TELEFILM
CANADA

Quarterly Financial Report

Period ended September 30, 2011

Second quarter of fiscal 2011-2012

Published November 29, 2011

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1. THE FOUNDATION OF TELEFILM CANADA

Established in 1967 by the *Telefilm Canada Act*, Telefilm is a Crown corporation reporting to Parliament through the Minister of Canadian Heritage.

- Our mandate: Foster and promote the development of the audiovisual industry in Canada;
- Our vision: Audiences everywhere demanding screen-based content created by Canadians – accessible anywhere, anytime and on any platform;
- Our mission: To foster and promote the development of the Canadian audiovisual industry by playing a leadership role through financial support and initiatives that contribute to its success.

Telefilm serves the entire audiovisual industry through its Vancouver, Toronto, Montreal and Halifax offices. The Corporation has three main roles:

1) To invest in the development of the Canadian audiovisual industry, primarily by providing financial support for the development and production of films intended for a global audience. In addition, the Corporation recommends the certification of coproductions to the Minister of Canadian Heritage.
2) To provide promotional support for Canadian content at home and abroad. Our role as promoter includes supporting the marketing and promotion of Canadian feature films and our audiovisual industry as a whole. In this respect, we participate in industry events such as festivals and markets that help Canadian audiovisual companies showcase and sell their productions and in supporting the industry's own business development activities.
3) To manage audiovisual industry programs. In addition to its own programs and initiatives, the Corporation provides services to the Canada Media Fund (CMF) under a Service Agreement.

2. HIGHLIGHTS

Support to the audiovisual industry has been on target. The Corporation was particularly active during the quarter in terms of promotional activities carried out at the Karlovy Vary Film Festival (4 awards won) and the Venice Film Festival (7 films in selection) as well as in financially supporting the Canadian film festivals of Toronto (TIFF), Vancouver (VIFF) and the Atlantic region (AFF), among others. Moreover, the base elements of the Corporation's new corporate plan are taking shape, especially with regard to the review of mechanisms for financial assistance and for measuring success. The financial results are equally tangible despite a decline compared to the previous fiscal year.

The total of the two quarters shows assistance expenses of $38.5M, down $8.3M or -18% from the same period last year. The situation is being closely monitored and steps are being taken to meet the established financial targets. Operating and administrative expenses of $13.7M also show a decrease, down $0.3M or -2% from the comparative semester, testifying to an efficient control of administrative expenses. In keeping with the spending levels, government funding amounts to $45.9M, down by 17%.

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3. CONTEXT OF QUARTERLY FINANCIAL REPORT

The Corporation is subject to section 131.1 of the *Financial Administration Act*, which states that each Crown corporation must produce a quarterly financial report for each of the first three quarters of each fiscal year and make it public within 60 days after the end of the fiscal quarter to which the report relates. The Treasury Board Secretariat (TBS) has issued the *Standard on Quarterly Financial Reports for Crown Corporations*, which is designed to ensure that Crown corporation quarterly financial reports are timely and consistent in support of effective oversight of public funds. The TBS Standard sets out the required form and content for the reports and the financial statements. There is no requirement for an audit or review of the financial statements included in the quarterly financial report. This financial report complies with the accounting principles applicable to the public sector. It has not been reviewed or audited by external auditors.

4. IMPORTANT CHANGES

Programs

In keeping with its new corporate plan, *Fostering Cultural Success*, the Corporation is currently redefining the development assistance programs. These changes aim to strengthen the industry's production capacity, simplify the conditions for obtaining financial assistance and streamline the structure of these programs in order to better serve our clients. Parallel with this work, the financial assistance mechanisms for the Canadian film festivals and their delivery modes are also being reviewed. In addition, management is currently redefining the index success measure. To this end, the Corporation believes that the definition of success must be expanded to include cultural, industrial and commercial considerations. These initiatives are not expected to cause any significant financial impact for the Corporation.

Activities

The promotion of Canadian films and talents took centre stage in the second quarter. The Corporation took advantage of international events such as the Karlovy Vary and Venice film festivals to shine the spotlight on the Canadian audiovisual industry. Three Canadian films won 4 awards in the Czech Republic and 7 films were shortlisted at Venice. Consistent with this, the Corporation also took part in promoting the scripts of 4 Canadian producers and in showcasing 12 films to the New York industry as part of the No Borders International Co-Production Market and Eye on TIFF events. On the Canadian scene, the Corporation is proud to have actively contributed to the success of the Toronto International Film Festival, the Vancouver International Film Festival and the Atlantic Film Festival held in Nova Scotia. Moreover, in the second quarter, management also began preparations for the Corporation's Annual Public Meeting, which took place November 23, 2011 in Winnipeg.

Personnel

There was no personnel turnover on the Board or on the Corporation's Management Committee.

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5. GOVERNANCE

The Corporation has strong governance, which relies on the Board and its 3 committees as well as on the governance structure implemented by the Executive Director. In this respect, the Board met twice over the last quarter and the Strategic Planning and Communications Committee met once. As part of its work, the Board's Audit and Finance Committee asked management to reevaluate the thresholds used for the variances identified for explanation with regard to the financial data produced. This reevaluation of the thresholds was submitted to the committee this past October and has helped fine-tune the methodology used. This report includes the application of the new methodology.

6. INTERNAL AUDIT

The Corporation appoints an external firm, professional and independent, that produces as part of internal audit work, objective and substantiated conclusions on the design and functioning of the organization's processes, controls and governance, among other things. In this respect, audit work began during the quarter on the expense accounts. The objectives of the mandate were to evaluate compliance with Treasury Board standards as well as the disclosure and application of existing policies. The report's conclusions were submitted to the Board's Audit and Finance Committee in October 2011. The report is positive and contains recommendations that will be quickly implemented. Note that no significant error was detected during this audit mandate.

7. RISK MANAGEMENT

The Corporation ensures a good understanding of organizational risks by involving all levels of management representatives of the different administrative and operational sectors. The Corporation assesses its risks on an ongoing basis under the supervision of the Risk Management Committee. Next, accountability is presented to the Management Committee and finally to the Board's Audit and Finance Committee.

There were no specific activities from the Risk Management Committee during the second quarter. The risk management process and the categorization of the Corporation's risks are listed in the Governance section of our 2010-2011 Annual Report. In this respect, the Management Committee met in November 2011 to update the risk assessment and the results of its work will be published in the next quarterly report. Moreover, the Corporation is taking part in the federal government-wide Deficit Reduction Action Plan. Following the example of several other agencies, the Corporation has designed scenarios involving savings of 5% and 10% on the spending voted by Parliament. The Corporation is endeavoring to plan ways of mitigating the potential impact on the Canadian audiovisual industry as a whole. Note that the findings of this exercise are not known at this time.

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8. PERFORMANCE INDICATORS

Operational Indicators	Targets	Results	Findings
Response time for production funding decisions			
CFFF : Decision issued	Decision date planned	100% of the time	Target met
	10 weeks	± 85% of the time	Target partially met
Co-productions certification : Decision issued	8 weeks	± 91% of the time	Target partially met
Service levels : Canada Media Fund programs administrator (CMFPA) : Response time indicators (in days)	34 targets to meet	18 targets met	53% of the targets met*
Project payment triggered	≤ 10 days	2	Target met
Supplier payment triggered	≤ 20 days	16	Target met
Crititical IT system hours available	≥ 97.5%	99.2%	Target met
Crititical IT systems incident-free days	≥ 90%	97.7%	Target met

*Due to new programs and the number of applications received, only certain CMFPA service levels are met. In conjunction with the CMF, the Corporation evaluates the improvements to make to the processes in order to meet the service levels.

Financial Indicators	Targets	Results	Findings
Investment assistance	$33.1 M	$29.4 M	Good position
Promotion assistance	$9.1 M	$9.1 M	Target met
Administratives expenses : Maximum threshold	$14.6 M	$13.2 M	Target met

Human Ressources Indicators	Targets	Results	Findings
Attraction Indicator - Average of time for recruitment	28 ≤ Days ≤ 45	25	Target met
Retention Indicator - Employment turnover	6% ≤ % ≤ 8%	9%	Target not met

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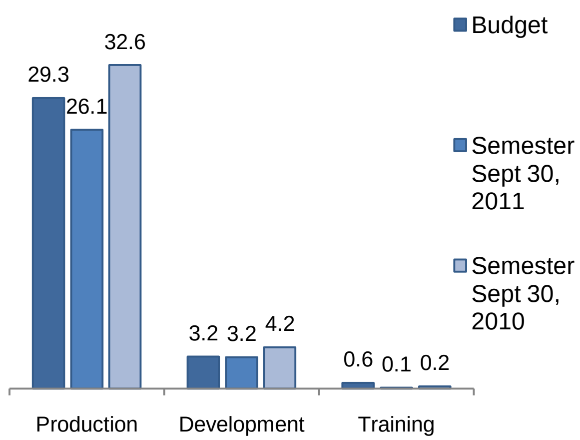
9. ANALYSIS OF CUMULATIVE RESULTS

The budgetary figures come from the annual budgets submitted to the Board's Audit and Finance Committee. The budget amounts were subsequently allocated by quarter based on management's best estimates.

Assistance Expenses

The Corporation supports the audiovisual industry under two distinct themes: investment in industry development through production, development and training activities, and promotional support chiefly for film marketing, international events and regional and national events.

Development of the audiovisual industry in Canada ($M)



Production

<u>Cumulative variance</u>

Budget vs. actual	$3.2M	11%
Actual vs. comparative	-$6.5M	-20%

The budget/expense variance is explained by the fact that performance envelope holders triggered projects for an amount of $4.7M below what was anticipated. The use of certain performance envelopes was delayed due to litigation outside the Corporation.

The large decrease in expenses is mostly due to the fact that fewer new projects were undertaken this year, in both the selective and the performance envelope components (22 vs. 32 projects last fiscal). This situation was present in the first quarter and has continued in the second quarter due to the carry-over of several projects whose shooting dates were postponed. Management is working hard to minimize the impact of these carry-overs.

Development

<u>Cumulative variance</u>

Actual vs. comparative	-$1.0M	-24%

The decrease in expenses is explained, on the one hand, by a drop in development advances in the selective component during the second quarter compared to the previous fiscal (35 vs. 46 projects last year) and, on the other hand, by the fact that the fiscal year began with a smaller cohort of ongoing projects than last year. In addition, certain programs are being reevaluated as part of the program redesign project.

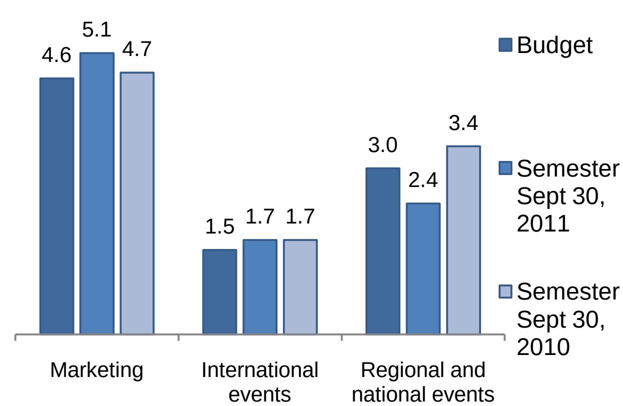
Training

<u>Cumulative variance</u>

Budget vs. actual	$0.5M	83%
Actual vs. comparative	-$0.1M	-50%

As part of the program redesign project, certain training initiatives are currently being reevaluated. The amounts devoted to spending are chiefly related to financial commitments made at the end of last fiscal year.

Promotional support in Canada and abroad ($M)



Marketing

<u>Cumulative variance</u>

Budget vs. actual	-$0.5M	-11%

The budgetary deficit is attributable to the selective component whose commitments are greater than our budget expectations, particularly with respect to financial support for major promotional campaigns. The variance should gradually disappear over the next quarter.

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International Events

Cumulative variance

Budget vs. actual	-$0.2M	-13%

Marked promotional support to international events generated expenses that preceded the anticipated quarterly budget allocation. It is expected that the budgetary balance will be restored in the next quarter.

Regional and National Events

Cumulative variance

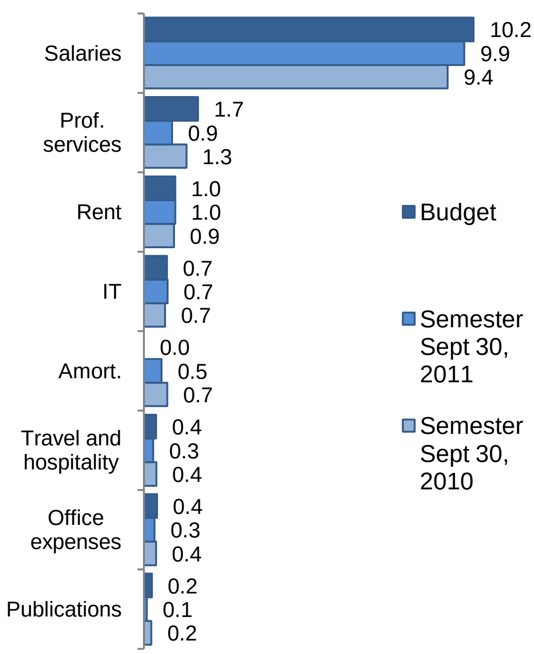
Budget vs. actual	$0.6M	20%
Actual vs. comparative	-$1.0M	-29%

The budgetary surplus is explained by some important and planned events that did not receive a disbursement and for which the financial support has been endorsed. The decrease in this expense against the comparative result is also explained by the above-mentioned reasons.

Operating and Administrative Expenses

Operating and administrative expenses are necessary to deliver Telefilm's programs, to manage the CMF funding programs and to ensure the Corporation's governance.

Operating and administrative expenses ($M)



Professional Services

Cumulative variance

Budget vs. actual	$0.8M	47%
Actual vs. comparative	-$0.4 M	-31%

The budgetary variance results mostly from provisions for certain projects of the Corporation currently under way and not yet invoiced. The variance decrease between the expenses is explained in part by a timing difference for software application support expenses and internal audit fees.

Information Technology

Cumulative variance

Actual vs. comparative	$0.1M	12%

The variance in expenses is mainly explained by maintenance charges for the financial information application that was paid for earlier this fiscal year.

Amortization

Cumulative variance

Actual vs. comparative	-$0.2M	-29%

Amortization of capital assets is a non-monetary expense that is not budgeted. The decrease in amortization expense is directly attributable to the end of the estimated life of the capitalized information technology assets.

Travel and Hospitality

Cumulative variance

Budget vs. actual	$0.1M	25%
Actual vs. comparative	-$0.1M	-25%

The budget surplus is temporary and related to several sectors. The decrease in travel expenses is mainly explained by the outreach activities carried out by the CMF team when deploying new programs last year.

Office Expenses

Cumulative variance

Budget vs. actual	$0.1M	25%

The budgetary variance is chiefly due to certain training costs and subscription fees for strategic data that will be incurred at a later date.

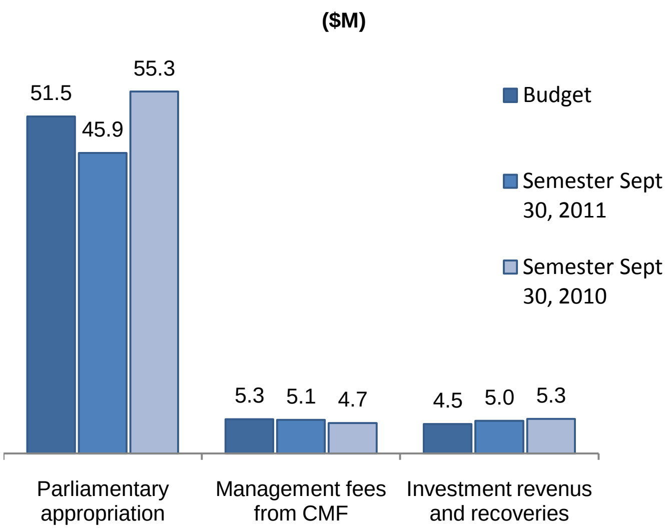
Advertising and Publications

Cumulative variance

Budget vs. actual	$0.1M	50%
Actual vs. comparative	-$0.1M	-50%

The budgetary savings is temporary and due to the random aspect of certain networking activities with the industry that will take place later in the fiscal year. The decreased variance in spending is provisional and due to several insignificant factors. The variance will gradually disappear over the coming periods.

Revenues and Government Funding



Parliamentary Appropriation

Cumulative variance

Budget vs. actual	$5.6M	11%
Actual vs. comparative	-$9.4M	-17%

The budgetary surplus is temporary and mainly related to an unexpected decrease in program assistance expenses. The reduction in parliamentary appropriation compared to the previous fiscal year directly correlates with the significant decrease in assistance expenses ($8.3M).

Management Fees: Canada Media Fund

Cumulative variance

Actual vs. comparative	$0.4M	9%

Management fees from the CMF have increased due to the operational implications inherent in the new CMF programs initiated last fiscal year.

Investment Revenues and Recoveries

Cumulative variance

Budget vs. actual	-$0.5M	-11%

The budget variance is not very significant and is due to the fact that the receipts were slightly higher than anticipated. It is not possible to conclude that the revenues and recoveries will increase for the fiscal year.

Revenues and recoveries come from production revenues, distribution recoveries and development advance repayments. The Corporation does not control sales made by distributors. As a result, it is difficult to forecast revenue and recovery levels.

10. ANALYSIS OF QUARTERLY RESULTS

Assistance Expenses

Quarterly variance

Actual vs. comparative -$5.0M -18%

At the 2nd quarter, namely for the months of July, August and September, the industry support activities show a decrease of nearly $5M. Several reasons account for this decline. The finalization of certain production contracts and shooting dates were delayed and fewer projects were triggered in the development program's selective component. As well, certain components of the development program are subject to the programs redesign that is under way.

In addition, certain financial commitments for recurring national events at this period in the fiscal year will only affect our results at the next quarter. All of these elements have had a slow-down effect on the quarter's assistance expenses, which will gradually disappear by March 31.

Government Funding

Quarterly variance

Actual vs. comparative -$5.0M -16%

The reduction in parliamentary appropriation is directly linked to the decrease in expenses during the quarter. This funding source constitutes the primary inflow of funds for the Corporation.

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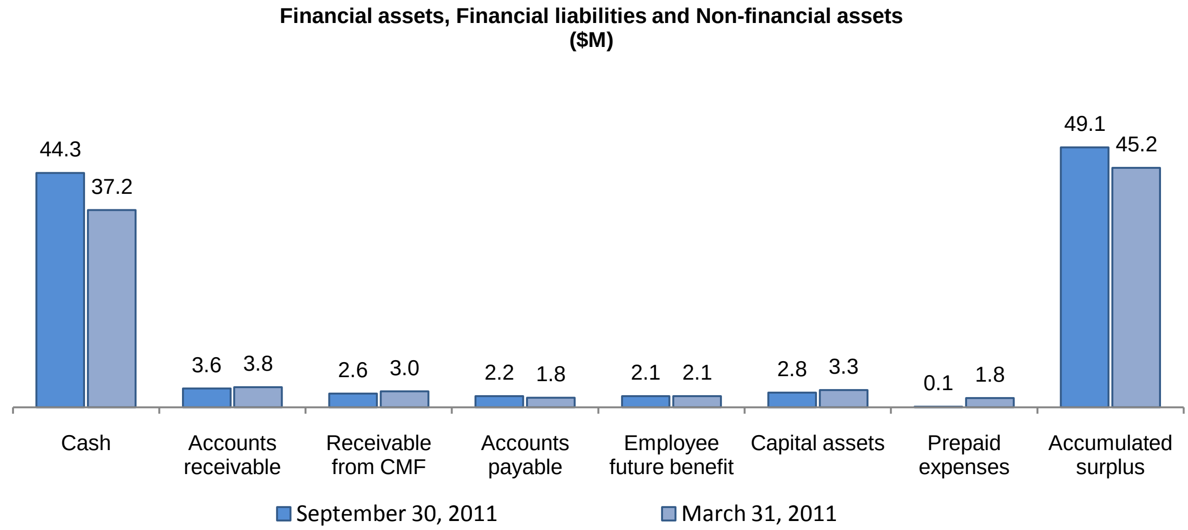
11. ANALYSIS OF FINANCIAL POSITION



The Accumulated surplus of Canada increased over the first 2 quarters ($3.9M), indicating a financial surplus for the first 6 months.

Financial Assets

Variance: Actual vs. comparative		
Cash	$7.1M	19%
CMF	-$0.4M	-13%

The Corporation's most important financial asset, its cash, has increased since March 31. This gain is chiefly due to the surplus generated over the last 6 months.

The decrease in the account receivable from the CMF comes from specific invoice items; the service fees for program delivery having remained stable. The decreased receivable at September 30 is explained by the recording of the harmonized sales tax applicable at March 31 and the invoicing of IT development-related expenses.

Financial Liabilities

Variance: Actual vs. comparative		
Accounts payable	$0.4M	22%

The increase in accounts payable and accrued charges is chiefly explained by accrued charges of nearly $0.9M with regard to the pension fund and life insurance for which the Corporation had not received any invoice since the start of the fiscal year. This important increase is offset by a decrease in accrued administrative charges at March 31 that were settled at the beginning of the fiscal year.

Non-financial Assets

Variance: Actual vs. comparative		
Capital assets	-$0.5M	-15%
Prepaid expenses	-$1.7M	-94%

The decrease in net capital assets is directly attributable to the monthly amortization.

Prepaid expenses decreased significantly ($1.7M). All prepaid expenses from the previous year have been recorded as expenses during the current fiscal year and the new balance is entirely attributable to expenses for the month of October.

12. RECONCILIATION OF COST OF OPERATION AND PARLIAMENTARY APPROPRIATION

The Corporation receives most of its funding through an annual parliamentary appropriation. Items recognized in the Statement of Operations and the Statement of Financial Position may have been funded through a parliamentary appropriation approved in either a previous or the current fiscal year. Some of the items in the reconciliation calculation cannot be linked directly to the financial statements.

($M)	September 30, 2011	September 30, 2010
Cost of operations	52.2	60.8
Adjustments affecting cost of operations:		
Amortization	(0.5)	(0.7)
Other non-funded item	-	(0.1)
	(0.5)	(0.8)
Adjustments affecting the use of Parliamentary appropriation:		
Operating expenses funded by the CMF	(5.2)	(4.7)
Prepaid administrative expenses at March 31, 2011	(1.0)	-
Prepaid administrative expenses at September 30, 2011	0.1	-
Acquisition of property and equipment	0.1	-
Other funded item	0.2	-
	(5.8)	(4.7)
Use of Parliamentary appropriation at September 30	45.9	55.3
Parliamentary appropriation available for subsequent quarters	59.8	50.1
Parliamentary appropriation authorized	105.7	105.4

The amount of the parliamentary appropriation comes from the 2011-2012 Main Estimates.

13. QUARTERLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2011

Statement of Management Responsibility

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, change in net financial assets and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.

Montreal, Canada

November 29, 2011

Carolle Brabant, CA, MBA
Executive Director

Denis Pion,
Director – Administration and Corporate Services

TELEFILM CANADA

Quarterly Statement of Operations and Accumulated Surplus of Canada

For the three-month period ended September 30, 2011

In thousands of dollars	Schedule	Quarter ended Sept. 30 2011	Restated - Note 2 2010
Assistance expenses			
Development of the Canadian audiovisual industry			
Production assistance		15,977	18,468
Development assistance		1,689	2,658
Training		64	82
		17,730	21,208
Promotional support in Canada and abroad			
Distribution and marketing assistance		2,562	3,362
Participation in international events		472	414
Participation in regional and national events		2,169	2,880
		5,203	6,656
		22,933	27,864
Operating and administrative expenses	A	**6,778**	6,851
Cost of operations		**29,711**	34,715
Revenues			
Management fees from the Canada Media Fund		2,625	2,257
Investment revenues and recoveries		4,148	4,741
Interest and other revenues		27	37
		6,800	7,035
Net cost of operations before government funding		**22,911**	27,680
Government funding			
Parliamentary appropriation		27,093	32,122
		27,093	32,122
Surplus		**4,182**	4,442
Accumulated surplus of Canada, beginning of period		44,929	49,249
Accumulated surplus of Canada, end of period		**49,111**	53,691

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Cumulative Statement of Operations and Accumulated Surplus of Canada

For the six-month period ended September 30, 2011

In thousands of dollars	Schedule	Semester ended Sept. 30 Cumulative Budget	Cumulative 2011	Restated - Note 2 Cumulative 2010
Assistance expenses				
Development of the Canadian audiovisual industry				
Production assistance		29,260	26,071	32,576
Development assistance		3,235	3,171	4,174
Training		584	108	245
		33,079	**29,350**	36,995
Promotional support in Canada and abroad				
Distribution and marketing assistance		4,601	5,057	4,706
Participation in international events		1,521	1,698	1,701
Participation in regional and national events		2,985	2,356	3,380
		9,107	**9,111**	9,787
		42,186	**38,461**	46,782
Operating and administrative expenses	A	14,560	**13,732**	13,988
Cost of operations		56,746	**52,193**	60,770
Revenues				
Management fees from the Canada Media Fund		5,262	5,146	4,657
Investment revenues and recoveries		4,500	5,000	5,277
Interest and other revenues		-	53	51
		9,762	**10,199**	9,985
Net cost of operations before government funding		46,984	**41,994**	50,785
Government funding				
Parliamentary appropriation		51,484	45,900	55,287
		51,484	**45,900**	55,287
Surplus		4,500	**3,906**	4,502
Accumulated surplus of Canada, beginning of period			45,205	49,189
Accumulated surplus of Canada, end of period			**49,111**	53,691

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Statement of Financial Position

September 30, 2011

In thousands of dollars	Note	Sept 30, 2011	Restated - Note 2 March 31, 2011	Restated - Note 2 April 1, 2010
Financial assets				
Cash receivable from Canada		44,289	37,239	37,391
Accounts receivable		3,554	3,842	6,711
Receivable from the Canada Media Fund		2,602	3,028	2,028
		50,445	**44,109**	**46,130**
Financial liabilities				
Accounts payable and accrued liabilities		2,158	1,830	1,293
Liabilities for employee future benefit		2,110	2,134	2,177
		4,268	**3,964**	**3,470**
Net financial assets		**46,177**	**40,145**	**42,660**
Non-financial assets				
Tangible capital assets		2,791	3,263	4,512
Prepaid expenses		143	1,797	2,017
		2,934	**5,060**	**6,529**
Accumulated surplus of Canada	2	**49,111**	**45,205**	**49,189**

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Statement of Change in Net Financial Assets

For the six-month period ended September 30, 2011

In thousands of dollars	Sept. 30, 2011	Restated - Note 2 March 31, 2011
Surplus (deficit)	**3,906**	**(3,984)**
Tangible capital asset transactions		
Amortization	548	1,312
Acquisition	(76)	(63)
Other transactions		
Acquisition of prepaid expenses	(143)	(1,797)
Use of prepaid expenses	1,797	2,017
Increase (decrease) in net financial assets	**6,032**	**(2,515)**
Net financial assets, beginning of period	40,145	42,660
Net financial assets, end of period	**46,177**	**40,145**

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Statement of Cash Flows

For the period ended September 30, 2011

In thousands of dollars	Quarter ended Sept. 30 2011	Quarter ended Sept. 30 Restated - Note 2 2010	Semester ended Sept. 30 2011	Semester ended Sept. 30 Restated - Note 2 2010
Operating activities				
Surplus	**4,182**	4,442	**3,906**	4,502
Items not affecting cash:				
Amortization of tangible capital assets	274	328	548	719
Increase (decrease) in liabilities for employee future benefit	(20)	1	(24)	110
	4,436	4,771	**4,430**	5,331
Changes in non-cash financial items:				
Decrease (increase) in accounts receivable	(1,010)	804	288	1,736
Decrease (increase) in receivable from the Canada Media Fund	(81)	-	426	(372)
Decrease (increase) in prepaid expenses	3	(11)	1,654	1,861
Decrease in accounts payable and accrued liabilities	381	(347)	328	(735)
	3,729	5,217	**7,126**	7,821
Capital activities				
Acquisition of assets	(76)	-	(76)	-
Increase in cash	**3,653**	5,217	**7,050**	7,821
Cash receivable from Canada, beginning of period	40,636	39,995	37,239	37,391
Cash receivable from Canada, end of period	**44,289**	45,212	**44,289**	45,212

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Notes to Interim Financial Statements

1. Basis of financial statements presentation

These unaudited interim financial statements have been prepared by the Corporation's management in accordance with Public Sector Accounting Standards ["PSAS"] pursuant to the Standard on Quarterly Financial Reports for Crown Corporations issued by the Treasury Board. They must be read in conjunction with the most recent annual audited financial statements prepared under the former set of generally accepted accounting principles, Canadian generally accepted accounting principles ["GAAP"], as set out in the Part V of the Canadian Institute of Chartered Accountants ["CICA"] Handbook.

The significant accounting policies in accordance with PSAS are disclosed in the quarterly financial report of June 30, 2011 published on August 26, 2011. The changeover became effective on April 1, 2011 with retrospective application to April 1, 2010. As a result, the comparative figures have been restated to reflect the new standards. The impact on income and the Accumulated surplus of Canada is disclosed in note 2.

The financial data presented in these financial statements are in Canadian dollars.

2. First-time adoption of PSAS

The Corporation prepares its financial statements in accordance with PSAS for the first time this year. In accordance with Section PS 2125, First-time Adoption by Government Organizations, the Corporation has prepared reconciliations to enable readers to understand the effects of the changeover on its comparative results and its financial position.

a) Statement of operations reconciliation

The following table shows the effects of the changeover on the statement of operations for the comparative period, that is, the six months ended September 30, 2010, as well as for the transition year, consisting of the 12 months ended March 31, 2011.

Reconciliation of comparative results In thousands of dollars	Reference	**March 31, 2011**	**Sept. 30, 2010**
Net income - under GAAP		**(2,560)**	**5,364**
Accrued sick leave	i.	(32)	-
Deferred government assistance	ii.	(1,249)	(719)
Deferred lease inducements	iii.	(143)	(143)
		(1,424)	(862)
Surplus (deficit) - under PSAS		**(3,984)**	**4,502**

2. First-time adoption of PSAS (cont.)

b) Statement of financial position reconciliation

The following table shows the effects of the changeover on Accumulated surplus of Canada as at the transition date of April 1, 2010 and the adoption date of March 31, 2011.

Reconciliation of Accumulated surplus of Canada In thousands of dollars	Reference	**March 31, 2011**	**April 1, 2010**
Equity of Canada - under GAAP		**41,929**	**44,489**
Accrued sick leave	i.	(490)	(458)
Deferred government assistance	ii.	3,263	4,512
Deferred lease inducements	iii.	503	646
		3,276	4,700
Accumulated surplus of Canada - under PSAS		**45,205**	**49,189**

As at the same dates, the Corporation also made the following adjustments and reclassifications:

Reclassifications due to the changeover In thousands of dollars	Reference	**March 31, 2011**	**April 1, 2010**
Parental leave and severance benefits	iv.		
GAAP - Accounts payable		(387)	(99)
PSAS - Liabilities for employee future benefit		387	99
Software	v.		
GAAP - Intangible assets		(958)	(1,517)
PSAS - Tangible capital assets		958	1,517
Long-terme accounts receivable	vi.		
GAAP - Long-term accounts receivable		(355)	-
PSAS - Accounts receivable		355	-

2. First-time adoption of PSAS (cont.)

c) Nature of adjustments and reclassifications

i. Sick leave

Each employee of the Corporation is entitled to a set number of days of sick leave per fiscal year. Earned but unused sick leave is accrued and deferred; it cannot be converted into cash but may be taken by the employee until his departure. Under GAAP, the Corporation was not required to recognize a liability in respect of this leave to the extent that the incapacity to work arising from injury or illness had not occurred. Under PSAS, the Corporation is required to record a provision in respect of this obligation. As a result, the Corporation adjusted the employee future benefit obligation in reduction of the Accumulated surplus of Canada at the transition date.

ii. Deferred government assistance

Under GAAP, the portion of parliamentary appropriations used by the Corporation to fund acquisitions of tangible capital assets must be deferred in the statement of financial position and amortized through the statement of operations using the same rates as for the related assets. This is required under PSAS only where the parliamentary appropriations have special stipulations as to their use. The Corporation's parliamentary appropriations do not have such stipulations and must be recognized as government funding when authorized and the eligibility criteria have been met. As a result, the balance of deferred government assistance was fully reversed in the Accumulated surplus of Canada at the transition date.

iii. Deferred lease inducements

Under GAAP, lease inducements are deferred and amortized over the term of the lease. Since there is no PSAS equivalent, the balance of deferred lease inducements at the transition date was fully reversed in the Accumulated surplus of Canada.

iv. Parental leave and severance benefits

Since the short-term and long-term distinction is not required under PSAS on the face of the statement of financial position, the amounts related to the current portion of severance benefits and allowances for parental leave, previously included in accounts payable and accrued liabilities, have been reclassified to employee future benefit obligation.

v. Software

Under PSAS, intangible assets are not reflected through the statement of financial position, except for software considered as tangible capital assets. This balance was reclassified to tangible capital assets on the changeover date.

vi. Long-term accounts receivable

Since the short-term and long-term distinction is not required under PSAS on the face of the statement of financial position, long-term accounts receivable have been reclassified to accounts receivable.

3. Comparative figures

Certain 2010-2011 figures have been reclassified to conform to the presentation adopted for 2011-2012.

TELEFILM CANADA

Schedule A - Other information

A - Operating and administrative expenses

In thousands of dollars	Quarter ended Sept. 30 2011	Restated - Note 2 2010
Salaries and employee benefits	4,975	4,702
Professional services	511	777
Rent, taxes, heating and electricity	449	459
Amortization of tangible capital assets	274	328
Office expenses	209	153
Travel and hospitality	173	162
Information technology	132	139
Advertising and publications	55	131
	6,778	6,851

A - Cumulative operating and administrative expenses

In thousands of dollars	Semester ended Sept. 30 Budget	2011	Restated - Note 2 2010
Salaries and employees benefits	10,194	9,911	9,394
Rent, taxes, heating and electricity	966	969	929
Professional services	1,674	870	1,311
Information technology	708	730	654
Amortization of tangible capital assets	-	548	719
Office expenses	401	329	371
Travel and hospitality	375	289	381
Advertising and publications	242	86	229
	14,560	**13,732**	13,988