

**Canadian Tourism Commission
Narrative Discussion
June 30, 2012**

Introduction

The Canadian Tourism Commission (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, the CTC reports to Parliament through the Minister of Industry with legislation requirements as 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, 2012	For the three months ended June 30, 2011	Variance
Partnership contributions	\$ 1,384	\$ 1,178	\$ 206
<p>\$197K higher Core revenues not significant.</p> <p>\$9K higher Olympic revenues not significant.</p>			
Other revenue	\$ 169	\$ (1)	\$ 170
<p>Increase in 2012 is due to higher commodity tax recoveries.</p>			
Marketing and sales expenses	\$ 18,912	\$ 16,174	\$ 2,738
<p>\$4.5M higher Core program spend mainly due to \$2.6M increased trade activity in London, France and Japan and \$1.9M increase in Summer Campaign for China.</p> <p>\$1.8M lower Olympic program spend as the program was completed by March 2012.</p>			
Corporate services	\$ 2,060	\$ 2,493	\$ (433)
<p>Variance mainly due to organization review costs and higher pension deficit payment made in 2011</p>			
Strategy and planning	\$ 139	\$ 131	\$ 8
<p>Variance not significant.</p>			

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	For the six months ended June 30, 2012	For the six months ended June 30, 2011	Variance
Partnership contributions	\$ 5,300	\$ 4,139	\$ 1,161

\$1.1M higher Core revenues mainly due to more provincial partners in Spring campaigns within London, France and Japan.

\$16K lower Olympic revenues

\$26K lower Stimulus revenues as program was completed by March 2011.

\$151K higher Stampede revenues as program started during Q3 of Fiscal 2011.

Other revenue	\$ 457	\$ 456	\$ 1
Variance not significant.			

Marketing and sales expenses	\$ 35,970	\$ 30,936	\$ 5,034
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\$9.1M higher Core spend mainly due to higher Consumer Spring Campaigns in France, London, Germany and Brazil of \$4.6M, launch of Travel Trade Ad campaign in Japan of \$300K, Focus Canada & Coop Trade Advertising in India of \$560K previously paid through Stimulus and increased Spring/Summer campaign in China of \$2.8M.

\$5.8M lower Stimulus spend as program was completed by March 2011

\$2.7M higher Stampede spend as program was started in Q3 of Fiscal 2011

Corporate services	\$ 4,387	\$ 4,898	\$ (511)
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Variance mainly due to organization review costs and higher pension deficit payment made in 2011.

Strategy and planning	\$ 236	\$ 298	\$ (62)
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\$24K lower spend in travel costs and \$30K to due to timing of invoices

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 \$0.537 million for the government's fiscal year 2012-13, and \$14.2 million in 2013-14 and beyond.

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Reporting on Use of Appropriations

(in thousands)	Jun 30 2012	Jun 30 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	(969)	(6)
Amounts recognized in current year	<u>21,597</u>	<u>27,411</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	<u>(54,025)</u>	<u>(57,864)</u>
Amounts recognized in current year	<u>18,008</u>	<u>18,169</u>
Parliamentary Appropriations used for operations and capital in the year	<u>39,605</u>	<u>45,580</u>
Amounts voted:	72,033	76,033
Less portion of cash received during year	<u>(18,008)</u>	<u>(9,504)</u>
Cash to be received in following quarter/year	54,025	66,529
Parliamentary Appropriations adjustment for restricted funds	(969)	(6)
Parliamentary Appropriations to be recognized in following quarter/year from current year	<u>(54,025)</u>	<u>(57,864)</u>
Parliamentary appropriations receivable/(deferred)	<u>\$ (969)</u>	<u>\$ 8,659</u>
Parliamentary appropriations receivable/(deferred)		
Opening Balance	\$ (2,948)	\$ 11,213
Cash received from Government fiscal 2011/12 (2010/11)	(20,620)	(38,630)
Cash received from Government fiscal 2012/13 (2011/12)	(18,008)	(9,504)
Appropriation used for operations and capital in the year	40,607	45,580
Ending Balance	<u>\$ (969)</u>	<u>\$ 8,659</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
August 23, 2012



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

**Canadian Tourism Commission
Statement of Financial Position**

<i>(in thousands)</i>	June 30 2012	Dec 31 2011
Financial assets		
Cash and cash equivalents	\$ 16,249	\$ 17,055
Accounts receivable		
Government of Canada	179	811
Partnership contributions	1,148	708
Other	334	410
Portfolio investments	626	-
Accrued benefit asset	4,794	4,711
	<u>23,330</u>	<u>23,695</u>
Liabilities		
Accounts payable and accrued liabilities		
Trade	\$ 6,504	\$ 10,232
Employee compensation	2,528	2,636
Government of Canada	-	1
Deferred parliamentary appropriations	969	2,948
Deferred revenue	704	670
Accrued benefit liability	5,467	5,467
Asset retirement obligation	796	822
	<u>16,968</u>	<u>22,776</u>
Net financial assets	<u>6,362</u>	<u>919</u>
Non-financial assets		
Tangible capital assets	1,344	1,711
Prepaid expenses and other assets	2,190	1,882
	<u>3,534</u>	<u>3,593</u>
Accumulated surplus	<u><u>\$ 9,896</u></u>	<u><u>\$ 4,512</u></u>

As at March 21, 2013, certain figures for the six months ending June 30, 2012 and year ended December 31, 2011 have been restated (Note 2)

**Canadian Tourism Commission
Statement of Operations and Accumulated Surplus
For the three and six months ended June 30**

<i>(in thousands)</i>	Three months ended		Six months ended	
	June 30		June 30	
	2012	2011	2012	2011
Revenues				
Partnership contributions	\$ 1,384	\$ 1,178	\$ 5,300	\$ 4,139
Other	169	(1)	457	456
	<u>1,553</u>	<u>1,177</u>	<u>5,757</u>	<u>4,595</u>
Expenses				
Marketing and sales	18,912	16,174	35,970	30,936
Corporate services	2,060	2,493	4,387	4,898
Strategy and planning	139	131	236	298
Amortization of tangible capital assets	180	285	387	566
	<u>21,291</u>	<u>19,083</u>	<u>40,980</u>	<u>36,698</u>
Net cost of operations before funding from the Government of Canada	(19,738)	(17,906)	(35,223)	(32,103)
Parliamentary appropriations	18,046	19,746	40,607	45,581
Surplus / (deficit) for the period	<u>(1,692)</u>	<u>1,840</u>	<u>5,384</u>	<u>13,478</u>
Accumulated surplus, beginning of period	11,588	19,868	4,512	8,230
Accumulated surplus, end of period	<u>\$ 9,896</u>	<u>\$ 21,708</u>	<u>\$ 9,896</u>	<u>\$ 21,708</u>

As at March 21, 2013, certain figures for the three months and six months ending June 30, 2012 and June 30, 2011 have been restated (Note 2)

**Canadian Tourism Commission
Statement of Change in Net Assets
For the three and six months ended June 30**

<i>(in thousands)</i>	Three months ended		Six months ended	
	June 30		June 30	
	2012	2011	2012	2011
Annual surplus / (deficit)	\$ (1,692)	\$ 1,840	\$ 5,384	\$ 13,478
Acquisition of tangible capital assets	(9)	(234)	(20)	(284)
Amortization of tangible capital assets	180	285	387	566
Net disposition of tangible capital assets	-	27	-	27
	<u>171</u>	<u>78</u>	<u>367</u>	<u>309</u>
Effect of change in other non-financial assets				
(Increase) / decrease in prepaid expenses	(403)	8	(308)	(524)
	<u>(403)</u>	<u>8</u>	<u>(308)</u>	<u>(524)</u>
Increase / (decrease) in net assets	(1,924)	1,926	5,443	13,263
Net financial assets, beginning of period	8,286	15,729	919	4,392
Net financial assets, end of period	<u>\$ 6,362</u>	<u>\$ 17,655</u>	<u>\$ 6,362</u>	<u>\$ 17,655</u>

As at March 21, 2013, certain figures for the three months and six months ending June 30, 2012 and June 30, 2011 have been restated (Note 2)

**Canadian Tourism Commission
Statement of Cash Flows
For the three and six months ended June 30**

<i>(in thousands)</i>	Three months ended		Six months ended	
	June 30		June 30	
	2012	2011	2012	2011
Operating transactions:				
Cash received from:				
Parliamentary appropriations used to fund operating and capital transactions	\$ 19,009	\$ 9,503	\$ 38,627	\$ 48,134
Partners	1,852	2,864	4,946	6,073
Other income	169	(1)	457	456
	<u>21,030</u>	<u>12,366</u>	<u>44,030</u>	<u>54,663</u>
Cash paid for:				
Cash payments to suppliers	(16,338)	(16,512)	(37,386)	(41,368)
Cash payments to and on behalf of employees	(3,337)	(3,292)	(6,852)	(8,819)
Cash applied to / (used in) operating transactions	<u>1,355</u>	<u>(7,438)</u>	<u>(208)</u>	<u>4,476</u>
Capital transactions:				
Acquisition of tangible capital assets	(9)	(233)	(20)	(283)
Disposition of tangible capital assets	-	61	-	61
Cash used in capital transactions	<u>(9)</u>	<u>(172)</u>	<u>(20)</u>	<u>(222)</u>
Investing transactions:				
Increase in portfolio investments	(627)	-	(626)	-
Cash used in investment transactions	<u>(627)</u>	<u>-</u>	<u>(626)</u>	<u>-</u>
Foreign exchange (gain) / loss on cash held in foreign currency	<u>2</u>	<u>45</u>	<u>49</u>	<u>(93)</u>
Net increase / (decrease) in cash during the period	<u>721</u>	<u>(7,565)</u>	<u>(806)</u>	<u>4,161</u>
Cash and cash equivalents, beginning of period	15,528	24,083	17,055	12,357
Cash and cash equivalents, end of period	<u>\$ 16,249</u>	<u>\$ 16,518</u>	<u>\$ 16,249</u>	<u>\$ 16,518</u>

As at March 21, 2013, certain figures for the three months and six months ending June 30, 2012 and June 30, 2011 have been restated (Note 2)

Canadian Tourism Commission
Notes to the Unaudited Financial Statements
June 30, 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 June 30, 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)	Jun 30, 2012	Dec 31, 2011
Parliamentary appropriation receivable / (deferred), January 1	\$ (2,948)	\$ 11,213
Parliamentary appropriations received	(38,628)	(100,045)
Parliamentary appropriations recognized in net income for operations	40,607	85,884
Parliamentary appropriations receivable / (deferred), December 31	\$ (969)	\$ (2,948)

Parliamentary appropriations approved for the Government fiscal period April 1, 2012 to March 31, 2013 are \$71,495,802 after adjusting for 2011 Strategic and Operating Review (April 1, 2011 to March 31, 2012 \$82,033,975).

As at June 30, 2012, the Commission has a deferred balance of \$968,940 (receivable balance of \$8,659,869 as at June 30, 2011) relating to appropriations recognized for the period exceeding the funding received by June 30, 2012.

Canadian Tourism Commission
Notes to the Unaudited Financial Statements
June 30, 2012

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	\$ 3,633	\$ 544	\$ 833	\$ 6,398
Acquisitions	19	-	-	2	-	21
Disposals	-	-	-	-	-	-
Cost of tangible capital assets, closing	<u>991</u>	<u>416</u>	<u>3,633</u>	<u>546</u>	<u>833</u>	<u>6,419</u>
Accumulated amortization, opening	738	328	2,526	459	637	4,688
Amortization expense	98	29	210	18	32	387
Disposals	-	-	-	-	-	-
Accumulated amortization, closing	<u>836</u>	<u>357</u>	<u>2,736</u>	<u>477</u>	<u>669</u>	<u>5,075</u>
Net book value	<u>\$ 155</u>	<u>\$ 59</u>	<u>\$ 897</u>	<u>\$ 69</u>	<u>\$ 164</u>	<u>\$ 1,344</u>

(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	<u>972</u>	<u>416</u>	<u>3,634</u>	<u>544</u>	<u>833</u>	<u>6,399</u>
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	<u>738</u>	<u>328</u>	<u>2,526</u>	<u>459</u>	<u>637</u>	<u>4,688</u>
Net book value	<u>\$ 234</u>	<u>\$ 88</u>	<u>\$ 1,108</u>	<u>\$ 85</u>	<u>\$ 196</u>	<u>\$ 1,711</u>