Quarterly Financial Report

Period ended December 31, 2011

Third quarter of fiscal 2011-2012

Published February 28, 2012

TÉLÉFILM

Canada

TELEFILM CANADA

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TELEFILM CANADA

1. THE FOUNDATION OF TELEFILM CANADA

Telefilm is a Crown corporation reporting to Parliament through the Minister of Canadian Heritage.

Mandate	Vision	Mission
Foster and promote the development of the audiovisual industry in Canada	Audiences everywhere demanding screen-based content created by Canadians – accessible anywhere, anytime and on any platform	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 offers its services through its Vancouver, Toronto, Montreal and Halifax offices. The Corporation has three main roles:

Investment	Promotion in Canada and abroad	Management
Provide financial support for the development and production of films intended for a global audience and recommend the certification of coproductions	Promotional support for Canadian content and marketing of Canadian feature films	Manage audiovisual industry programs by providing services to the Canada Media Fund

2. HIGHLIGHTS

The board and executive director held the Annual Public Meeting live from Winnipeg and presented to the industry the highlights and annual report from the last fiscal year and the new Success Index. Management finalized the development program guidelines that apply to fiscal year 2012-2013 and confirmed the shift in direction that has begun under the new corporate plan. The Corporation enjoyed a strong media presence as a result of the Annual Public Meeting, the executive director's speeches at the Canadian Club of Montreal and at the Economic Edge 2011 conference in Vancouver as well as the screening of the Canadian feature film *Breakaway* before some 800 guests at the National Arts Centre in Ottawa. Lastly, in January, the Corporation was informed that *Monsieur Lazhar* and *In Darkness* have officially received an Oscar nomination in the *Best Foreign Language Film* category.

The financial results show a slight decline compared to the expected budget targets and the expenditures from the previous year with respective results of -8% and -11%. The situation is being closely monitored and steps are being taken to meet the established minimal financial targets. Operating and administrative expenses respectively show favorable decreases of 8% and 2% with regard to the budget target and comparative result.

3. CONTEXT OF QUARTERLY FINANCIAL REPORT

The Corporation must make public a quarterly financial report in compliance with the *Financial Administration Act*. To this end, the Treasury Board Secretariat (TBS) has issued the *Standard on Quarterly Financial Reports for Crown Corporations*, which specifies the form and the content. This financial report complies with all requirements of the standard established by the TBS and with the accounting principles applicable to the public sector. There is no requirement for an audit or review of the financial statements included in this quarterly financial report, and as such, the report has not been reviewed or audited by external auditors.

4. IMPORTANT CHANGES

Programs

The Corporation continues to work on the major strategic areas defined in the new corporate plan, *Fostering Cultural Success*, namely: confirm our role as an investor, develop our role as a promoter and strengthen the organization's excellence. In this regard, management is finalizing the new development assistance program, which will become one of the first deliverables stemming from the corporate plan. The new program is expected to generate numerous benefits: A reduction in "red tape" as a result of consolidating the multiple development assistance programs into a single program and simplifying the guidelines, administrative savings and increased efficiency in program delivery to the industry, and ultimately, better designed projects that will make it to the production stage. To date, the new guideline proposal has been the subject of numerous consultations with the industry and has been well received.

The Corporation also finalized the methodology for calculating the Success Index, which was presented during the Annual Meeting. Lastly, the national promotion strategy that will place Canadian content at the forefront is gradually taking shape, including a greater emphasis on possibilities for multi-platform digital distribution, social media as well as national and international partnerships. These initiatives do not have any documented financial impact for the Corporation. In terms of partnership, the Corporation signed a protocol agreement with SODEC (Société de développement des entreprises culturelles) in October that lays the groundwork for collaboration on the development and implementation of promotional activities. The objective is to achieve synergies and administrative savings while maximizing the scope of our promotional activities. The agreement is for a five-year period.

Activities

The Corporation held its third annual public meeting last November in Saint-Boniface, Manitoba. The event was broadcast live via a Webcast. Among the goals were to share the highlights from the last fiscal year and the *2010-2011 Annual Report: Daring to Change: A New Vision*, to present Telefilm's new Success Index and to interact with the public. The Success Index is an innovative tool that will allow the Corporation to effectively measure the cultural, industrial and commercial performance of its portfolio. In addition, the Corporation continues to implement, through public-private collaboration, activities that foster Canadian cultural success. A special screening of the film *Breakaway* took place this past October in Ottawa. More than 800 MPs and dignitaries in attendance greatly enjoyed the quality of this Canadian feature film.

In keeping with the commercialization of Canadian content, the Corporation placed the Canada Pavilion at the disposal of nearly 70 Canadian production and distribution companies at the world's audiovisual and digital content market *(MIPCOM).* This networking opportunity is held each October in Cannes (France) and is suitable for the sale and purchase of rights, coproductions and financing. As well, Canadian films will be presented at Sundance including three documentaries that were selected for the *World Cinema Documentary Competition* of the next edition of the Festival: *Payback*, *Indie Game: The Movie* and *China Heavyweight*. Lastly, *Monsieur Lazhar* was chosen to represent Canada at the Oscars by a Canada-wide selection committee and has been nominated in the *Best Foreign Language Film* category.

Personnel

Executive director Carolle Brabant is providing leadership to the Corporation. Ms. Brabant was officially honored as one of *The Hollywood Reporter's* *13 Female Power-Players Who Rule the World*, the newly created sidebar for the trade publication's annual Top 100 Power Women in Entertainment list. Moreover, the Canadian Club of Montreal invited the executive director to deliver a speech on the Canadian audiovisual industry and its economic support. In addition, the executive director addressed the Canadian audiovisual industry's need to evolve its business model in the face of an increasingly online consumer at the Economic Edge 2011 conference presented by the Canadian Chamber of Commerce in Vancouver. These public appearances help shine the spotlight on the Corporation and strengthen the importance of the economic impact of the audiovisual industry for the Canadian economy.

As well, the Honorable James Moore has renewed Elise Orenstein's mandate for five years as a member of the board. Ms. Orenstein acts as vice-chair of the board, and her *biography* is available on the Corporation's website. There was no personnel turnover on the board or on the Corporation's management committee.

5. GOVERNANCE

The Corporation's governance is carried out through the activities of the board and its committees as well as by the management committee chaired by the executive director and its subcommittees. The board and the audit and finance committee each held a meeting during the quarter. The management committee, which works on the management of the Corporation, typically met weekly. The Corporation tends to use effective and cost-efficient technological methods to hold its meetings, in particular web technology, which makes meetings very productive and completely eliminates travel time and related costs.

6. INTERNAL AUDIT

The Corporation has commissioned an outside firm to carry out internal auditing work for which accountability is made directly to the Corporation's audit and finance committee. In this respect, an audit report on the expense accounts was submitted to the committee last October. The other mandates will be delivered or completed by March 31.

7. RISK MANAGEMENT

The risk management process and the categorization of the Corporation's risks are listed in the Governance section of our *2010-2011 Annual Report*. Risk management is done on an ongoing basis at Telefilm. As such, the risk management committee met this past November and December to clarify and review the risk assessment. The 2011-2012 annual report will highlight the results of this initiative by presenting the main risks faced by the Corporation. For fiscal year 2012-2013 and later, the Corporation will probably be called upon to participate in the federal government's Deficit Reduction Action Plan. The Corporation has designed scenarios to achieve savings on the spending voted by Parliament. These scenarios minimize the impact on the industry while helping us reach the objectives of our corporate plan. The conclusions are not yet known.

8. PERFORMANCE INDICATORS

Operational Indicators	Targets	Results	Findings
Response time for production funding decisions	Decision date planned	100% of the time	Target met
	10 weeks	± 88% of the time	Target partially met
Co-productions certification : Decision issued	8 weeks	± 94% of the time	Target partially met
Service levels : Canada Media Fund programs administrator (CMFPA): Response time indicators (in days)	33 targets to meet	16 targets mets	48% of the targets met*
Project payment triggered	≤ 10 days	2	Target met
Supplier payment triggered	≤ 20 days	17	Target met
Critical IT system hours available	≥ 97.5%	99%	Target met
Critical IT systems incident-free days	≥ 90%	97.4%	Target met

*Due to new programs and the number of applications received, only certain CMFPA service levels are met. Moreover, generally unfavorable variances between the result achieved and the targets tend to decrease. 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	$ 56.5 M	$ 51.5 M	Good position
Promotion assistance	$ 15.5 M	$ 14.6 M	Good position
Administrative expenses : Maximum threshold	$ 21.6 M	$ 19.8 M	Target met

Human Ressources Indicators	Targets	Results	Findings
Attraction indicator - Average recruitment time	28 ≤ Days ≤ 45	27 days	Target met
Retention Indicator - Employment turnover	6 ≤ % ≤ 8	11%	Target not met

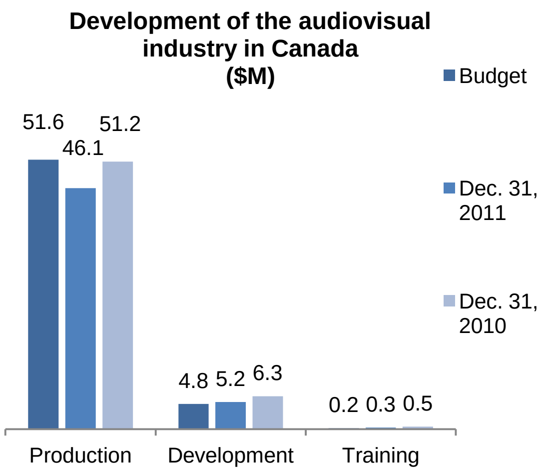
9. UNADJUSTED DIFFERENCES

The Corporation strives to produce relevant financial information in compliance with Public Sector Accounting Standards and within the timeframes established by the Receiver General of Canada, namely five business days after the end of the quarter. Accordingly, Management uses means and methods that allow it to identify the required adjustments. For efficiency's sake, certain cut-off procedures applicable to the accounts payable and receivable cycles, the capitalization of expenditure components in the fixed assets and certain adjustments concerning liabilities for employee future benefits were not carried out at December 31, 2011. Given that the importance of these necessary adjustments to make to the amounts, classification or presentation is deemed immaterial by Management, the financial statements provide a fair representation in all their significant aspects.

10. ANALYSIS OF CUMULATIVE RESULTS

Assistance Expenses

The Corporation provides support to the audiovisual industry in two areas: investment in industry development and promotional support in Canada and abroad.



Production

<u>Cumulative variance</u>

Budget vs. actual	$5.5M	11%
Actual vs. comparative	-$5.1M	-10%

Management has increased the budgets allocated to the production program. This adjustment reflects the Corporation's willingness to use its selective production assistance program to fund the most deserving projects and to adapt when possible to industry constraints and needs as part of its program that includes the performance envelopes. These two elements explain the budgetary surplus at the third quarter.

The cumulative expenditure shows a decrease from the previous fiscal year and is due equally to the selective stream and the performance envelope stream. The difficulty in completing funding projects, the production teams, and the delays in shooting dates have resulted in the absence of important contracts being signed in English-language. As for the performance envelope program, the delay in spending is currently explained by difficulties attributable primarily to certain envelopes that may expire or for which the funding is not finalized.

Development

<u>Cumulative variance</u>

Actual vs. comparative -$1.1M -17%

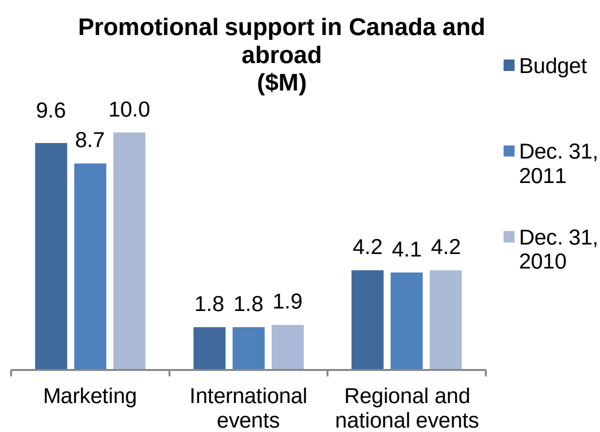
Two factors account for the decrease in the cumulative support expenses of the development programs. First, the performance envelope holders are taking longer to submit their development projects compared to the previous fiscal year. Note that these envelope holders have until January to submit projects. Moreover, certain complementary development program activities affecting linguistic minorities have been reevaluated as part of the program redesign. Certain investments will be incurred during the last quarter.

Training

<u>Cumulative variance</u>

Actual vs. comparative -$0.2M -40%

As part of the program redesign project, certain training initiatives are not renewed. The cumulative expenditure consists of amounts related to financial commitments made in previous fiscal years.



Marketing

<u>Cumulative variance</u>

Actual vs. comparative -$1.3M -13%

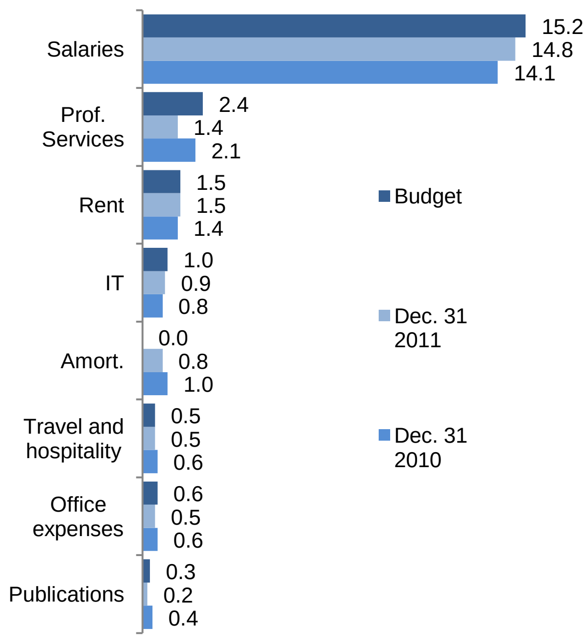
The reduction in assistance expenses is caused by a decrease in both the selective and performance envelope programs. With regard to the selective program, the film marketing decisions are late both in terms of number of productions supported and financial importance compared to the previous fiscal year. An upsurge in marketing assistance activities is expected at the 4th quarter. Moreover, the funding activities of the performance envelope program enjoyed the same level of activity with the exception of significant funding on an earlier project that contributes to the variance.

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.

The Corporation is in a very good budgetary position at December 31 and in anticipation of March 31.

Operating and administrative expenses ($M)



Professional Services

<u>Cumulative variance</u>

Budget vs. actual	$1.0 M	42%
Actual vs. comparative	-$0.7 M	-33%

The budgetary surplus is due to two elements: a significant part resulting from ongoing operations such as professional internal audit services and technology consulting services as well as budgetary surpluses stemming from specific corporate projects. At present, there is no significant identifiable saving arising from this budget item. The decrease in expenses between the two reporting periods is chiefly due to the reduction of information technology consultant costs, including certain services now done by employees.

Information Technology

<u>Cumulative variance</u>

Budget vs. actual	$0.1M	10%

The budgetary variance comes mainly from the computer leasing expense and is attributable to the initial budget allocation method. The surplus is expected to be absorbed at the end of the fiscal year.

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Amortization
Cumulative variance
Actual vs. comparative -$0.2M -20%

Amortization of capital assets is a non-monetary expense and 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
Actual vs. comparative -$0.1M -17%

Travel expenditures in Canada and abroad have declined. The decrease is mainly explained by travel costs of board members and by the Canada Media Fund (CMF) program administration unit that carried out awareness-raising activities for the CMF when deploying new programs last year.

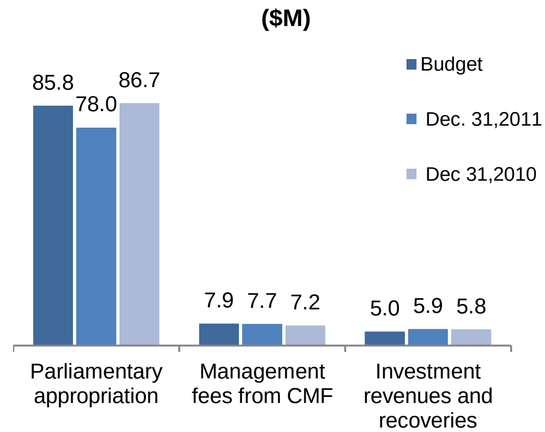
Office Expenses
Cumulative variance
Budget vs. actual $0.1M 17%

The budgetary variance is chiefly due to certain training costs anticipated for March 31 and to insignificant budgetary savings on multiple items from the material resources management sector. No substantial saving is expected at March 31 on this budget item.

Advertising and Publications
Cumulative variance
Budget vs. actual $0.1M 33%
Actual vs. comparative -$0.2M -50%

The budgetary surplus is related to a decrease in costs for promotional screening activities and costs incurred during discussion forums. The decline in expenditures is explained by the savings arising from the management of more cost-efficient purchases of published promotional information, by expenses related to the media watch that will be incurred by March 31 and by a reduction in costs for promotional screening activities.

Revenues and Government Funding



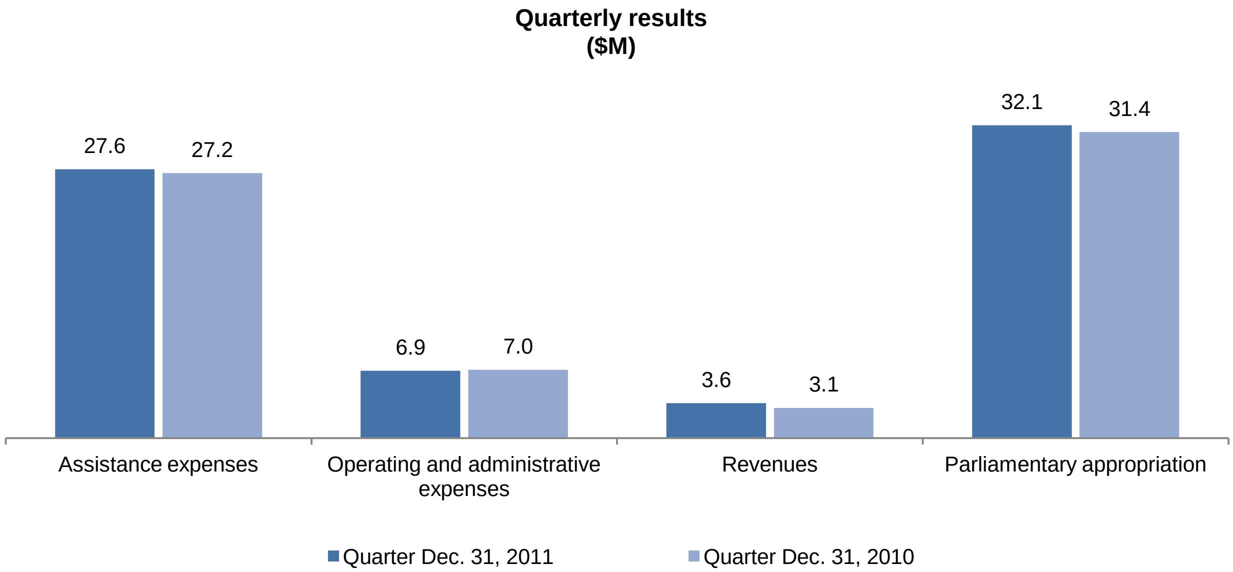
Parliamentary Appropriation
Cumulative variance
Actual vs. comparative -$8.7M -10%

The reduction in Parliamentary appropriation compared to the previous fiscal year directly correlates with the significant decrease in assistance expenses ($7.9M).

Investment Revenues and Recoveries
Cumulative variance
Budget vs. actual -$0.9M -18%

We cannot establish any trends with respect to the analysis of the revenue/budget variance. This discrepancy is due to the fact that the revenues reported were slightly higher than anticipated during the first submission date for the exploitation reports in the 2nd quarter. It should be pointed out that the Corporation does not control sales made by distributors. As a result, it is difficult to forecast revenue and recovery levels.

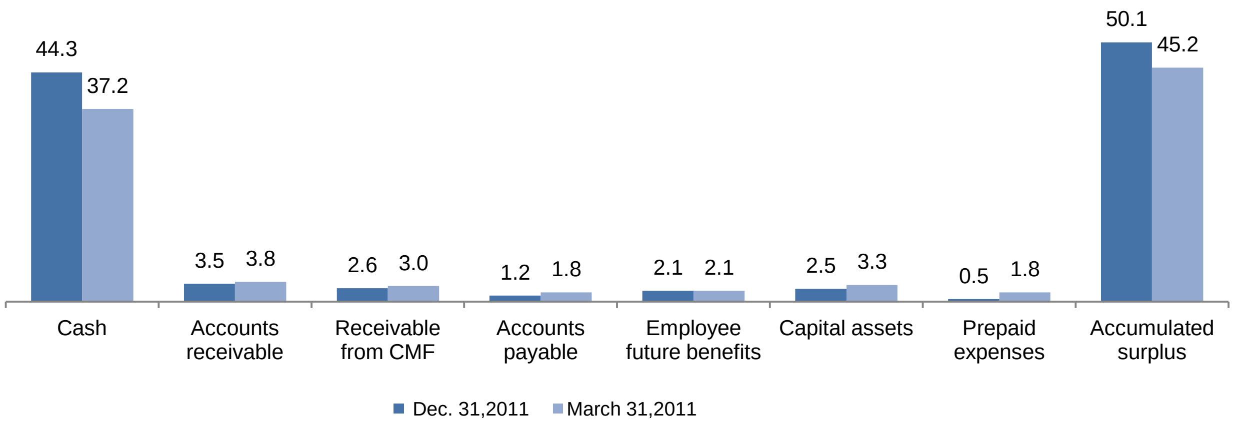
11. ANALYSIS OF QUARTERLY RESULTS



There was no significant change in assistance expenses, operating and administrative costs and Parliamentary appropriation in the 3rd quarter. Overall, the expenditures for the period correspond to those of the comparative quarter of the previous fiscal year. The revenues show an increase vis-à-vis the comparative quarter. This favorable position is explained by adjustments related to the allowance for bad debt and by the write-off of non-recoverable accounts recorded in the 3rd quarter 2010. No allowance for and write-off of bad debt were recorded in the 3rd quarter of this fiscal year.

12. ANALYSIS OF FINANCIAL POSITION

Financial assets, Financial liabilities and Non-financial assets ($M)



The Accumulated surplus of Canada increased over the first 3 quarters ($4.9M), indicating a financial surplus for the first 9 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 primarily explained by the surplus generated over the last 9 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 December 31 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	-$0.6M	-33%

The decrease in accounts payable and accrued charges is mainly explained by a decline in accrued administrative charges at March 31 that have been settled since the start of the fiscal year.

Non-financial Assets

Variance: Actual vs. comparative		
Capital assets	-$0.8M	-24%
Prepaid expenses	-$1.3M	-72%

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

Prepaid expenses decreased significantly ($1.3M). All prepaid expenses from the previous year have been recorded as expenses since the start of the fiscal year and the new balance is entirely attributable to January leasing costs and an international event that will be held in April 2012.

13. 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)	Dec. 31, 2011	Dec. 31, 2010
Cost of operations	86.7	95.0
Adjustments affecting cost of operations:		
Amortization	(0.8)	(1.0)
Other non-funded item	-	(0.1)
	(0.8)	(1.1)
Adjustments affecting the use of Parliamentary appropriation:		
Operating expenses funded by the CMF	(7.7)	(7.2)
Prepaid administrative expenses at March 31, 2011	(1.0)	-
Prepaid expenses at December 31, 2011	0.5	-
Acquisition of property and equipment	0.1	-
Other funded item	0.2	-
	(7.9)	(7.2)
Use of Parliamentary appropriation at December 31	78.0	86.7
Parliamentary appropriation available for the subsequent quarter	27.7	19.0
Parliamentary appropriation authorized	105.7	105.7

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

14. QUARTERLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 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

February 28, 2012

Carolle Brabant, CA, MBA
Executive Director

Denis Pion,
Director – Administration and Corporate Services

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Quarterly Statement of Operations and Accumulated Surplus of Canada

For the three-month period ended December 31, 2011

In thousands of dollars	Schedule	Quarter ended Dec. 31 2011	Restated - Note 2 2010
Assistance expenses			
Development of the Canadian audiovisual industry			
Production assistance		20,006	18,632
Development assistance		2,006	2,121
Training		149	230
		22,161	20,983
Promotional support in Canada and abroad			
Distribution and marketing assistance		3,594	5,296
Participation in international events		146	154
Participation in regional and national events		1,737	808
		5,477	6,258
		27,638	27,241
Operating and administrative expenses	A	**6,891**	7,003
Cost of operations		**34,529**	34,244
Revenues			
Management fees from the Canada Media Fund		2,599	2,548
Investment revenues and recoveries		941	477
Interest and other revenues		10	31
		3,550	3,056
Net cost of operations before government funding		**30,979**	31,188
Government funding			
Parliamentary appropriation		32,057	31,382
		32,057	31,382
Surplus		**1,078**	194
Accumulated surplus of Canada, beginning of period		49,111	53,691
Accumulated surplus of Canada, end of period		**50,189**	53,885

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Cumulative Statement of Operations and Accumulated Surplus of Canada

For the nine-month period ended December 31, 2011

		Period ended Dec. 31		
In thousands of dollars	Schedule	Cumulative Budget	Cumulative 2011	Restated - Note 2 Cumulative 2010
Assistance expenses				
Development of the Canadian audiovisual industry				
Production assistance		51,566	46,077	51,208
Development assistance		4,777	5,177	6,295
Training		182	257	475
		56,525	**51,511**	57,978
Promotional support in Canada and abroad				
Distribution and marketing assistance		9,552	8,651	10,002
Participation in international events		1,792	1,844	1,855
Participation in regional and national events		4,162	4,093	4,188
		15,506	**14,588**	16,045
		72,031	**66,099**	74,023
Operating and administrative expenses	B	21,605	**20,623**	20,991
Cost of operations		93,636	**86,722**	95,014
Revenues				
Management fees from the Canada Media Fund		7,893	7,745	7,205
Investment revenues and recoveries		5,000	5,941	5,754
Interest and other revenues		-	63	82
		12,893	**13,749**	13,041
Net cost of operations before government funding		80,743	**72,973**	81,973
Government funding				
Parliamentary appropriation		85,743	77,957	86,669
		85,743	**77,957**	**86,669**
Surplus		5,000	**4,984**	4,696
Accumulated surplus of Canada, beginning of period			45,205	49,189
Accumulated surplus of Canada, end of period			**50,189**	53,885

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Statement of Financial Position

December 31, 2011

In thousands of dollars	Note	Dec. 31, 2011	Restated - Note 2 March 31, 2011	Restated - Note 2 April 1, 2010
Financial assets				
Cash receivable from Canada		44,312	37,239	37,391
Accounts receivable		3,484	3,842	6,711
Receivable from the Canada Media Fund		2,641	3,028	2,028
		50,437	**44,109**	**46,130**
Financial liabilities				
Accounts payable and accrued liabilities		1,181	1,830	1,293
Liabilities for employee future benefits		2,123	2,134	2,177
		3,304	**3,964**	**3,470**
Net financial assets		**47,133**	**40,145**	**42,660**
Non-financial assets				
Tangible capital assets		2,524	3,263	4,512
Prepaid expenses		532	1,797	2,017
		3,056	**5,060**	**6,529**
Accumulated surplus of Canada	2	**50,189**	**45,205**	**49,189**

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Statement of Change in Net Financial Assets

For the nine-month period ended December 31, 2011

In thousands of dollars	Dec. 31, 2011	Restated - Note 2 March 31, 2011
Surplus (deficit)	**4,984**	**(3,984)**
Tangible capital asset transactions		
Amortization	815	1,312
Acquisition	(76)	(63)
Other transactions		
Acquisition of prepaid expenses	(532)	(1,797)
Use of prepaid expenses	1,797	2,017
Increase (decrease) in net financial assets	**6,988**	**(2,515)**
Net financial assets, beginning of period	40,145	42,660
Net financial assets, end of period	**47,133**	**40,145**

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Statement of Cash Flows

For the period ended December 31, 2011

	Quarter ended Dec. 31		Period of 9 months ended Dec. 31	
		Restated - Note 2		Restated - Note 2
In thousands of dollars	**2011**	**2010**	**2011**	**2010**
Operating activities				
Surplus	1,078	194	4,984	4,696
Items not affecting cash:				
Amortization of tangible capital assets	267	316	815	1,035
Increase (decrease) in liabilities for employee future benefits	13	-	(11)	110
	1,358	510	**5,788**	5,841
Changes in non-cash financial items:				
Decrease in accounts receivable	70	17	358	1,753
Decrease (increase) in receivable from the Canada Media Fund	(39)	(189)	387	(561)
Decrease (increase) in prepaid expenses	(389)	(315)	1,265	1,547
Increase (decrease) in accounts payable and accrued liabilities	(977)	684	(649)	(52)
	23	707	**7,149**	8,528
Capital activities				
Acquisition of assets	-	-	(76)	-
Increase in cash	**23**	707	**7,073**	8,528
Cash receivable from Canada, beginning of period	44,289	45,212	37,239	37,391
Cash receivable from Canada, end of period	**44,312**	45,919	**44,312**	45,919

Notes to the 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 nine months ended December 31, 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**	**Dec. 31, 2010**
Net income - under GAAP		**(2,560)**	**5,874**
Accrued sick leave	i.	(32)	-
Deferred government assistance	ii.	(1,249)	(1,035)
Deferred lease inducements	iii.	(143)	(143)
		(1,424)	(1,178)
Surplus (deficit) - under PSAS		**(3,984)**	**4,696**

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 benefits		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 liabilities for employee future benefits 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 liabilities for employee future benefits.

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

Schedules A and B - Other information

A - Operating and administrative expenses

In thousands of dollars	Quarter ended Dec. 31 2011	Restated - Note 2 2010
Salaries and employee benefits	4,895	4,658
Professional services	556	800
Rent, taxes, heating and electricity	484	459
Amortization of tangible capital assets	267	316
Travel and hospitality	220	259
Office expenses	187	202
Information technology	168	173
Advertising and publications	114	136
	6,891	7,003

B - Cumulative operating and administrative expenses

In thousands of dollars	Period of 9 months ended Dec. 31 Budget	2011	Restated - Note 2 2010
Salaries and employees benefits	15,223	14,806	14,052
Rent, taxes, heating and electricity	1,451	1,453	1,388
Professional services	2,411	1,426	2,111
Information technology	1,045	898	827
Amortization of tangible capital assets	-	815	1,035
Office expenses	642	516	573
Travel and hospitality	527	509	640
Advertising and publications	306	200	365
	21,605	**20,623**	20,991