 million at the box office, *Elle étaient cinq* was chosen as one of Canada's Top Ten films of 2004 at the Toronto International Film Festival. It garnered two Genie nominations, and Brigitte Lafleur took home a Jutra for Best Supporting Actress.

The Triplets of Belleville



PRODUCTION CHAMPION AND LES ARMATEURS

This charming tale is about an unlikely duo: Madam Sousa, a Portuguese widow, and a lonely young boy named Champion. With Madam Sousa's encouragement, Champion enters the Tour de France, but is abducted by the French Mafia. Madam Sousa and her dog Bruno set out to find Champion. This delightful story comes from award-winning animation star Sylvain Chomet.

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Along with its two Oscar nominations, [The Triplets of Belleville](#) continued to win acclaim, including a Genie for Best Motion Picture in 2005. And its theme song by Benoît Charest, [Belleville Rendez-Vous](#), was nominated for a 2004 Grammy Award. This coproduction between Canada and France earned \$1.5 million at the Canadian box office, and took home another \$7 million from its run in the United States.

Les Poupées russes



JPL PRODUCTION

Two families, multiple problems. **Les Poupées russes** follows the Lauzière and Dubé-Yvanov clans, as they unearth hidden secrets and plan for a smooth future. But fate has a way of intervening... Teens are faced with unwanted stepparents, singletons fight their demons, couples get married and families drift apart.

Now in its fifth season with 134 episodes, **Les Poupées russes** features some of Quebec's most-loved talent, including François Papineau, Brigitte Paquette and Marie Tifo. The series was created by the respected trio Anne Boyer, Michel d'Astous and Estelle Bouchard. With countless Gémeaux nominations to its credit, the series hits on universal dilemmas for an ageless audience.

Crazy Canucks



ALBERTA FILMWORKS

Crazy Canucks recounts the astonishing story of the Canadian men's alpine ski team as it faced the challenge of cracking the European-dominated World Cup downhill circuit during the 1974-1976 seasons. Director and producer Randy Bradshaw helmed this dramatic story of five teammates who achieved some of the most groundbreaking victories in Canadian ski history. 101

This movie of the week attracted 1 million viewers when it aired on CTV, and also swept the Alberta Film Awards in 2005, where it won honours for Best Director, Best Editing and Best Music. *Crazy Canucks* also took home the People's Choice award at the Whistler Film Festival in 2004, and delighted audiences at film festivals in Vale, Colorado and Calgary.



H₂O

WHIZBANG FILMS AND SOUND VENTURE INTERNATIONAL

H₂O is a political thriller, set five minutes in the future. When Canada's prime minister drowns on a canoeing trip, his charismatic son is put forward to lead the party and the nation. Can the fledgling P.M. foil a plot that's imperilling the country's natural resources and sovereignty?

H₂O has no shortage of big-name talent, including director Charles Binamé (*Séraphin, un homme et son péché*). The lead is played by Paul Gross, Canada's megastar from *Due South*, who also executive-produced this \$8.5-million made-for-TV movie. H₂O won the Canadian Screenwriters Award for Best Script for an MOW and miniseries. The sequel, *The Trojan Horse*, is in the works.

renegadepress.com



VÉRITÉ FILMS

While **Corner Gas** is their ode to adult-oriented television, director Robert de Lint and executive producer Virginia Thompson have also co-created a successful TV youth program – **renegadepress.com**. It's a gritty dramatic series that exposes what's really happening with today's youth by following the stories of five teen reporters who write for an Internet zine.

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Going into its third season this fall, **renegadepress.com** follows the success of de Lint and Thompson's youth series **Incredible Stories Studio**. Not surprisingly, **renegadepress.com** garnered three Genie nominations in 2003 for Best Picture Editing, Best Sound and Best Performance by Lauren Collins. It also earned an honourable mention at the Banff Rockie Awards in 2004 for Family and Youth Programming.

White Skin



ZONE FILMS

Based on the novel by Joël Champetier, **White Skin** is a thriller wrapped in a love story. Thierry, a student in Montreal, is bewitched by a redhead named Claire. Like her redheaded sister, Claire has exceptionally pale skin. But is there more to the girls' light pallor than meets the eye? The story takes a dark and deadly turn as Thierry discovers their family secret.

This debut feature from Daniel Roby was awarded the CityTV Best Canadian First Feature Award and the Claude Jutra Award at the Genies. It screened at over 30 festivals and sold in over 11 territories worldwide. **White Skin** attracted the attention of Barry Levinson, who is producing an American remake.

Pour l'amour du country



CONNECTION PRODUCTIONS

For several years now, country music has been evolving and renewing itself to cultivate a fan base that spans all ages and the globe.

Hosted by Patrick Norman, **Pour l'amour du country** is the only French-language variety show in Canada dedicated to country music. Shot on location at the Osmose Bar at the Université de Moncton, this popular series on ARTV and Radio-Canada brings together household names and up-and-coming artists from country music and other genres for a toe-tapping celebration. Featured artists include the likes of Bobby Hachey, Cayouche and Daniel Lavoie.

www.thisisdanielcook.com



MARBLEMEDIA

www.thisisdanielcook.com is the companion Web destination for the popular preschool live-action television series, **This is Daniel Cook**. Kids go online to build sandcastles, compose songs, create their own version of a classic fairy tales or just explore this bright and colourful world. In this safe online environment, there is no right or wrong; rather, there are limitless options that only their curiosity and imagination can truly realize.

The site is from co-creators Mark Bishop, Matt Hornburg and Blair Powers, who received honours for Best Web Site, Best Preschool Live Action Show and Best Program in all categories at the Alliance for Children and Television Awards of Excellence. The site gets 100,000 visitors each month, and the DVD-ROM will be in stores for Christmas 2005.





TELEVISION / TRAILER PARK BOYS

*It's official boys,
we're retired now.*

MANAGEMENT DISCUSSION AND ANALYSIS

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Telefilm Canada wants to provide users of its annual report with all information pertinent to understanding the organization's activities. To this end, the management discussion and analysis reviews the main factors of the fiscal year just ended. We begin with the highlights, then discuss key financial questions, and conclude with a presentation of comparative figures for the last four fiscal years.

HIGHLIGHTS

Our review of the fiscal year ended March 31, 2005 first looks at the expenses for the different administered funds and programs. It then addresses the funding sources for the different programs, and analyzes the results of operations and the balance sheet.

EXPENSES

Telefilm made major financial contributions to the areas of television, film, new media and music, totalling \$209 million. The table on the next page presents the expenses for fiscal 2005, compared with the previous fiscal year.

EXPENSES

Year ended March 31, 2005
In thousands of dollars

	2005	2004
Canadian Television Fund – Equity Investment Program	109,890	110,043
Canada Feature Film Fund	79,304	91,875
Canada New Media Fund	8,608	9,737
Music Entrepreneur Program	5,389	8,797
Other funds	5,690	5,535
Assistance expenses	208,881	225,987
Net recoveries	(24,764)	(19,823)
Operating and administrative expenses	23,788	22,413
Cost of operations	207,905	228,577

CANADIAN TELEVISION FUND – EQUITY INVESTMENT PROGRAM

A total of \$109.9 million was expended on Canadian Television Fund projects this fiscal year. Most of the expense was incurred in the form of production investments (\$97.7 million) and development advances (\$11 million). Other fund components accounted for \$1.2 million. The overall expenditure was roughly the same as the previous fiscal year's amount of \$110 million. The number of projects funded was up by 15%, from 584 in 2003-2004 to 674 in 2004-2005.

CANADA FEATURE FILM FUND

Telefilm invested \$79.3 million through this fund in this fiscal year. Development support in the form of advances amounted to \$5.9 million. Investments in support of film production totalled \$48.4 million, and advances in support of film distribution and marketing, \$16.5 million. \$8.5 million was spent in the Fund's other components.

Overall expenses declined by 14%, or \$12.6 million, compared to 2003-2004. This is chiefly attributable to the exceptionally high number of disbursements in 2003-2004. Telefilm has used approximately \$14 million in accrued recoveries to reply to demand. 2004-2005 expenses represent the normal threshold amount available to support feature films each year: a parliamentary appropriation of \$72.8 million and an estimated \$7 million in recoveries.

Despite the variance in available monies, Telefilm approved 383 funding applications, compared to 394 the previous fiscal year. In all, 1,072 applications were received, 1% less than in 2003-2004.

CANADA NEW MEDIA FUND

Support for the new media industry amounted to \$8.6 million this fiscal year. Of this, \$4 million in the form of advances went to production and \$1.8 million to the development of prototypes. An additional \$1.5 million went to online distribution and marketing, and \$1.2 million to sectoral development. Production support declined by \$1.3 million, and the number of projects funded fell as well, from 98 the previous fiscal year to 80 in 2004-2005.

The decrease in expenses is directly related to the funding available this fiscal year, due to a decision made in 2002-2003 to allow a transfer of \$1 million in financing to 2003-2004. The expenses of \$8.6 million are in accordance with Telefilm's contribution agreement.

MUSIC ENTREPRENEUR PROGRAM

This program is now at the end of the three-year cycle on which it was designed. It provides financial assistance to companies in the form of advances.

RECOVERIES

As a cultural investor in film, television and new media, Telefilm recovers a portion of the amounts expended in the form of investments and advances. In 2004-2005, these recoveries

totalled \$24.8 million. The recouped monies are re-injected in the programs that generated them, where they serve to fund additional projects and other initiatives.

This fiscal year, recoveries from investments in the television sector amounted to \$11 million, and recoveries from the feature film sector, \$12 million.

Total recoveries in 2004-2005 were up by \$4.9 million from the fiscal year before. This was mainly due to an increase of \$4 million from feature films and \$1 million from television productions. Several Canadian hits helped increase recoveries from feature films, namely *Touch of Pink*, *The Statement*, *Being Julia*, *Les Invasions barbares*, *Séraphin, un homme et son péché* and *La Grande séduction*.

OPERATING AND ADMINISTRATIVE EXPENSES

Telefilm's operating expenses, associated with the management of program delivery, totalled \$19 million. The Corporation's administrative expenses amounted to \$4.8 million, and represent corporate expenses related to head-office activities. Together, these expenses totalled \$23.8 million for 2004-2005.

The ratio of operating and administrative expenses to assistance expenses is 11%, which compares to 10% the previous fiscal year.

The difference is mainly due to a reduction in expenses in feature film assistance programs. However, as mentioned above, the number of files processed was comparable to the number handled in 2003-2004. One important factor to consider in assessing Telefilm's management performance is the number of applications received and, consequently, the rejection rate in the various programs. Contribution agreements for various programs administered by Telefilm provide for management fees based on dollars managed, but Telefilm's actual operating costs depend on the number of applications handled.

Telefilm's administrative expenses represented 2% of all assistance expenses. The management of multiple programs enables Telefilm to achieve significant economies of scale in this area.

Overall administrative expenses were at the same level as the previous fiscal year, with the exception of professional fees, which rose slightly. This variance is due to the cost of rolling out several information systems, including an electronic document management system (Docunet) and a secure transactional extranet (eTelefilm®).

FUNDING SOURCES

Most of Telefilm's funding derives from four sources: a parliamentary appropriation, contributions from the Department of Canadian Heritage, a contribution from the Canadian Television Fund – Licence Fee Program and recoveries.

Total revenues were down by \$24 million this fiscal year, mainly due to the \$22.5-million reduction in the contribution of the Canadian Television Fund – Licence Fee Program. The reduced transfer is explained by the fact that Telefilm drew on its accumulated surplus to fund certain television-related expenses in 2004-2005. Telefilm's accumulated surplus is principally composed of recoveries that were not yet reinvested.

The following table presents the revenues for the fiscal year.

REVENUES

Year ended March 31, 2005
In thousands of dollars

	2005	2004
Parliamentary appropriation	126,300	123,419
Department of Canadian Heritage:		
Canadian Television Fund – Equity Investment Program	49,775	49,775
Canada New Media Fund	8,907	9,656
Music Entrepreneur Program	5,443	9,560
Professional training schools	2,550	2,550
Canadian Television Fund – Licence Fee Program	2,000	24,509
Amortization of deferred capital funding	2,182	1,961
Other revenues	671	441
	197,828	221,871

PARLIAMENTARY APPROPRIATION

The parliamentary appropriation covers a portion of the expenses of the Canadian Television Fund, the Canada Feature Film Fund and other funds, as well as certain operating and administrative expenses and the acquisition of all capital assets.

The parliamentary appropriation for this fiscal year amounted to \$128.3 million up slightly from 2003-2004 (\$127.9 million). Telefilm used \$126.3 million to finance assistance expenses, as well as operating and administrative expenses, and \$2 million for capital spending, in comparison respectively to \$123.4 million and \$4.5 million in 2003-2004.

Most of the monies for the Canada Feature Film Fund – \$72.8 million – come from the parliamentary appropriation. The balance is made up of accumulated recoveries, which amounted to \$6.5 million.

CONTRIBUTION AGREEMENTS WITH THE DEPARTMENT OF CANADIAN HERITAGE

Through contribution agreements, the Department of Canadian Heritage funds a portion of the assistance expenses of the Canadian Television Fund – Equity Investment Program, most of those of the Canada New Media Fund, and all of those of the National Training Program in the Film and Video Sector and the Music Entrepreneur Program. Contributions also fund a share of operating and administrative expenses inherent to delivering the programs.

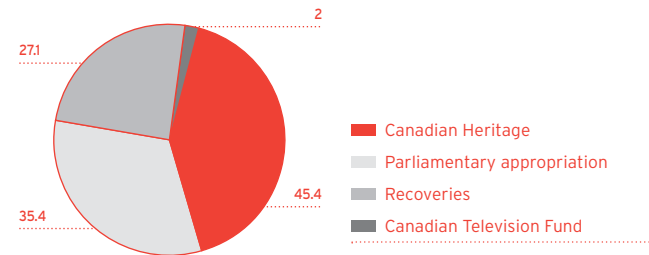
CANADIAN TELEVISION FUND — EQUITY INVESTMENT PROGRAM

Funding from the Department of Canadian Heritage for the Canadian Television Fund – Equity Investment Program is pegged at \$49.8 million, and includes \$4.4 million for operating and administrative expenses. The agreement expires on March 31, 2006 and the same amounts apply until then. This fiscal year,

the Equity Investment Program additionally received \$35.4 million from the parliamentary appropriation, used \$27.1 million in accrued recoveries, and obtained a \$2-million contribution from the Canadian Television Fund – Licence Fee Program to cover the funding shortfall.

FUNDING SOURCES FOR CANADIAN TELEVISION FUND – EQUITY INVESTMENT PROGRAM

In millions of dollars



CANADA NEW MEDIA FUND

The basic contribution for this fund is \$9 million. This fiscal year's decrease of \$749,000 is the result of funding carried forward from 2002-2003 and used in 2003-2004.

MUSIC ENTREPRENEUR PROGRAM

The three-year agreement for this program expired on March 31, 2005. The funds expended during the fiscal year amounted to \$5.4 million. The \$4.1-million decrease is attributable to a drawdown schedule heavily concentrated in the second year of the program (2003-2004). Unused funds are at the disposal of the Department of Canadian Heritage.

PROFESSIONAL TRAINING SCHOOLS

Funding for training schools is pegged at \$2.5 million under a three-year agreement that runs until March 31, 2007.

CANADIAN TELEVISION FUND — LICENCE FEE PROGRAM

The Licence Fee Program contribution serves as a supplement when demand exceeds the financing available from principal television-sector sources.

NET RESULT

Year ended March 31, 2005
In thousands of dollars

	2005	2004
Net result from operations	(10,077)	(6,706)

Telefilm uses its authorized capacity to defer recoveries to the following fiscal years to finance projects based on the needs of its clientele. Funded projects frequently extend over more than one fiscal year, since production schedules do not necessarily correspond to Telefilm's fiscal year.

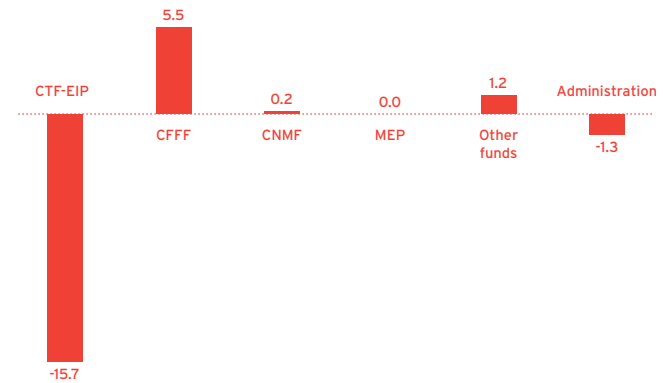
Amounts recovered, but not reinvested in the same fiscal year, generate positive net results, creating a temporary surplus. When they are reinvested in a subsequent fiscal year, the temporary surplus is eliminated, leaving a deficit.

This is simply a matter of applying the required accounting principles. The net result of deferring recoveries had a positive impact for Telefilm's clients this fiscal year.

The \$10.1-million deficit represents expenses in excess of the annual funding. By using a portion of accumulated recoveries to cover the deficit, Telefilm was able to fund additional projects. The deficit is essentially composed of losses incurred by the Canadian Television Fund – Equity Investment Program, which shows a deficit of \$15.7 million. The Canada Feature Film Fund shows a surplus of \$5.5 million, while operating and administrative expenses show an accounting deficit of \$1.3 million. The following table presents a breakdown of the net results in graph form.

BREAKDOWN OF \$10.1-MILLION DEFICIT

In million of dollars



ASSETS

As at March 31, 2005
In thousands of dollars

	2005	2004
Receivable from Canada	14,783	–
Contributions receivable from:		
Department of Canadian Heritage	18,502	30,664
Canadian Television Fund – Licence Fee Program	2,000	24,509
Accounts receivable, prepaid expenses and loans	6,771	8,289
Long-term accounts receivable and loans	164	243
Property and equipment	8,991	9,194
	51,211	72,899

Telefilm's balance sheet is healthy. Working capital amounts to \$38.4 million and can be relied upon, since it is composed of \$14.8 million in cash receivable from Canada and \$18.5 million in contributions receivable from the Department of Canadian Heritage. The Corporation's cash flow position supports a proactive approach, allowing it to invest in projects in a timely fashion.

Contributions receivable are down from last fiscal year. Progress billings to the Department of Canadian Heritage in 2004-2005 brought in regular payments throughout the fiscal year, and significantly reduced the year-end receivables by \$12.2 million. For fiscal 2004-2005, Telefilm obtained a transfer of \$2 million from the Canadian Television Fund – Licence Fee Program, which shows as a receivable at March 31, 2005. Last fiscal year, the transfer amounted to \$24.5 million.

Accounts receivable are composed mainly of taxes to be recovered and receivables related to recoveries.

Property and equipment amount to \$9 million, and constitute an important change driver for the Corporation. During the fiscal year, \$2 million was invested in capital spending, mainly in the area of technology.

LIABILITIES AND EQUITY OF CANADA

As at March 31, 2005
In thousands of dollars

	2005	2004
Payable to Canada	–	8,551
Accounts payable and accrued liabilities	3,639	6,544
Severance benefit obligation	914	727
Deferred lease inducements	1,183	1,322
Deferred capital funding	8,991	9,194
Equity of Canada	36,484	46,561
	51,211	72,899

Overall, Telefilm's liabilities are down. There is no balance payable to Canada. The large decrease of \$8.5 million is due to rigorous management of receivables from the Corporation's financial partners.

Accounts payable and accrued liabilities are composed mainly of amounts relating to project assistance expenses (\$1.4 million), and amounts relating to administrative expenses (\$2 million). This item shows a substantial decrease of \$2.9 million, essentially due to a \$2.3-million decline in project-related accounts payable. Management has taken concrete steps to plan for year-end disbursements and the result is tangible.

The long-term liability of severance benefit obligations is established at \$914,000, and corresponds to the accounting debt relating to severance benefits payable upon termination. These employee benefits are comparable to those of other federal agencies.

Deferred lease inducements amount to \$1.2 million, and derive from favourable terms on the leases for Telefilm's Montréal, Halifax and Vancouver offices. This long-term liability will be eliminated over a 10-year period.

Deferred capital funding (\$9 million) corresponds to funding used to acquire capital assets, and does not constitute a debt payable by Telefilm. Capital funding is amortized using the straight-line method, on the same basis as property and equipment.

Equity of Canada amounts to \$36.5 million, and represents the positive results accumulated since the Corporation's creation. The Equity decrease of \$10.1 million corresponds to this fiscal year's deficit. A portion of the Equity balance is composed of recoveries not yet reinvested. In order to reinvest recoveries efficiently in funds and programs, management maintains an optimal level of commitments.

FINANCIAL PRIORITIES

This fiscal year, the accent was on controlling expenses and optimizing program management costs. Telefilm operates with an administrative budget that has faced pressures year after year, while funding has remained unchanged.

Although the Corporation has successfully contained its administrative expenses, the current context demands ongoing cost control. Telefilm counts on executive training, the production of accurate, high-quality financial information and the introduction of modern technological tools to help managers meet the challenge.

In order to curb further compression, the budget planning process was fully revised this fiscal year. The budget monitoring process was also reviewed and improved. Management support tools were developed, and this has significantly enhanced the quality of the organization's financial management.

The second budget-related factor is the cost of program management, where improvements were made this fiscal year. These improvements are based on full cost accounting concepts that ensure more accurate measurement of program management costs.

THE FUTURE

Thanks to a dynamic team and their ability to anticipate the Corporation's needs, Telefilm now has up-to-date management tools and a structure better suited to its requirements.

Telefilm intends to pursue its efforts to rationalize administrative expenses, review management procedures and complete the implementation of best-management practices. As such, the Corporation will be able to continue to meet the challenge of producing high-quality financial data for its managers and stakeholders. To do so, Telefilm will continue to invest in improving management performance, thus ensuring optimal returns to the industry.

A FOUR-YEAR REVIEW

STATEMENT OF OPERATIONS

Year ended March 31
In thousands of dollars

	2005	2004	2003	2002
Expenses				
Canadian Television Fund – Equity Investment Program	109,890	110,043	114,206	102,912
Canada Feature Film Fund	79,304	91,875	78,866	57,974
Canada New Media Fund	8,608	9,737	8,469	5,713
Music Entrepreneur Program	5,389	8,797	4,355	–
Other funds	5,690	5,535	7,859	8,766
Assistance expenses	208,881	225,987	213,755	175,365
Net recoveries	(24,764)	(19,823)	(22,392) ⁵	(19,636) ⁵
Operating and administrative expenses	23,788	22,413	21,614 ⁵	20,381 ⁵
Cost of operations	207,905	228,577	212,977	176,110
Revenues				
Parliamentary appropriation	126,300	123,419	134,953	103,598
Department of Canadian Heritage:				
Canadian Television Fund – Equity Investment Program	49,775	49,775	47,275	56,175
Canada New Media Fund	8,907	9,656	7,452	6,000
Music Entrepreneur Program	5,443	9,560	5,740	–
Professional training schools	2,550	2,550	2,795	2,800
Canadian Television Fund – Licence Fee Program	2,000	24,509	26,761	8,448
Amortization of deferred capital funding	2,182	1,961	1,498	929
Other revenues	671	441	909	355
	197,828	221,871	227,383	178,305
Net result from operations	(10,077)	(6,706)	14,406	2,195

⁵ These figures have not been adjusted to reflect the new accounting methodology adopted in 2005.

BALANCE SHEET

As at March 31
In thousands of dollars

	2005	2004	2003	2002
Assets				
Receivable from Canada	14,783	–	8,854	–
Contributions receivable from:				
Department of Canadian Heritage	18,502	30,664	15,381	37,183
Canadian Television Fund – Licence Fee Program	2,000	24,509	26,761	8,448
Accounts receivable, prepaid expenses and loans	6,771	8,289	10,108	11,244
Long-term accounts receivable and loans	164	243	428	763
Property and equipment	8,991	9,194	6,714	5,664
	51,211	72,899	68,246	63,302
Liabilities and Equity of Canada				
Payable to Canada	–	8,551	–	10,183
Accounts payable and accrued liabilities	3,639	6,544	6,388	6,762
Severance benefit obligation	914	727	585	601
Deferred lease inducements	1,183	1,322	1,292	1,231
Deferred capital funding	8,991	9,194	6,714	5,664
Equity of Canada	36,484	46,561	53,267	38,861
	51,211	72,899	68,246	63,302



FINANCIAL STATEMENTS

Year ended March 31, 2005

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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 books of accounts, financial and management controls, and information systems, together with management practices designed to provide reasonable assurance that reliable and relevant information is available on a timely basis, that assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, and that operations are carried out effectively. These systems and practices are also designed to provide reasonable assurance that transactions are in accordance with the Part VIII of the *Financial Administration Act*, the *Telefilm Canada Act*, the by-laws and policies of the Corporation.

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

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.

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S. Wayne Clarkson
Executive Director



Carolle Brabant
Director – Finance and Administration

Montréal, Canada
June 10, 2005

AUDITOR'S REPORT

To the Minister of Canadian Heritage

I have audited the balance sheet of Telefilm Canada as at March 31, 2005, and the statements of operations and equity of Canada and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Telefilm Canada Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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



Nancy Cheng, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 10, 2005

STATEMENT OF OPERATIONS AND EQUITY OF CANADA

Year ended March 31, 2005

In thousands	Schedule	2005	2004
Assistance expenses			
Canadian Television Fund – Equity Investment Program	A	\$ 109,890	\$ 110,043
Canada Feature Film Fund	B	79,304	91,875
Canada New Media Fund	C	8,608	9,737
Music Entrepreneur Program	D	5,389	8,797
Other funds	E	5,690	5,535
		208,881	225,987
Net recoveries	A, B, C, E	(24,764)	(19,823)
Net assistance expenses		184,117	206,164
Operating and administrative expenses	F	23,788	22,413
Cost of operations		207,905	228,577
Revenues			
Contribution from the Canadian Television Fund – License Fee Program		2,000	24,509
Investment revenues		451	331
Interest		220	110
		2,671	24,950
Net cost of operations before government assistance		205,234	203,627
Government assistance			
Parliamentary appropriation		126,300	123,419
Contributions from the Department of Canadian Heritage	G	66,675	71,541
Amortization of deferred capital funding (Note 8)		2,182	1,961
		195,157	196,921
Net result from operations		(10,077)	(6,706)
Equity of Canada at the beginning		46,561	53,267
Equity of Canada at the end		\$ 36,484	\$ 46,561

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

BALANCE SHEET

As at March 31, 2005

In thousands	Note	2005	2004
Assets			
Current assets			
Receivable from Canada		\$ 14,783	\$ –
Contributions receivable from the Department of Canadian Heritage		18,502	30,664
Contribution receivable from the Canadian Television Fund – License Fee Program		2,000	24,509
Accounts receivable	3	5,742	7,539
Prepaid expenses		1,011	604
Loans, net	4	18	146
		42,056	63,462
Accounts receivable		143	243
Loans	4	21	–
Property and equipment	5	8,991	9,194
		\$ 51,211	\$ 72,899
Liabilities and Equity of Canada			
Current liabilities			
Payable to Canada		\$ –	\$ 8,551
Accounts payable and accrued liabilities	6	3,639	6,544
		3,639	15,095
Long-term liabilities			
Severance benefit obligation	7	914	727
Deferred lease inducements		1,183	1,322
Deferred capital funding	8	8,991	9,194
		11,088	11,243
Equity of Canada		36,484	46,561
		\$ 51,211	\$ 72,899

Commitments (Note 9)

Contingencies (Note 11)

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



Approved by the Board:

Charles Bélanger, Chair

STATEMENT OF CASH FLOWS

Year ended March 31, 2005

In thousands	2005	2004
Operating activities		
Net result from operations	\$ (10,077)	\$ (6,706)
Items not affecting cash:		
Increase (decrease) in the allowance for loan impairment	(38)	313
Conversion of loans not previously provisioned	–	3
Write-off of loans not previously provisioned	–	209
Amortization of property and equipment	2,028	1,941
Loss on disposal and write-offs of property and equipment	154	19
Increase in the severance benefit obligation	187	142
Increase (decrease) in deferred lease inducements	(139)	30
Amortization of deferred capital funding	(2,182)	(1,961)
	(10,067)	(6,010)
Changes in non-cash working capital items:		
Decrease (increase) in contributions receivable from the Department of Canadian Heritage	12,162	(15,283)
Decrease in contribution receivable from the Canadian Television Fund – License Fee Program	22,509	2,252
Decrease in accounts receivable	1,797	911
Increase in prepaid expenses	(407)	(256)
Increase (decrease) in accounts payable and accrued liabilities	(2,905)	156
Decrease in long-term accounts receivable	100	63
	23,189	(18,167)
Financing activities		
Parliamentary appropriation for capital funding	1,979	4,441
Investing activities		
Acquisition of property and equipment	(1,979)	(4,441)
Proceeds from disposal of property and equipment	–	1
Loans	–	(37)
Repayments of loans	145	689
Repayments of long-term investments	–	109
	(1,834)	(3,679)
Increase (decrease) in liquidity	23,334	(17,405)
Receivable from (payable to) Canada at the beginning	(8,551)	8,854
Receivable from (payable to) Canada at the end	\$ 14,783	\$ (8,551)

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

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2005

1. AUTHORITY AND ACTIVITIES

The Corporation was established in 1967 by the *Telefilm Canada Act* (modified by the *Act to amend the Telefilm Canada Act and another Act*, assented March 23, 2005). The mandate of the Corporation is to foster and promote the development of the audiovisual industry in Canada, including the 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 programs relating to audiovisual or sound recording industries.

The Corporation is a Crown Corporation subject *inter alias* to the provisions of Part VIII of the *Financial Administration Act* as it read before its repeal on September 1, 1984, and as if it continued to be named in Schedule C of the Act.

2. SIGNIFICANT ACCOUNTING POLICIES

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

A) ASSISTANCE EXPENSES

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

- i) Investments granted in return for a share in operating revenues are recorded for the operations in the year in which the funds are paid or have become payable.
- ii) Forgivable advances are recorded for the 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.
- iii) Grants are recorded for the operations in the year in which the funds are paid or have become payable.
- iv) Recoveries come from recovered advances and shares in operating revenues resulting from investments. Recoveries are recorded for the 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 the costs incurred to recover them.

B) GOVERNMENT ASSISTANCE

The Corporation obtains its funds by means of a parliamentary appropriation and contributions from the Department of Canadian Heritage. The portion of the parliamentary appropriation used to finance assistance expenses, and operating and administrative expenses is recorded in the statement of operations and Equity of Canada. The portion of the parliamentary appropriation used to finance the acquisition of property and equipment is recorded as deferred capital funding on the balance sheet, and is amortized on the same basis as the related property and equipment.

Contributions from the Department of Canadian Heritage are recorded on the statement of operations and Equity of Canada up to allowable incurred expenditures.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) INTEREST REVENUE

Interest revenue consists of interest on the accounts receivable of the Corporation and interest on loans. Interest revenue from accounts receivable is recorded on an accrual basis. Interest on loans is recorded as income on an accrual basis, except for loans that are considered impaired. When a loan becomes impaired, recognition of interest in accordance with the terms of the original loan agreement ceases.

D) AMOUNT RECEIVABLE FROM CANADA OR AMOUNT PAYABLE TO CANADA

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

E) LOANS AND ALLOWANCE FOR LOSSES

The Corporation grants loans for the financing of television programs, feature films and new media activities. Loans bear interest and are recognized on the balance sheet at the principal amount increased by accrued interest receivable. Loans are shown net of an allowance for losses.

A loan is considered impaired as a result of deterioration in credit quality, to the extent that the Corporation no longer has reasonable assurance that the full amount of principal and interest will be collected in accordance with the terms of the loan agreement.

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

Loans are written off after all reasonable restructuring or collection activities have taken place, and the possibility of further recovery is unlikely. Write-offs and allowance for losses are charged to operations as assistance expenses.

F) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Amortization is based on their useful life using the following method and rates:

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets related to work in progress are not subject to amortization. When work in progress is completed, the sums relating to assets are reported in the appropriate item and are amortized in compliance with the Corporation's policy.

G) EMPLOYEE FUTURE BENEFITS

PENSION PLAN

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contributions reflect the full cost as employer. This amount is currently based on a multiple of the employees' required contributions, and may change over time depending on the experience of the Plan. The Corporation's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Corporation. The Corporation is not currently 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 conditions of employment. The cost of these benefits is accrued as employees render the services necessary to earn them. Management determines the severance benefit obligation using a method based upon assumptions and its best estimates. The main assumption is related to the estimate of employees who will benefit from maximal admissible severance that is related to the number of years of service and to the reason for termination employment. This assumption is revised annually. These benefits represent the only obligation of the Corporation that entails settlement by future payment.

H) 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 financial statements and the reported amounts of revenues and expenses during the reporting period. The allowance for losses on impaired loans and bad debts, severance benefit obligation and contingencies are the most significant items where estimates are used. Actual results could differ from those estimates and such differences could be material.

3. ACCOUNTS RECEIVABLE

In thousands	2005	2004
Tax to be recovered	\$ 3,506	\$ 5,484
Accounts receivable related to recoveries	2,090	1,467
Other accounts receivable	146	588
	\$ 5,742	\$ 7,539

4. LOANS AND ALLOWANCES FOR LOSSES

The portfolio consists of five loans; interest charged does not exceed the prime rate plus 2%.

The loans are detailed as follows:

In thousands	2005		2004	
	Amount	Allowance for losses	Net amount	Net amount
Loans	\$ 39	\$ -	\$ 39	\$ 146
Impaired loans	149	149	-	-
	188	149	39	146
Less current portion	167	149	18	146
Long-term portion	\$ 21	\$ -	\$ 21	\$ -

The allowance for losses is detailed as follows:

In thousands	2005	2004
Balance at beginning	\$ 1,338	\$ 1,057
Conversion of loans	(16)	(32)
Write-offs	(1,148)	-
Recoveries	(25)	(87)
Allowance	-	400
Balance at end	\$ 149	\$ 1,338

5. PROPERTY AND EQUIPMENT

In thousands			2005	2004
	Cost	Accumulated amortization	Net value	Net value
Software and licenses	\$ 10,960	\$ 5,045	\$ 5,915	\$ 6,485
Leasehold improvements	2,590	782	1,808	1,949
Technological equipment and furniture	691	377	314	523
Work in progress	954	–	954	237
	\$ 15,195	\$ 6,204	\$ 8,991	\$ 9,194

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

In thousands	2005	2004
Accounts payable related to assistance expenses	\$ 1,370	\$ 3,697
Trade payables and accrued liabilities	2,031	2,609
Current portion of deferred lease inducements	138	138
Current portion of severance benefit obligation	100	100
	\$ 3,639	\$ 6,544

7. EMPLOYEE FUTURE BENEFITS

PENSION PLAN

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

In thousands	2005	2004
Corporation contributions	\$ 1,429	\$ 1,511
Employee contributions	\$ 604	\$ 586

7. EMPLOYEE FUTURE BENEFITS (CONTINUED)

SEVERANCE BENEFIT OBLIGATION

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

In thousands	2005	2004
Balance at beginning	\$ 827	\$ 685
Cost for services rendered during the year	257	263
Benefits paid during the year	(70)	(121)
Balance at end	\$ 1,014	\$ 827
Short-term portion (included in accounts payable)	\$ 100	\$ 100
Long-term portion	914	727
	\$ 1,014	\$ 827

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8. DEFERRED CAPITAL FUNDING

The amount presented on the balance sheet is as follows:

In thousands	2005	2004
Balance at beginning	\$ 9,194	\$ 6,714
Parliamentary appropriation for capital funding	1,979	4,441
Amortization of deferred capital funding	(2,182)	(1,961)
Balance at end	\$ 8,991	\$ 9,194

9. COMMITMENTS

A) PROJECTS

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

In thousands	Total
Canadian Television Fund – Equity Investment Program	\$ 29,095
Canada Feature Film Fund	24,663
Canada New Media Fund	2,933
Other funds	708
Music Entrepreneur Program	287
	\$ 57,686

According to the Canada Feature Film Fund production assistance program based on performance, the Corporation has reserved a total of \$185,000 to finance projects to be submitted. These projects will need to comply with all the conditions of the agreements.

B) LEASES

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

In thousands	Total
2006	\$ 1,751
2007	1,617
2008	1,449
2009	1,378
2010	1,275
2011 – 2015	5,042
	\$ 12,512

10. RELATED PARTY TRANSACTIONS

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

11. CONTINGENCIES

In the normal course of business, various claims and lawsuits have been brought against the Corporation. Management is in no position to predict the issue of these lawsuits and the potential losses cannot reasonably be estimated. Thus, no provision was taken in this regard in the Corporation's accounts.

12. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

The following table represents the carrying amounts and fair values of the Corporation's other financial instruments as at the end of the fiscal year:

In thousands	2005		2004	
	Carrying amount	Fair value	Carrying amount	Fair value
Short-term loans	\$ 18	\$ 17	\$ 146	\$ 137
Long-term loans	\$ 21	\$ 19	\$ -	\$ -
Long-term accounts receivable	\$ 143	\$ 127	\$ 243	\$ 204

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The fair values of loans have been established by discounting the future contractual cash flows under current loan arrangements, at discount rates equal to the prevailing market rate of interest for financial instruments having substantially the same terms and characteristics. The fair values of accounts receivable have been established by discounting the drawdowns expected in the repayment agreements at capitalization rates based on the interest rate assessed by the Corporation.

13. COMPARATIVE FIGURES

Some of the 2004 figures have been reclassified to conform to the presentation adopted for 2005.

SCHEDULES A AND B – OTHER INFORMATION

Year ended March 31, 2005

A – CANADIAN TELEVISION FUND – EQUITY INVESTMENT PROGRAM

In thousands	2005	2004
Assistance expenses		
Production assistance	\$ 97,653	\$ 99,216
Development assistance	10,983	8,972
Versioning and subtitling assistance	897	920
Distribution and marketing assistance	357	935
	109,890	110,043
Recoveries	(11,488)	(10,552)
Recovery fees	491	599
	(10,997)	(9,953)
Net assistance expenses	\$ 98,893	\$ 100,090

B – CANADA FEATURE FILM FUND

In thousands	2005	2004
Assistance expenses		
Production assistance	\$ 48,408	\$ 61,708
Distribution and marketing assistance	16,465	14,565
Development assistance	5,879	5,733
Low budget independent feature film assistance	1,721	1,862
Scenwriting assistance	930	1,358
Official coproduction assistance	772	962
Versioning and subtitling assistance	534	586
	74,709	86,774
Complementary activities		
Grants to Canadian festivals	1,981	2,164
Participation in foreign festivals and markets	1,432	1,302
Grants for industrial and professional development	640	480
Other	340	358
Advertising, promotion and publications	202	797
	4,595	5,101
	79,304	91,875
Recoveries	(12,544)	(8,493)
Recovery fees	536	480
	(12,008)	(8,013)
Net assistance expenses	\$ 67,296	\$ 83,862

SCHEDULES C AND D – OTHER INFORMATION

Year ended March 31, 2005

C – CANADA NEW MEDIA FUND

In thousands	2005	2004
Assistance expenses		
Production assistance	\$ 4,039	\$ 5,337
Development assistance	1,815	1,564
Distribution and marketing assistance	1,527	2,155
	7,381	9,056
Complementary activities		
Grants for industrial and professional development	691	338
Grants to professional training schools	200	–
Participation to foreign markets	192	188
Grants to Canadian festivals	135	118
Advertising, promotion and publications	9	37
	1,227	681
	8,608	9,737
Recoveries	(539)	(1,172)
Recovery fees	23	72
	(516)	(1,100)
Net assistance expenses	\$ 8,092	\$ 8,637

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D – MUSIC ENTREPRENEUR PROGRAM

In thousands	2005	2004
Assistance expenses		
Corporate development assistance	\$ 5,243	\$ 8,797
Complementary activities		
Other	146	–
	\$ 5,389	\$ 8,797

SCHEDULE E – OTHER INFORMATION

Year ended March 31, 2005

E – OTHER FUNDS

In thousands	2005	2004
Assistance expenses		
Official coproduction assistance – television	\$ 653	\$ 428
Production assistance	312	42
Development assistance	205	138
Versioning and subtitling assistance – television	90	690
Distribution and marketing assistance	-	86
	1,260	1,384
Complementary activities		
Grants to professional training schools	2,299	2,320
Grants for industrial and professional development	722	437
Participation in foreign markets	564	696
Grants to Canadian festivals	433	293
Other	289	281
Advertising, promotion and publications	123	124
	4,430	4,151
	5,690	5,535
Recoveries	(1,298)	(805)
Recovery fees	55	48
	(1,243)	(757)
Net assistance expenses	\$ 4,447	\$ 4,778

SCHEDULES F AND G – OTHER INFORMATION

Year ended March 31, 2005

F – OPERATING AND ADMINISTRATIVE EXPENSES

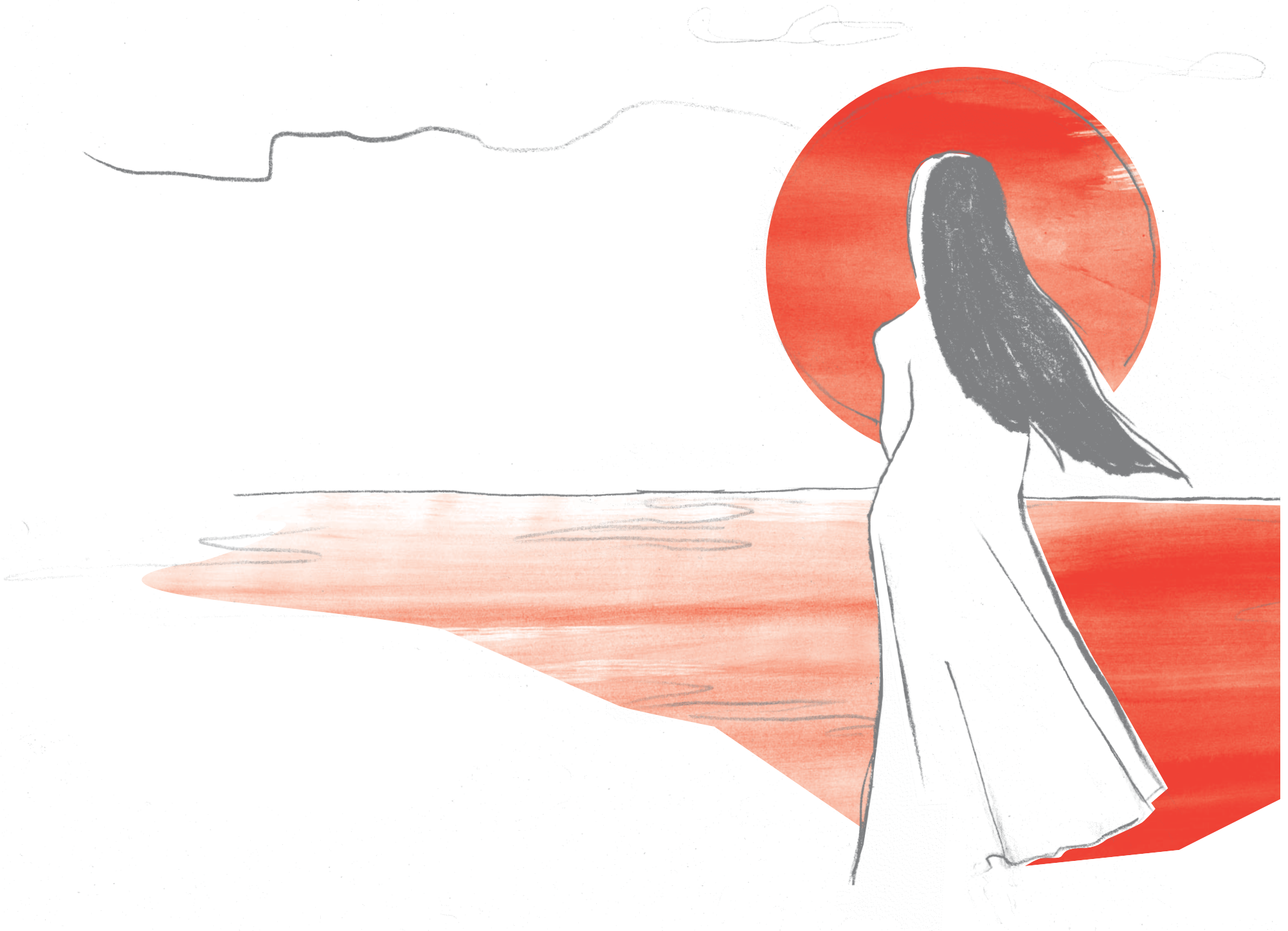
In thousands	Operating	Administrative	2005	2004
Salary and employee benefits	\$ 11,627	\$ 2,369	\$ 13,996	\$ 13,699
Professional services	1,749	814	2,563	1,802
Amortization	1,632	295	1,927	1,833
Rent, taxes, heating and electricity	1,319	236	1,555	1,451
Information technology	1,025	185	1,210	1,010
Office expenses	714	217	931	1,087
Travel	615	304	919	878
Advertising and publications	156	298	454	412
Loss on disposal and write-offs of property and equipment	124	22	146	19
Hospitality	52	16	68	50
Relocation	16	3	19	172
	\$ 19,029	\$ 4,759	\$ 23,788	\$ 22,413


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

G – CONTRIBUTIONS FROM THE DEPARTMENT OF CANADIAN HERITAGE


In thousands	2005	2004
Canadian Television Fund – Equity Investment Program	\$ 49,775	\$ 49,775
Canada New Media Fund	8,907	9,656
Music Entrepreneur Program	5,443	9,560
Professional training schools	2,550	2,550
	\$ 66,675	\$ 71,541





I dream of a different world...
...a world where the Old
Gods will meet the New, and where unseen hands
caress empty faces. Where the Earth will rise to
embrace the air, and Heaven's fires will KISS

NEW MEDIA / BROKEN SAINTS



the sea. I dream of all of these things... though
I dwell in paradise.