Introduction

The CTC is Canada's national tourism marketing organization, leading the Canadian tourism industry in marketing Canada as a premier four-season tourism destination. A Crown corporation wholly owned by the Government of Canada, we lead the Canadian tourism industry in marketing Canada as a premiere four-season tourism destination. Reporting to Parliament through the Minister of Industry, our legislation requirements are outlined in the Canadian Tourism Commission Act.

The CTC runs marketing campaigns in international markets such as the U.K., Germany, France, Mexico, Japan, Australia, South Korea, China, India, Brazil and the U.S., targeting both leisure travellers and those travelling for meetings and conventions.

Narrative Discussion

Information discussed in the Management Discussion and Analysis applies to the quarter.

Quarterly and Year-to-Date Results

	For the three months ended June 30, 2011	For the three months ended June 30, 2010	Variance
Partnership contributions	$ 1,178	$ 1,964	$ (786)

Lower Core revenues of $797K due to fewer provincial partners on Spring campaigns and timing of invoicing.

Other revenue	(16)	25	(41)

Increase in 2011 is due to commodity tax recoveries.

Marketing and sales expenses	16,159	31,444	(15,285)

Lower Core program costs of $4.7M due to delay of programs into the last half of 2011. Higher one-time Olympic program spend of $564K as focus had been shifted to conversion work after Q2 2010 offset by lower program spend of $11.1M in Stimulus initiatives as the initiative had completed in March 2011.

Corporate services	2,493	3,724	(1,231)

Lower Core spend of $636K due to strategic shift, thereby reducing compensation and operating costs. Also recognized cost recoveries of $311K relating to rent (tax, operating costs, etc) for several leased offices. Prior year Stimulus spend for the period was $284K; no comparatives for the same period in 2011 as the program ended March 31, 2011.

Strategy and planning	131	303	(172)

$116K was spent in 2010 Core program for Destination Marketing studies, with no comparative work performed in 2011.

	For the six months ended June 30, 2011	For the six months ended June 30, 2010	Variance
Partnership contributions	$ 4,139	$ 7,780	$ (3,641)

Lower Core revenues of $1.2M due to fewer provincial partners on Spring campaigns and $1.6M due to delay of programs such as Tour Vancouver and Agri Food Canada into the last half of 2011. Lower revenues of $359K relating to one-time funded initiatives as Olympic portfolio has turned to post-games marketing and lower revenues of $465K due to Stimulus initiatives completed in March 2011.

Other revenue	377	72	305

Increase mainly due to commodity tax recoveries.

Marketing and sales expenses	30,857	49,939	(19,082)

Lower Core program costs of $711K due to timing of invoicing from marketing agency and $9.3M delay of programs into the last half of 2011. Lower program spend of $1.4M relating to one-time funded initiatives as Olympic focus has been shifted to conversion work and lower program spend of $7.7M in Stimulus initiatives as the initiative had completed in March 2011.

Corporate services	4,898	6,325	(1,427)

Lower Core spend of $1.1M due to strategic shift, thereby reducing compensation and operating costs. Also recognized cost recoveries of $311K relating to rent (tax, operating costs, etc) for several leased offices.

Strategy and planning	298	541	(243)

$116K was spent in 2010 Core program for Destination Marketing studies, with no comparative work performed in 2011.

Risks and uncertainties

No significant new risks or uncertainties identified that have not been discussed in the prior Annual Report or Corporate Plan.

Significant changes to programs, personnel and operations

Effective January 1, 2011, the Commission changed the basis of accounting used to prepare its financial statements. The Commission is classified as an "other government organization" under the Public Sector Accounting Standards of the Canadian Institute of Chartered Accountants Handbook. Previously, the Commission had been using generally accepted accounting principles as prescribed by the CICA for the private sector to prepare its financial statements. Please refer to the Notes to the unaudited financial statements, Note 2, for a detailed description of the significant changes.

Reporting on Use of Appropriations

(in thousands)	June 30 2011	June 30 2010
Amounts provided for operating and capital expenditures		
Amounts voted:		
Main estimates 2010/11 (2009/10)	$ 100,643	$ 83,526
Supplementary estimates B	8,000	4
Treasury Board Vote 15	822	1,572
Treasury Board Vote 35	-	20,000
Permanent Frozen Allotment	(900)	-
	108,565	105,102
Less portion recognized in prior year	(81,148)	(79,832)
Adjustment for restricted funds	(6)	(999)
Amounts recognized in current year	27,411	24,271
Amounts voted:		
Main estimates 2011/12 (2010/11)	76,033	100,643
Supplementary estimates B	-	8,000
Treasury Board Vote 15	-	822
Permanent Frozen Allotment	-	(900)
	76,033	108,565
Less portion to be recognized in following quarter/year	(57,863)	(77,917)
Amounts recognized in current year	18,170	30,648
Parliamentary Appropriations used for operations and capital in the year	45,581	54,919
Amounts voted:	76,033	108,565
Less portion of cash received during year	(9,504)	(24,935)
Cash to be received in following quarter/year	66,529	83,630
Parliamentary Appropriations adjustment for restricted funds	(6)	(999)
Parliamentary Appropriations to be recognized in following quarter/year from current year	(57,863)	(77,917)
Parliamentary appropriations receivable/(deferred)	$ 8,660	$ 4,714
Parliamentary appropriations receivable/(deferred)		
Opening Balance	$ 11,213	$ (5,334)
Cash Received from Government Fiscal 2010/11 (2009/10)	(38,630)	(19,936)
Cash Received from Government Fiscal 2011/12 (2010/11)	(9,504)	(24,935)
Appropriations used for operations and capital in the year	45,581	54,919
Ending Balance	$ 8,660	$ 4,714

Statement of Management Responsibility by Senior Officials

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.
Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.

Michele McKenzie
President and Chief Executive Officer
Vancouver, Canada
August 24, 2011

Lena Bullock
Vice-President, Finance
and Chief Financial Officer
Vancouver, Canada
August 24, 2011

Canadian Tourism Commission
Statement of Financial Position
(Unaudited)

(in thousands)		**Jun 30 2011**		**Dec 31 2010**
Financial assets				
Cash	$	16,518	$	12,357
Accounts receivable				
Government of Canada		1,112		904
Partnership contributions		871		2,563
Other		1,150		889
Parliamentary appropriations		8,660		11,213
Accrued benefit asset		4,206		4,039
		32,517		31,965
Liabilities				
Accounts payable and accrued liabilities				
Trade	$	5,039	$	15,644
Employee compensation		2,491		3,671
Government of Canada		1		454
Deferred revenue		1,109		939
Accrued benefit liability		3,568		4,212
Asset retirement obligation		839		839
		13,047		25,759
Net assets		19,470		6,206
Non-financial assets				
Tangible capital assets		2,043		2,353
Prepaid expenses and other assets		2,010		1,486
		4,053		3,839
Accumulated surplus	**$**	**23,523**	**$**	**10,045**

Canadian Tourism Commission
Statement of Operations
(Unaudited)

(in thousands)	Three months ended Jun 30 2011	Three months ended Jun 30 2010	Six months ended Jun 30 2011	Six months ended Jun 30 2010
Revenues				
Partnership contributions	$ 1,178	$ 1,964	$ 4,139	$ 7,780
Other	(16)	25	377	72
	1,162	1,989	4,516	7,852
Expenses				
Marketing and sales	16,159	31,444	30,857	49,939
Corporate services	2,493	3,724	4,898	6,325
Strategy and planning	131	303	298	541
Amortization of tangible capital assets	285	247	566	513
	19,068	35,718	36,619	57,318
Net cost of operations before funding from the Government of Canada	(17,906)	(33,729)	(32,103)	(49,466)
Parliamentary appropriations	19,746	30,265	45,581	54,918
Surplus (deficit) from operations	1,840	(3,464)	13,478	5,452
Accumulated surplus from operations, beginning of period	21,683	19,537	10,045	10,621
Accumulated surplus from operations, end of period	**$ 23,523**	**$ 16,073**	**$ 23,523**	**$ 16,073**

Canadian Tourism Commission
Statement of Change in Net Assets
(Unaudited)

(in thousands)	Three months ended Jun 30 2011	Three months ended Jun 30 2010	Six months ended Jun 30 2011	Six months ended Jun 30 2010
Annual Surplus (deficit) from Operations	$ 1,840	$ (3,464)	$ 13,478	$ 5,452
Acquisition of tangible capital assets	(234)	(302)	(284)	(327)
Amortization of tangible capital assets	285	246	566	511
Net disposition of tangible capital assets	28	-	28	-
	79	(56)	310	184
(Increase) / decrease in prepaid expenses	8	(423)	(524)	963
	8	(423)	(524)	963
Increase (decrease) in net assets	1,927	(3,943)	13,264	6,599
Net assets, beginning of period	17,543	15,173	6,206	4,631
Net assets, end of period	**$ 19,470**	**$ 11,230**	**$ 19,470**	**$ 11,230**

Canadian Tourism Commission
Statement of Cash Flow
(Unaudited)

(in thousands)	**Three months ended Jun 30**		**Six months ended Jun 30**	
	2011	**2010**	**2011**	**2010**
Operating transactions:				
Cash received from:				
Parliamentary appropriations used to fund operating transactions	$ 9,270	$ 26,206	$ 47,851	$ 44,545
Partners	2,864	3,722	6,073	8,204
Other income	(16)	25	377	72
	12,118	29,953	54,301	52,821
Cash paid for:				
Employees and suppliers	(19,789)	(24,175)	(50,108)	(51,127)
Cash applied to operating transactions	(7,671)	5,778	4,193	1,694
Capital transactions:				
Acquisition of tangible capital assets	(233)	(302)	(283)	(327)
Disposition of tangible capital assets	61	0	61	0
Financing transactions:				
Parliamentary appropriations received for the acquisition of tangible capital assets	233	302	283	327
Foreign exchange loss (gain) on cash held in foreign currency	45	68	(93)	10
Net increase / (decrease) in cash during the period	(7,565)	5,846	4,161	1,704
Cash, beginning of period	24,083	17,648	12,357	21,790
Cash, end of period	**$ 16,518**	**$ 23,494**	**$ 16,518**	**$ 23,494**

1. Financial statement presentation

These unaudited interim financial statements should be read in conjunction with the annual financial statements of the Canadian Tourism Commission (the "Commission") as at and for the year ended December 31, 2010 and the narrative discussion included in the quarterly financial report. The disclosures in these interim financial statements do not meet all disclosure requirements of the Public Sector Accounting Standards ("PSAS") for annual financial statements. Amounts in these interim financial statements as at June 30, 2011 and for the three and six months ended June 30, 2010 are unaudited and are presented in Canadian dollars.

2. Significant accounting policies

Effective January 1, 2011, the Commission changed the basis of accounting used to prepare its financial statements. The Commission is classified as an "other government organization" under the Public Sector Accounting Standards of the CICA Handbook. The Commission has chosen to adopt the Canadian Generally Accepted Accounting Principles as prescribed by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") to prepare its financial statements. These are the Commission's first financial statements prepared in accordance with Public Sector Accounting Standards and PS 2125, First-time Adoption by Government Organizations has been applied.

Previously, the Commission had been using generally accepted accounting principles as prescribed by the CICA for the private sector to prepare its financial statements. The change in the basis of accounting has been applied retrospectively with the restatement of prior period amounts.

The resulting accounting polices and methods of application in these interim financial statements are not significantly different from those applied to the annual financial statements with the exception of the following:

- *Retirement and post-employment benefits*
  Under PS 3250, for defined benefit plans, and under PS 3255 accrued benefit obligations and post-employment benefits are determined by the Commission applying a discount rate with reference to the Commission's plan asset earnings or a rate with reference to the Commission's cost of borrowing. Previously under the Employee future benefits, Section 3461 of the CICA handbook, the discount rate used was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. Under PS 3250, the expected rate of return on plan assets was used to determine the accrued benefit obligation with respect to the Registered Pension Plan, and the cost of borrowing (ie Government of Canada bond yields) was used for the Supplemental Plan, Worldwide Plan and the Non-Pension Post Retirement and Severance Plans.

Under Retirement Benefits, Section PS 3250, for defined benefit plans, a government organization amortizes actuarial gains and losses to the accrued benefit liability or accrued benefit asset and the related expense in a systematic and rational manner over the expected average remaining service life of the related employee group. Retroactive application of this approach would require the Commission to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to PSAS into a recognized portion and an unrecognized portion. The Commission has elected to recognize all cumulative actuarial gains and losses at the date of transition directly in accumulated surplus/deficit.

- *Parliamentary appropriations*
  Non-restricted appropriations are recognized as income on a straight-line basis while restricted appropriations are recognized as income in the same period as the related expenditures are recorded.

- *Website development costs*
  Under PSAS 3150, all assets previously recorded in Canadian Generally Accepted Accounting Principles as *Property and equipment* are categorized as *Tangible capital assets*. Computer software previously recorded as *Intangible assets* are also captured under tangible capital assets in PSAS. Website development costs previously recorded as *Intangible assets* are no longer capitalizable and have been written off.

3. Parliamentary appropriations

The Commission is mainly financed by the Government of Canada through parliamentary appropriations. Parliamentary appropriations used to fund core operations and the acquisition of tangible capital assets are recognized as income on a straight-line basis from January 1 to December 31. Parliamentary appropriations used to fund the 2010 Winter Olympic and Paralympic Games and Stimulus programs are recognized as income in the same period as the related expenditures. As a result of the Commission’s year-end date (December 31) being different than the Government of Canada’s year end date (March 31), the Commission is funded by portions of appropriations from two Government fiscal years.

The Commission will have a deferred parliamentary appropriations balance at year-end when the funding received for the period exceeds the appropriations recognized for the related fiscal period. On the other hand, the Commission will have a parliamentary appropriations receivable balance when appropriations recognized exceed the funding received.

The Commission does not have the authority to exceed approved appropriations.

Below is a reconciliation of the parliamentary appropriation receivable (deferred) during the period:

(in thousands)	Jun 30, 2011	Dec 31, 2010
Parliamentary appropration receivable (deferred), beginning of period	$ 11,213	$ (5,334)
Parliamentary appropriations received	(48,134)	(89,872)
Parliamentary appropriations recognized in net income for operations	45,581	106,418
Parliamentary appropriations receivable, end of period	$ 8,660	$ 11,213

Parliamentary appropriations approved for the Government fiscal period April 1, 2011 to March 31, 2012 are $76,032,802 (April 1, 2010 to March 31, 2011 $108,564,688).

As at June 30, 2011, the Commission has a receivable balance of $8,660,323 (receivable balance of $4,713,705 as at June 30, 2010) relating to appropriations recognized for the period exceeding the funding received by June 30, 2011.

4. Tangible capital assets

(in thousands)	Cost	Accumulated Amortization	Jun 30, 2011 Net book value	Dec 31, 2010 Net book value
Leasehold improvements	$ 4,419	$ 2,821	$ 1,598	$ 1,745
Office furniture	532	442	90	122
Computer Hardware	1,788	1,549	238	327
Computer Software	416	299	117	159
Total	$ 7,155	$ 5,112	$ 2,043	$ 2,353

5. Comparative figures

Certain prior period amounts have been reclassified to conform with the presentation adopted in the current period.