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 September 30, 2011	For the three months ended September 30, 2010	Variance
Partnership contributions	$ 1,296	$ 4,176	$ (2,880)

Lower Core revenues of $2.8M due to fewer provincial partners on Spring/Winter campaigns.

Other revenue	$ 102	$ 170	$ (68)

Less commodity tax recoveries in 2011.

Marketing and sales expenses	$ 18,397	$ 23,656	$ (5,259)

Lower Core program costs of $1.5M due to delay of programs into the last quarter of 2011. Lower one-time Olympic program spend of $1.9M due to focus of conversion work in early 2012 and $2.2M less spent on Stimulus initiatives as the initiative had completed in March 2011 offset by increase of $373K spent on new one-time Stampede program.

Corporate services	$ 2,779	$ 3,044	$ (265)

Lower Core spend of $134K due to strategic shift, thereby reducing compensation and operating costs. Prior year Stimulus spend for the period was $131K; no comparatives for the same period in 2011 as the program ended March 31, 2011.

Strategy and planning	$ 113	$ 318	$ (205)

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

	For the nine months ended September 30, 2011		For the nine months ended September 30, 2010		Variance
Partnership contributions	$	5,435	$	11,956	$ (6,521)

$4.2M lower Core revenues as there is lower buy-in from provincial tourism partners for Spring/Winter campaigns, online consumer campaign delayed to Q4 and cancellation of Agri Food Canada program.

$359K lower Olympic revenues as the program wound down in 2010 and focus has shifted to Conversion.

$1.9M lower Stimulus revenues as the program ended March 2011.

Other revenue	$	479	$	242	$ 237

Mainly due to higher interest rates and commodity tax recoveries.

Marketing and sales expenses	$	49,254	$	73,597	$ (24,343)

$8.4M lower Core programs due to costs being deferred to Q4 for enhanced Winter and online campaigns programs, reduced scope on Communications platform/Global website and cancellation of Agrifood Canada.

One-time funded initiatives also contributed to the lower spend as follows:
Olympic spend decreased $2.5M due to shift to conversion work in 2011 compared to 2010 which was during prime time of games.
Stimulus spend decreased by $13.8M relating to the stimulus program as initiatives wrapped up in Q1 2011.

373K spend on Stampede with no comparables in 2010 as funding and initiatives started in 2011.

Corporate services	$	7,677	$	9,369	$ (1,692)

$1.1M lower Core spending due to 2010 strategic shift and Board restructuring thereby reducing compensation and operating costs and $311K in cost recoveries relating to rent (tax, operating costs, etc) for several office leases. Stimulus spend decreased by $244K mainly relating to salaries as the initiatives wrapped up in Q1 2011.

Strategy and planning	$	411	$	859	$ (448)

$244K was spent in 2010 Core program for Destination Marketing studies, with no comparative work performed in 2011. $45K was spent on the system needs initiative in 2010 which resides in Corporate Services in 2011. Remaining lower spend due to 2010 strategic shift thereby reducing compensation and operating costs.

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 of the unaudited financial statements, Note 2, for a detailed description of the significant changes.

Reporting on Use of Appropriations

(in thousands)		Sep 30 2011		Sep 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)		(79,831)
Adjustment for restricted funds		(6)		-
Amounts recognized in current year		27,412		25,271
Amounts voted:				
Main estimates 2011/12 (2010/11)		76,033		100,643
Supplementary estimates B		-		8,000
Treasury Board Vote 15		-		822
Treasury Board Vote 35		-		-
Calgary Stampede Supps B		5,000		-
Permanent Frozen Allotment		-		(900)
		81,033		108,565
Less portion to be recognized in following quarter/year		(43,498)		(52,974)
Amounts recognized in current year		37,535		55,591
Parliamentary Appropriations used for operations and capital in the year		64,946		80,861
Amounts voted:		81,033		108,565
Less portion of cash received during year		(29,008)		(69,935)
Cash to be received in following quarter/year		52,025		38,630
Parliamentary Appropriations adjustment for restricted funds		(6)		-
Parliamentary Appropriations to be recognized in following quarter/year from current year		(43,498)		(52,973)
Parliamentary appropriations receivable/(deferred)		8,521		(14,343)
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)		(29,008)	$	(69,934)
Appropriations used for operations and capital in the year		64,946	$	80,861
Ending Balance	$	8,521	$	(14,343)

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
November 28, 2011

Lena Bullock
Vice-President, Finance
and Chief Financial Officer
Vancouver, Canada
November 28, 2011

Canadian Tourism Commission
Statement of Financial Position

(in thousands)		Sep 30 2011		Dec 31 2010
Financial assets				
Cash	$	11,086	$	12,357
Accounts receivable				
Government of Canada		390		904
Partnership contributions		1,646		2,563
Other		1,263		889
Parliamentary appropriations		8,521		11,213
Accrued benefit asset		4,289		4,039
		27,195		31,965
Liabilities				
Accounts payable and accrued liabilities				
Trade	$	4,957	$	15,644
Employee compensation		2,333		3,671
Government of Canada		6		454
Deferred revenue		1,225		939
Accrued benefit liability		3,568		4,212
Asset retirement obligation		839		839
		12,928		25,759
Net assets		14,267		6,206
Non-financial assets				
Tangible capital assets		1,854		2,353
Prepaid expenses and other assets		6,645		1,486
		8,499		3,839
Accumulated surplus	**$**	**22,766**	**$**	**10,045**

Canadian Tourism Commission
Statement of Operations

(in thousands)	Three months ended Sep 30 2011	Three months ended Sep 30 2010	Nine months ended Sep 30 2011	Nine months ended Sep 30 2010
Revenues				
Partnership contributions	$ 1,296	$ 4,176	$ 5,435	$ 11,956
Other	102	170	479	242
	1,398	4,346	5,914	12,198
Expenses				
Marketing and sales	18,397	23,656	49,254	73,597
Corporate services	2,779	3,044	7,677	9,369
Strategy and planning	113	318	411	859
Amortization of tangible capital assets	231	356	797	867
	21,520	27,374	58,139	84,692
Net cost of operations before funding from the Government of Canada	(20,122)	(23,028)	(52,225)	(72,494)
Parliamentary appropriations	19,365	25,943	64,946	80,861
Surplus/(deficit) from operations	(757)	2,915	12,721	8,367
Accumulated surplus from operations, beginning of period	23,523	16,073	10,045	10,621
Accumulated surplus from operations, end of period	**$ 22,766**	**$ 18,988**	**$ 22,766**	**$ 18,988**

Canadian Tourism Commission
Statement of Change in Net Assets

(in thousands)	Three months ended Sep 30 2011	Three months ended Sep 30 2010	Nine months ended Sep 30 2011	Nine months ended Sep 30 2010
Annual Surplus/(deficit) from Operations	$ (757)	$ 2,915	$ 12,721	$ 8,367
Acquisition of tangible capital assets	(42)	(3)	(325)	(330)
Amortization of tangible capital assets	231	356	797	867
Net disposition of tangible capital assets	-	-	27	-
	189	353	499	537
(Increase)/decrease in prepaid expenses	(4,635)	(414)	(5,159)	549
	(4,635)	(414)	(5,159)	549
Increase/(decrease) in net assets	(5,203)	2,854	8,061	9,453
Net assets, beginning of period	19,470	11,230	6,206	4,631
Net assets, end of period	$ **14,267**	**$ 14,084**	$ **14,267**	**$ 14,084**

Canadian Tourism Commission
Statement of Cash Flow

(in thousands)	Three months ended Sep 30		Nine months ended Sep 30	
	2011	**2010**	**2011**	**2010**
Operating transactions:				
Cash received from:				
Parliamentary appropriations used to fund operating transactions	$ 19,462	$ 44,996	$ 67,313	$ 89,540
Partners	672	2,917	6,745	11,121
Other income	102	170	479	242
	20,236	48,083	74,537	100,903
Cash paid for:				
Employees and suppliers	(25,672)	(35,798)	(75,780)	(86,925)
Cash applied to operating transactions	(5,436)	12,285	(1,243)	13,978
Capital transactions:				
Acquisition of tangible capital assets	(42)	(3)	(325)	(330)
Disposition of tangible capital assets	-	-	61	-
Financing transactions:				
Parliamentary appropriations received for the acquisition of tangible capital assets	42	3	325	330
Foreign exchange loss (gain) on cash held in foreign currency	4	27	(89)	37
Net increase/(decrease) in cash during the period	(5,432)	12,312	(1,271)	14,015
Cash, beginning of period	16,518	23,493	12,357	21,790
Cash, end of period	**$ 11,086**	**$ 35,805**	**$ 11,086**	**$ 35,805**

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 September 30, 2011 and for the three and nine months ended September 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*
  Under PSAS 3410, *Government Transfers*, non-restricted appropriations are recognized as income on a straight-line basis covering the period of use 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.

- *Tangible capital assets*
  The Commission has elected to assess write-downs on tangible capital assets on a prospective basis at the transition date.

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)		Sep 30, 2011		Dec 31, 2010
Parliamentary appropration receivable/(deferred), beginning of period	$	11,213	$	(5,334)
Parliamentary appropriations received		(67,638)		(89,872)
Parliamentary appropriations recognized in net income for operations		64,946		106,418
Parliamentary appropriations receivable, end of period	$	8,521	$	11,213

Parliamentary appropriations approved for the Government fiscal period April 1, 2011 to March 31, 2012 are $81,032,802 (April 1, 2010 to March 31, 2011 $108,564,688).

As at September 30, 2011, the Commission has a receivable balance of $8,520,710 (deferred balance of $14,343,292 as at September 30, 2010) relating to appropriations recognized for the period exceeding the funding received by September 30, 2011.

4. Tangible capital assets

(in thousands)		Cost		Accumulated Amortization		Sept 30, 2011 Net book value		Dec 31, 2010 Net book value
Leasehold improvements	$	4,447	$	2,990	$	1,457	$	1,745
Office furniture		539		451		88		122
Computer Hardware		1,795		1,589		206		327
Computer Software		416		313		103		159
Total	$	7,197	$	5,343	$	1,854	$	2,353

5. Comparative figures

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