

**Canadian Tourism Commission  
Narrative Discussion  
September 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**

<i>(in thousands)</i>	For the three months ended Sep 30, 2012	For the three months ended Sep 30, 2011	Variance
<b>Partnership contributions</b>	<b>\$ 2,257</b>	<b>\$ 1,296</b>	<b>\$ 961</b>

\$1.1M higher Core partnership revenues were generated in the 2012 period due to the following:

- "Canada for the fun of it", a new campaign in 2012, generated \$500K of partnership revenues,
- higher provincial partner participation in the UK Winter campaign \$500K
- \$180K from Agri Food, a new campaign for 2012

\$91K lower Olympic revenues as the program was completed in March 2012.

<b>Other revenue</b>	<b>\$ 235</b>	<b>\$ 191</b>	<b>\$ 44</b>
----------------------	---------------	---------------	--------------

Increase in 2012 is due to higher commodity tax recoveries.

<b>Marketing and sales expenses</b>	<b>\$ 15,421</b>	<b>\$ 18,912</b>	<b>\$ (3,491)</b>
-------------------------------------	------------------	------------------	-------------------

\$2.5M lower Core program spend mainly due to: \$1.4M from the China summer and China Southern Airlines campaigns, not repeated in 2012; \$350K due to Showcase Canada Asia event held in Busan in 2012 versus Osaka in 2011; and \$450K lower US Leisure spend in 2012.

\$1.0M lower Olympic program spend as the program was completed by March 2012.

<b>Corporate services</b>	<b>\$ 2,073</b>	<b>\$ 2,353</b>	<b>\$ (280)</b>
---------------------------	-----------------	-----------------	-----------------

Variance mainly due to organization review costs and higher pension deficit payments in 2011.

<b>Strategy and planning</b>	<b>\$ 202</b>	<b>\$ 113</b>	<b>\$ 89</b>
------------------------------	---------------	---------------	--------------

Variance due to funding model work.

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

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

<i>(in thousands)</i>	<b>For the nine months ended Sep 30, 2012</b>	<b>For the nine months ended Sep 30, 2011</b>	<b>Variance</b>
<b>Partnership contributions</b>	<b>\$ 7,557</b>	<b>\$ 5,435</b>	<b>\$ 2,122</b>

\$2.1M higher Core revenues mainly due to more provincial partners participating in the UK, France and Japan Spring campaigns \$1.4M, the new "Canada for the fun of it" campaign \$500K and \$180K from Agri food.

\$107K lower Olympic revenues as the program was completed in March 2012.

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

\$151K higher Stampede revenues as the program started in Q3 of fiscal 2011.

<b>Other revenue</b>	<b>\$ 692</b>	<b>\$ 647</b>	<b>\$ 45</b>
----------------------	---------------	---------------	--------------

Variance not significant.

<b>Marketing and sales expenses</b>	<b>\$ 51,391</b>	<b>\$ 50,395</b>	<b>\$ 996</b>
-------------------------------------	------------------	------------------	---------------

\$6.4M higher Core spend mainly due to higher Core market consumer spring campaigns \$3.7M, Focus Canada and co-operative trade advertising in India \$560K, the spring/summer campaign in China \$1.6M and \$450K from the "Canada-You can be a Star" promotion.

\$2.0M lower Olympic spend as the program was completed in March 2012.

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

\$2.4M higher Stampede spend as the program started in Q3 of fiscal 2011

<b>Corporate services</b>	<b>\$ 6,460</b>	<b>\$ 6,704</b>	<b>\$ (244)</b>
---------------------------	-----------------	-----------------	-----------------

Variance mainly due to organization review costs and higher pension deficit payments in 2011.

<b>Strategy and planning</b>	<b>\$ 438</b>	<b>\$ 411</b>	<b>\$ 27</b>
------------------------------	---------------	---------------	--------------

Variance not significant.

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

**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.

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

**Reporting on Use of Appropriations**

(in thousands)	Sep 30 2012	Sep 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
Supplementary estimates B	-	8,000
Supplementary estimates B	5,000	-
Supplementary estimates C	1,001	-
	<hr/> 82,034	<hr/> 108,565
Less portion recognized in prior year	(58,466)	(81,148)
Adjustment for restricted funds	(950)	(6)
Amounts recognized in current year	<hr/> 22,617	<hr/> 27,412
Amounts voted:		
Main estimates 2012/13 (2011/12)	72,033	76,033
Supplementary estimates B	-	5,000
Budget 2012 Spending Review	(537)	
	<hr/> 71,496	<hr/> 81,033
Less portion to be recognized in following quarter/year	(35,748)	(43,498)
Amounts recognized in current year	<hr/> 35,748	<hr/> 37,535
Parliamentary Appropriations used for operations and capital in the year	<hr/> 58,365	<hr/> 64,946
Amounts voted:	71,496	81,033
Less portion of cash received during year	(40,008)	(29,008)
Cash to be received in following quarter/year	<hr/> 31,488	<hr/> 52,025
Parliamentary Appropriations adjustment for restricted funds	(950)	(6)
Parliamentary Appropriations to be recognized in following quarter/year from current year	<hr/> (35,748)	<hr/> (43,498)
Parliamentary appropriations receivable/(deferred)	<hr/> (5,210)	<hr/> 8,521
Parliamentary appropriations receivable/(deferred)		
Opening Balance	\$ (2,948)	\$ 11,213
Cash Received from Government Fiscal 2011/12 (2010/11)	\$ (20,619)	(38,630)
Cash Received from Government Fiscal 2012/13 (2011/12)	\$ (40,008)	(29,008)
Appropriations used for operations and capital in the year	<hr/> \$ 58,365	<hr/> 64,946
Ending Balance	<hr/> \$ (5,210)	<hr/> \$ 8,521

**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, 2012



Lena Bullock  
*Vice-President, Finance*  
*and Chief Financial Officer*  
Vancouver, Canada  
November 28, 2012

**Canadian Tourism Commission  
Statement of Financial Position**

<i>(in thousands)</i>	<b>Sep 30 2012</b>	<b>Dec 31 2011</b>
<b>Financial assets</b>		
Cash and cash equivalents	\$ 19,605	\$ 17,055
Accounts receivable		
Government of Canada	997	811
Partnership contributions	1,545	708
Other	328	410
Portfolio investments	631	-
Accrued benefit asset	4,794	4,711
	<u>27,900</u>	<u>23,695</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities		
Trade	\$ 5,066	\$ 10,232
Employee compensation	2,433	2,636
Government of Canada	-	1
Deferred parliamentary appropriations	5,210	2,948
Deferred revenue	927	670
Accrued benefit liability	5,467	5,467
Asset retirement obligation	567	822
	<u>19,670</u>	<u>22,776</u>
<b>Net financial assets</b>	<u>8,230</u>	<u>919</u>
Non-financial assets		
Tangible capital assets	1,247	1,711
Prepaid expenses and other assets	2,850	1,882
	<u>4,097</u>	<u>3,593</u>
<b>Accumulated surplus</b>	<u>\$ 12,327</u>	<u>\$ 4,512</u>

As at March 21, 2013, certain figures for the nine months ending September 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 nine months ended Sep 30**

<i>(in thousands)</i>	Three months ended		Nine months ended	
	Sep 30		Sep 30	
	2012	2011	2012	2011
<b>Revenues</b>				
Partnership contributions	\$ 2,257	\$ 1,296	\$ 7,557	\$ 5,435
Other	235	191	692	647
	<u>2,492</u>	<u>1,487</u>	<u>8,249</u>	<u>6,082</u>
<b>Expenses</b>				
Marketing and sales	15,421	18,912	51,391	50,395
Corporate services	2,073	2,353	6,460	6,704
Strategy and planning	202	113	438	411
Amortization of tangible capital assets	123	231	510	797
	<u>17,819</u>	<u>21,609</u>	<u>58,799</u>	<u>58,307</u>
Net cost of operations before funding from the Government of Canada	(15,327)	(20,122)	(50,550)	(52,225)
Parliamentary appropriations	17,758	19,365	58,365	64,946
<b>Surplus / (deficit) for the period</b>	<u>2,431</u>	<u>(757)</u>	<u>7,815</u>	<u>12,721</u>
<b>Accumulated surplus, beginning of period</b>	9,896	21,708	4,512	8,230
<b>Accumulated surplus, end of period</b>	<u><b>\$ 12,327</b></u>	<u><b>\$ 20,951</b></u>	<u><b>\$ 12,327</b></u>	<u><b>\$ 20,951</b></u>

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

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



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

<i>(in thousands)</i>	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>Sep 30</b>		<b>Sep 30</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Annual surplus / (deficit)</b>	\$ 2,431	\$ (757)	\$ 7,815	\$ 12,721
Acquisition of tangible capital assets	(26)	(42)	(46)	(326)
Amortization of tangible capital assets	123	231	510	797
Net disposition of tangible capital assets	-	-	-	28
	<u>97</u>	<u>189</u>	<u>464</u>	<u>499</u>
<b>Effect of change in other non-financial assets</b>				
(Increase) in prepaid expenses	(660)	(4,635)	(968)	(5,159)
	<u>(660)</u>	<u>(4,635)</u>	<u>(968)</u>	<u>(5,159)</u>
Increase / (decrease) in net assets	1,868	(5,203)	7,311	8,061
<b>Net financial assets, beginning of period</b>	6,362	17,656	919	4,392
<b>Net financial assets, end of period</b>	<u>\$ 8,230</u>	<u>\$ 12,453</u>	<u>\$ 8,230</u>	<u>\$ 12,453</u>

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

**Canadian Tourism Commission  
Statement of Cash Flows  
For the three and nine months ended Sep 30**

<i>(in thousands)</i>	Three months ended		Nine months ended	
	Sep 30		Sep 30	
	2012	2011	2012	2011
<b>Operating transactions:</b>				
Cash received from:				
Parliamentary appropriations used to fund operating and capital transactions	\$ 22,000	\$ 19,504	\$ 60,627	\$ 67,638
Partners	2,113	672	7,059	6,745
Other income	235	191	692	647
	<u>24,348</u>	<u>20,367</u>	<u>68,378</u>	<u>75,030</u>
Cash paid for:				
Cash payments to suppliers	(17,606)	(22,151)	(54,990)	(63,519)
Cash payments to and on behalf of employees	(3,448)	(3,610)	(10,300)	(12,429)
Cash applied to / (used in) operating transactions	<u>3,294</u>	<u>(5,394)</u>	<u>3,088</u>	<u>(918)</u>
<b>Capital transactions:</b>				
Acquisition of tangible capital assets	(26)	(42)	(46)	(325)
Disposition of tangible capital assets	-	-	-	61
Cash used in capital transactions	<u>(26)</u>	<u>(42)</u>	<u>(46)</u>	<u>(264)</u>
<b>Investing transactions:</b>				
Increase in portfolio investments	(4)	-	(631)	-
Cash used in investment transactions	<u>(4)</u>	<u>-</u>	<u>(631)</u>	<u>-</u>
<b>Foreign exchange (gain) / loss on cash held in foreign currency</b>	92	4	139	(89)
<b>Net increase / (decrease) in cash during the period</b>	<u>3,356</u>	<u>(5,432)</u>	<u>2,550</u>	<u>(1,271)</u>
<b>Cash and cash equivalents, beginning of period</b>	16,249	16,518	17,055	12,357
<b>Cash and cash equivalents, end of period</b>	<u>\$ 19,605</u>	<u>\$ 11,086</u>	<u>\$ 19,605</u>	<u>\$ 11,086</u>

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

**Canadian Tourism Commission**  
**Notes to the Unaudited Financial Statements**  
**September 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 September 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)	Sep 30, 2012	Dec 31, 2011
Parliamentary appropriation receivable / (deferred), January 1	\$ (2,948)	\$ 11,213
Parliamentary appropriations received	(60,627)	(100,045)
Parliamentary appropriations recognized in net income for operations	58,365	85,884
Parliamentary appropriations receivable / (deferred), December 31	\$ (5,210)	\$ (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 September 30, 2012, the Commission has a deferred balance of \$5,210,235 (receivable balance of \$8,520,710 as at September 30, 2011) relating to appropriations recognized for the period exceeding the funding received by September 30, 2012.

**Canadian Tourism Commission**  
**Notes to the Unaudited Financial Statements**  
**September 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	40	-	-	6	-	46
Disposals	-	-	-	-	-	-
Cost of tangible capital assets, closing	1,012	416	3,633	550	833	6,444
Accumulated amortization, opening	738	328	2,526	459	637	4,688
Amortization expense	122	43	274	26	44	509
Disposals	-	-	-	-	-	-
Accumulated amortization, closing	860	371	2,800	485	681	5,197
Net book value	<b>\$ 152</b>	<b>\$ 45</b>	<b>\$ 833</b>	<b>\$ 65</b>	<b>\$ 152</b>	<b>\$ 1,247</b>

(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	<b>\$ 234</b>	<b>\$ 88</b>	<b>\$ 1,108</b>	<b>\$ 85</b>	<b>\$ 196</b>	<b>\$ 1,711</b>