

Canadian Tourism Commission
Narrative Discussion
March 31, 2012

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

(in thousands)	For the three months ended March 31, 2012	For the three months ended March 31, 2011	Variance
Partnership contributions	\$ 3,916	\$ 2,961	\$ 955
<p>\$755K higher Core revenues mainly due to more provincial partners in Spring campaigns and timing of invoicing.</p> <p>\$75K higher Olympic revenues due to Top Chef partnership.</p> <p>\$26K lower Stimulus revenues as program was completed by March 2011.</p> <p>\$151K higher Stampede revenues as program started during Q3 of Fiscal 2011.</p>			
Other revenue	288	457	(169)
<p>Decrease in 2012 is due to lower commodity tax recoveries.</p>			
Marketing and sales expenses	17,058	14,762	2,296
<p>\$4.5M higher Core program spend mainly due to increased trade activity in Germany and London.</p> <p>\$928K higher Olympic program due to planned Fiscal 2011 carryover which was channelled into 2012 Spring campaigns.</p> <p>\$5.8M lower Stimulus program spend as the program was completed by March 2011.</p> <p>\$2.7M from Stampede program which started in Q3 of Fiscal 2011.</p>			
Corporate services	2,327	2,405	(78)
<p>Variance not significant.</p>			
Strategy and planning	97	167	(70)
<p>Variance not significant.</p>			

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

There are no significant changes to programs, personnel or operations that have not been discussed in the prior Annual Report or Corporate Plan.

The federal budget released in March 2012, announced a funding reduction for the CTC of \$0.5 million for the government's fiscal year 2012-13, and \$14.2 million in 2013-14 and beyond. These reductions have not been incorporated into the quarterly report.

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Reporting on Use of Appropriations

(in thousands)	Mar 31 2012	Mar 31 2011
Amounts provided for operating and capital expenditures		
Amounts voted:		
Main estimates 2011/12 (2010/11)	\$ 76,033	\$ 100,643
Permanent frozen allotment	-	(900)
Treasury Board Vote 15	-	822
Stimulus Supplementary estimates B	-	8,000
Calgary Stampede Supplementary estimates B	5,000	
Treasury Board Vote 20 Supplementary estimates C	-	
	<u>81,033</u>	<u>108,565</u>
Less portion recognized in prior year	(58,466)	(81,148)
Adjustment for restricted funds	(6)	(1,583)
Amounts recognized in current year	<u>22,561</u>	<u>25,834</u>
Amounts voted:		
Main estimates 2012/13 (2011/12)	72,033	76,033
	<u>72,033</u>	<u>76,033</u>
Less portion to be recognized in following quarter/year	(72,033)	(76,033)
Amounts recognized in current year	<u>-</u>	<u>-</u>
Parliamentary appropriations used for operations and capital in the year	<u>\$ 22,561</u>	<u>\$ 25,834</u>
Amounts voted:	\$ 72,033	\$ 76,033
Less portion of cash received during year	-	-
Cash to be received in following quarter/year	<u>72,033</u>	<u>76,033</u>
Parliamentary appropriations adjustment for restricted funds	(6)	(1,583)
Parliamentary appropriations to be recognized in following quarter/year from current year	<u>(72,033)</u>	<u>(76,033)</u>
Parliamentary appropriations receivable / (deferred)	<u>\$ (5)</u>	<u>\$ (1,583)</u>
Parliamentary appropriations receivable / (deferred)		
Opening balance	\$ (2,948)	\$ 11,213
Cash received from Government fiscal 2011/12 (2010/11)	(19,618)	(38,630)
Cash received from Government fiscal 2012/13 (2011/12)	-	-
Appropriation used for operations and capital in the year	<u>22,561</u>	<u>25,834</u>
Ending Balance	<u>\$ (5)</u>	<u>\$ (1,583)</u>

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
May 23, 2012



Lena Bullock
Vice-President, Finance
and Chief Financial Officer
Vancouver, Canada
May 23, 2012

**Canadian Tourism Commission
Statement of Financial Position**

<i>(in thousands)</i>	Mar 31 2012	Dec 31 2011
Financial assets		
Cash	\$ 15,528	\$ 17,055
Accounts receivable		
Government of Canada	439	811
Partnership contributions	1,469	708
Other	428	410
Accrued benefit asset	4,794	4,711
	<u>22,658</u>	<u>23,695</u>
Liabilities		
Accounts payable and accrued liabilities		
Trade	\$ 4,913	\$ 10,232
Employee compensation	2,611	2,636
Government of Canada	1	1
Deferred parliamentary appropriations	5	2,948
Deferred revenue	578	670
Accrued benefit liability	5,467	5,467
Asset retirement obligation	798	822
	<u>14,372</u>	<u>22,776</u>
Net financial assets	<u>8,286</u>	<u>919</u>
Non-financial assets		
Tangible capital assets	1,515	1,711
Prepaid expenses and other assets	1,787	1,882
	<u>3,302</u>	<u>3,593</u>
Accumulated surplus	<u><u>\$ 11,588</u></u>	<u><u>\$ 4,512</u></u>

As at March 21, 2013, certain figures for the three months ending March 31, 2012 and year ended December 31, 2011 have been restated (Note 2)

**Canadian Tourism Commission
Statement of Operations and Accumulated Surplus**

<i>(in thousands)</i>	Three months ended Mar 31	
	2012	2011
Revenues		
Partnership contributions	\$ 3,916	\$ 2,961
Other	288	457
	<u>4,204</u>	<u>3,418</u>
Expenses		
Marketing and sales	17,058	14,762
Corporate services	2,327	2,405
Strategy and planning	97	167
Amortization of tangible capital assets	207	281
	<u>19,689</u>	<u>17,615</u>
Net cost of operations before funding from the Government of Canada	(15,485)	(14,197)
Parliamentary appropriations	22,561	25,835
Surplus for the period	<u>7,076</u>	<u>11,638</u>
Accumulated surplus, beginning of period	4,512	8,230
Accumulated surplus, end of period	<u><u>\$ 11,588</u></u>	<u><u>\$ 19,868</u></u>

As at March 21, 2013, certain figures for the three months ending March 31, 2012 have been restated (Note 2)

**Canadian Tourism Commission
Statement of Change in Net Assets**

<i>(in thousands)</i>	Three months ended Mar 31	
	2012	2011
Annual Surplus / (deficit)	<u>\$ 7,076</u>	<u>\$ 11,638</u>
Acquisition of tangible capital assets	(11)	(50)
Amortization of tangible capital assets	<u>207</u>	<u>281</u>
	<u>196</u>	<u>231</u>
Effect of change in other non-financial assets		
(Increase) / decrease in prepaid expenses	95	(532)
	<u>95</u>	<u>(532)</u>
Increase / (decrease) in net assets	7,367	11,337
Net financial assets, beginning of period	919	4,392
Net financial assets, end of period	<u><u>\$ 8,286</u></u>	<u><u>\$ 15,729</u></u>

As at March 21, 2013, certain figures for the three months ending March 31, 2012 have been restated (Note 2)

**Canadian Tourism Commission
Statement of Cash Flows**

	Three months ended Mar 31	
<i>(in thousands)</i>	2012	2011
Operating transactions:		
Cash received from:		
Parliamentary appropriations used to fund operating and capital transactions	\$ 19,618	\$ 38,631
Partners	3,094	3,209
Other income	288	457
	<u>23,000</u>	<u>42,297</u>
Cash paid for:		
Cash payments to suppliers	(21,048)	(24,856)
Cash payments to and on behalf of employees	(3,515)	(5,527)
Cash applied to / (used in) operating transactions	<u>(1,563)</u>	<u>11,914</u>
Capital transactions:		
Acquisition of tangible capital assets	(11)	(50)
Disposition of tangible capital assets	-	-
Cash used in capital transactions	<u>(11)</u>	<u>(50)</u>
Foreign exchange loss / (gain) on cash held in foreign currency	47	(138)
	<u>(1,527)</u>	<u>11,726</u>
Net increase / (decrease) in cash during the period	<u>(1,527)</u>	<u>11,726</u>
Cash, beginning of period	17,055	12,357
Cash, end of period	<u><u>\$ 15,528</u></u>	<u><u>\$ 24,083</u></u>

As at March 21, 2013, certain figures for the three months ending March 31, 2012 have been restated (Note 2)

Canadian Tourism Commission
Notes to the Unaudited Financial Statements
March 31, 2012

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, 2011 and the narrative discussion included in the quarterly financial report. Amounts in these interim financial statements as at March 31, 2012 are unaudited and are presented in Canadian dollars.

2. Restatement of prior period comparative financial statements

While undergoing the 2012 actuarial valuation of the Non-Pension Post-Retirement benefits, the following were identified:

- Post-retirement health, dental and life insurance benefits provided to locally engaged staff working in the US had not been recorded in the previously issued financial statements for the year ended December 31, 2011. The correction of this error has been applied retrospectively by restating the prior period results; and
- Some Canadian employees are ineligible for post-retirement health benefits and the benefits should not have been recorded in the previously issued financial statements for the year ended December 31, 2011. The correction of this error has been applied retrospectively by restating the prior period results.

3. Parliamentary appropriations

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

(in thousands)	Mar 31, 2012	Dec 31, 2011
Parliamentary appropriation receivable / (deferred), January 1	\$ (2,948)	\$ 11,213
Parliamentary appropriations received	(19,618)	(100,045)
Parliamentary appropriations recognized in net income for operations	22,561	85,884
Parliamentary appropriations receivable / (deferred), December 31	\$ (5)	\$ (2,948)

Parliamentary appropriations approved for the Government fiscal period April 1, 2012 to March 31, 2013 are \$72,032,802 (April 1, 2011 to March 31, 2012 \$82,033,975).

As at March 31, 2012, the Commission has a deferred balance of \$5,545 (deferred balance of \$1,582,215 as at March 31, 2011) relating to appropriations recognized for the period exceeding the funding received by March 31, 2012.

Canadian Tourism Commission
Notes to the Unaudited Financial Statements
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4. Tangible capital assets

(in thousands)	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	Decom- Leaseholds	2012 Total
Cost of tangible capital assets, opening	\$ 972	\$ 416	\$ 3,634	\$ 544	\$ 833	\$ 6,399
Acquisitions	11	-	-	-	-	11
Disposals	-	-	-	-	-	-
Cost of tangible capital assets, closing	983	416	3,634	544	833	6,410
Accumulated amortization, opening	738	328	2,526	459	637	4,688
Amortization expense	49	14	117	9	18	207
Disposals	-	-	-	-	-	-
Accumulated amortization, closing	787	342	2,643	468	655	4,895
Net book value	\$ 196	\$ 74	\$ 991	\$ 76	\$ 178	\$ 1,515

(in thousands)	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	Decom- Leaseholds	2011 Total
Cost of tangible capital assets, opening	\$ 2,164	\$ 3,197	\$ 4,038	\$ 1,645	\$ 864	\$ 11,908
Acquisitions	166	-	233	32	-	431
Disposals	(1,358)	(2,781)	(637)	(1,133)	(31)	(5,940)
Cost of tangible capital assets, closing	972	416	3,634	544	833	6,399
Accumulated amortization, opening	1,837	3,038	2,597	1,523	559	9,554
Amortization expense	231	71	566	69	109	1,046
Disposals	(1,330)	(2,781)	(637)	(1,133)	(31)	(5,912)
Accumulated amortization, closing	738	328	2,526	459	637	4,688
Net book value	\$ 234	\$ 88	\$ 1,108	\$ 85	\$ 196	\$ 1,711