

# **DHX Media Ltd.**

Unaudited Interim Condensed Consolidated Financial  
Statements

**March 31, 2012 and 2011**

(expressed in thousands of Canadian dollars, except for  
shares and amounts per share)

May 11, 2012

## **Management's Responsibility for Financial Reporting**

The accompanying unaudited interim condensed consolidated financial statements, Management's Discussion and Analysis ("MD&A") and supplemental information of DHX Media Ltd. (the "Company") are the responsibility of management and have been approved by the Audit Committee of the Board of Directors (the "Board"). The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting, and is ultimately responsible for reviewing and approving the unaudited interim condensed consolidated financial statements and MD&A. The Board carries out this responsibility through its Audit Committee. The Audit Committee reviews the Company's unaudited interim condensed consolidated financial statements and recommends their approval by the Board of Directors.

The Audit Committee is appointed by the Board and all of its members are independent directors. It meets with the Company's management and reviews internal control and financial reporting matters to ensure that management is properly discharging its responsibilities before submitting the financial statements to the Board of Directors for approval.

The unaudited interim condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). When alternative methods of accounting exist, management has chosen those it deems most appropriate in the circumstances. The unaudited interim condensed consolidated financial statements and information in the MD&A necessarily include amounts based on informed judgements and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the unaudited interim condensed consolidated financial statements management must make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

**These unaudited interim condensed consolidated financial statements have not been reviewed by the external auditors of the Company.**

(signed) "*Michael Donovan*"  
Chief Executive Officer  
Halifax, Nova Scotia

(signed) "*Dana Landry*"  
Chief Financial Officer  
Halifax, Nova Scotia

# DHX Media Ltd.

## Unaudited Consolidated Balance Sheets

As at March 31, 2012 and June 30, 2011 and July 1, 2010

(expressed in thousands of Canadian dollars)

	March 31, 2012 \$	June 30, 2011 \$	July 1, 2010 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash	18,000	19,525	17,276
Short-term investments (note 7)	5,240	6,060	6,098
Amounts receivable (note 8)	52,982	54,892	59,364
Prepaid expenses and deposits	1,604	880	622
Investment in film and television programs (note 9)	42,602	39,184	30,566
	<u>120,428</u>	<u>120,541</u>	<u>113,926</u>
Investment in associates (note 10)	1,606	1,687	2,020
Property, plant, and equipment (note 11)	8,666	9,807	7,545
Long-term investment	330	330	330
Intangible assets (note 12)	2,923	3,552	4,068
Goodwill (note 13)	11,786	11,763	11,088
Deferred income taxes (note 17)	489	342	-
	<u>146,228</u>	<u>148,022</u>	<u>138,977</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank indebtedness (note 14)	1,753	5,200	250
Accounts payable and accrued liabilities	18,192	15,502	12,173
Deferred revenue	12,194	9,499	3,901
Interim production financing (note 14)	28,079	31,404	38,796
Current portion of long-term debt and obligations under capital leases (note 14)	1,955	1,017	541
	<u>62,173</u>	<u>62,622</u>	<u>55,661</u>
Other liability (note 6)	1,292	1,251	-
Long-term debt and obligations under capital leases (note 14)	4,340	2,893	2,623
Deferred income taxes (note 17)	-	-	514
	<u>67,805</u>	<u>66,766</u>	<u>58,798</u>
<b>Shareholders' Equity</b>	<u>78,423</u>	<u>81,256</u>	<u>80,179</u>
	<u>146,228</u>	<u>148,022</u>	<u>138,977</u>
<b>Commitments and contingencies</b> (note 20)			

The accompanying notes form an integral part of these financial statements.

# DHX Media Ltd.

## Unaudited Consolidated Statements of Change in Equity

For the periods ending March 31, 2012 and 2011 and June 30, 2011 and as at July 1, 2010

(expressed in thousands of Canadian dollars)

	Common shares \$	Share purchase financing \$	Warrants \$	Contributed surplus \$	Accumulated other comprehensive income (loss) (note 25) \$	Retained earnings (deficit) \$	Total \$
<b>Balance – July 1, 2010</b>	76,548	(268)	1,840	4,293	12	(2,246)	80,179
Net income for the period	–	–	–	–	–	1,520	1,520
Other comprehensive loss for the period	–	–	–	–	(249)	–	(249)
Comprehensive income (loss) for the period	–	–	–	–	(249)	1,520	1,271
Share issuance costs, net of tax effect of \$35	(65)	–	–	–	–	–	(65)
Repayments of share purchase financing	–	1	–	–	–	–	1
Issued pursuant to share purchase plan	6	–	–	–	–	–	6
Loans forgiven and shares cancelled	(25)	25	–	–	–	–	–
Compensation expense on share purchase financing	–	47	–	–	–	–	47
Interest received on share purchase financing	–	4	–	–	–	–	4
Share-based compensation	–	–	–	257	–	–	257
Expiration of warrants, net of tax effect of \$265	–	–	(1,630)	1,365	–	–	(265)
<b>Balance - March 31, 2011</b>	76,464	(191)	210	5,915	(237)	(726)	81,435
Net loss for the period	–	–	–	–	–	(102)	(102)
Other comprehensive income (loss) for the period	–	–	–	–	(220)	–	(220)
Comprehensive loss for the period	–	–	–	–	(220)	(102)	(322)
Share issuance costs, net of tax effect of \$3	(17)	–	–	–	–	–	(17)
Stock options exercised	30	–	–	(11)	–	–	19
Normal course issuer bid shares repurchased and cancelled	(43)	–	–	–	–	–	(43)
Issued pursuant to share purchase plan	3	–	–	–	–	–	3
Repayments of share purchase financing	–	1	–	–	–	–	1
Interest received on share purchase financing	–	1	–	–	–	–	1
Expiration of warrants	–	–	–	(6)	–	–	(6)
Share-based compensation	–	–	–	185	–	–	185
<b>Balance – June 30, 2011</b>	76,437	(189)	210	6,083	(457)	(828)	81,256
Net income for the period	–	–	–	–	–	2,699	2,699
Other comprehensive income for the period	–	–	–	–	267	–	267
Comprehensive income for the period	–	–	–	–	267	2,699	2,966
Shares issued pursuant to the employee share purchase plan	9	–	–	–	–	–	9
Shares cancelled pursuant to an employee loan forgiven	(50)	50	–	–	–	–	–
Shares repurchased pursuant to a normal course issuer bid	(1,698)	–	–	620	–	–	(1,078)
Substantial issuer bid shares repurchased and cancelled, including costs of \$82, net of tax effect of \$38	(8,857)	–	–	3,775	–	–	(5,082)
Repayment of share purchase financing	–	2	–	–	–	–	2
Interest received on share purchase financing	–	2	–	–	–	–	2
Compensation expense on share purchase financing	–	46	–	–	–	–	46
Share-based compensation	–	–	–	335	–	–	335
Expiration of warrants, net of tax effect of \$33	–	–	(210)	177	–	–	(33)
<b>Balance – March 31, 2012</b>	65,841	(89)	–	10,990	(190)	1,871	78,423

The accompanying notes form an integral part of these financial statements.

# DHX Media Ltd.

## Unaudited Consolidated Statements of Income

### For the three and nine months ended March 31, 2012 and 2011

(expressed in thousands of Canadian dollars, except for shares and amounts per share)

	Three-months ended		Nine-months ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
	\$	\$	\$	\$
<b>Revenues</b> (note 24)	16,619	12,283	58,238	43,891
<b>Direct production costs and amortization of film and television produced</b>	10,504	6,771	39,338	26,359
	<u>6,115</u>	<u>5,512</u>	<u>18,900</u>	<u>17,532</u>
<b>Operating expenses (income)</b>				
Amortization of acquired library	131	107	609	446
Amortization of property, plant and equipment and intangibles	742	527	1,963	1,545
Development expenses and other	226	408	436	844
Impairment in value of investment in film and television programs	-	-	135	450
Selling, general and administrative	4,070	4,132	11,863	11,817
Share of loss of associates	55	111	81	265
Finance expense (income), net (note 18)	88	(72)	(23)	(82)
	<u>5,312</u>	<u>5,213</u>	<u>15,064</u>	<u>15,285</u>
<b>Income before income taxes</b>	<u>803</u>	<u>299</u>	<u>3,836</u>	<u>2,247</u>
<b>Provision for (recovery of) income taxes</b>				
Large corporation taxes	15	15	45	45
Current income taxes	508	289	1,245	1,170
Deferred income taxes	(266)	(242)	(153)	(488)
	<u>257</u>	<u>62</u>	<u>1,137</u>	<u>727</u>
<b>Net income for the periods</b>	<u>546</u>	<u>237</u>	<u>2,699</u>	<u>1,520</u>
<b>Basic earnings per common share</b> (note 22)	<u>0.01</u>	<u>0.00</u>	<u>0.05</u>	<u>0.02</u>
<b>Diluted earnings per common share</b> (note 22)	<u>0.01</u>	<u>0.00</u>	<u>0.05</u>	<u>0.02</u>

The accompanying notes form an integral part of these financial statements.

# DHX Media Ltd.

## Unaudited Consolidated Statements of Comprehensive Income For the three and nine-months ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

	Three-months ended		Nine-months ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
	\$	\$	\$	\$
<b>Net income for the periods</b>	546	237	2,699	1,520
<b>Other comprehensive income (loss)</b>				
Cumulative translation adjustment	(252)	200	263	(221)
Changes in fair value of available-for-sale investments	(64)	(10)	4	(28)
<b>Other comprehensive income (loss) for the periods</b>	(316)	190	267	(249)
<b>Comprehensive income for the periods</b>	230	427	2,966	1,271

The accompanying notes form an integral part of these financial statements.

# DHX Media Ltd.

## Unaudited Consolidated Statements of Cash Flows

### For the three and nine-months ended March 31, 2012 and 2011

(expressed in thousands of Canadian dollars)

	Three-months ended		Nine-months ended	
	March 31, 2012 \$	March 31, 2011 \$	March 31, 2012 \$	March 31, 2011 \$
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net income for the periods	546	237	2,699	1,520
Charges (credits) to income not involving cash				
Amortization of film and television programs	2,130	2,266	9,677	10,650
Amortization of acquired library	131	107	609	446
Amortization of property, plant, and equipment	535	329	1,333	822
Amortization of intangible assets	207	198	629	722
Unrealized foreign exchange loss (gain)	8	(58)	116	(257)
Impairment in value of investment in film and television programs	-	-	135	450
Share of loss of associates	55	111	81	265
Share-based compensation	71	85	381	304
Interest on promissory notes	-	1	2	4
Recovery of deferred income taxes	(266)	(242)	(153)	(488)
	<u>3,417</u>	<u>3,034</u>	<u>15,509</u>	<u>14,438</u>
Net investment in film and television programs	(1,860)	(1,637)	(13,839)	(14,754)
Net change in non-cash working capital balances related to operations (note 23)	567	5,374	6,744	8,900
<b>Cash provided by operating activities</b>	<u>2,124</u>	<u>6,771</u>	<u>8,414</u>	<u>8,584</u>
<b>Financing activities</b>				
Proceeds from issuance of common shares and warrants, net of issue costs	-	(100)	-	(100)
Proceeds from issuance of common shares related to employee share purchase plan	3	4	9	6
Proceeds from repayment of employee share purchase loan	1	-	2	-
Common shares repurchased and cancelled	(137)	-	(6,193)	-
Proceeds from (repayment of) bank indebtedness	(765)	(87)	(3,447)	5,724
Repayment of interim production financing	(24)	(3,975)	(3,326)	(187)
Proceeds from long-term debt	-	-	4,000	-
Repayment of long-term debt and obligations under capital leases	(592)	(135)	(855)	(410)
<b>Cash provided by (used in) financing activities</b>	<u>(1,514)</u>	<u>(4,293)</u>	<u>(9,810)</u>	<u>5,033</u>
<b>Investing activities</b>				
Business acquisitions	-	-	-	(7,936)
Acquisitions of short-term investments	-	(3)	(7,185)	(4,005)
Proceeds on disposal of short-term investments	-	1,006	8,009	1,016
Proceeds on disposal of (acquisition of) property, plant, and equipment	96	(279)	(953)	(966)
<b>Cash provided by (used in) investing activities</b>	<u>96</u>	<u>724</u>	<u>(129)</u>	<u>(11,891)</u>
<b>Net change in cash during the periods</b>	<u>706</u>	<u>3,202</u>	<u>(1,525)</u>	<u>1,726</u>
<b>Cash – Beginning of periods</b>	<u>17,294</u>	<u>15,800</u>	<u>19,525</u>	<u>17,276</u>
<b>Cash – End of periods</b>	<u>18,000</u>	<u>19,002</u>	<u>18,000</u>	<u>19,002</u>

The accompanying notes form an integral part of these financial statements.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 1 Nature of the business

DHX Media Ltd. (the “Company”) is a public company, and the ultimate parent, whose common shares are traded on the Toronto Stock Exchange (TSX), admitted on May 19, 2006 (symbol DHX). The Company, incorporated on February 12, 2004 under the laws of the Province of Nova Scotia, Canada, and continued on April 25, 2006 under the Canada Business Corporation Act, develops, produces and distributes films and television programs for the domestic and international markets. The address of the Company’s head office is 1478 Queen Street, Halifax, Nova Scotia, Canada, B3J 2H7.

### 2 Basis of preparation and adoption of IFRS

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”), and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting in accordance with IFRS in these interim consolidated financial statements. In these interim consolidated financial statements, the term “Canadian GAAP” refers to Canadian generally accepted accounting principles prior to the adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in note 4, the Company has consistently applied the same accounting policies in its opening IFRS balance sheet at July 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company's reported balance sheets, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company’s consolidated financial statements for the year ended June 30, 2011.

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of May 11, 2012, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending June 30, 2012 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on transition to IFRS.

These interim consolidated financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the Company’s Canadian GAAP annual consolidated financial statements for the year ended June 30, 2011. In management’s opinion, the financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim period presented.

### 3 Significant accounting policies, judgments and estimation uncertainty

#### Significant accounting policies

The significant accounting policies used in the preparation of these consolidated interim financial statements are described below.



# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 3 Significant accounting policies, judgments and estimation uncertainty (continued)

#### Basis of measurement

The interim consolidated financial statements have been prepared under a historical cost basis, except for certain financial assets and financial liabilities, including derivative instruments that are measured at fair value.

#### Consolidation

The interim consolidated financial statements include the accounts of DHX Media Ltd. and all of its subsidiaries. The interim financial statements of all subsidiaries are prepared for the same reporting period, using the consistent accounting policies. Intercompany accounts, transactions, income and expenses and unrealized gains and losses resulting from transactions amongst the consolidated companies have been eliminated upon consolidation.

Subsidiaries are those entities, including special purpose entities, which the Company controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

Certain special purpose entities are consolidated by the Company where it does not own, directly or indirectly, through subsidiaries, more than half of the voting power, but where the Company has determined that it has either sufficient power to govern the financial and operating policies of the entities, the power to appoint or remove the majority of the members of Board of Directors of the entities or the power to cast the majority of votes at meetings of the Board of Directors of the entities in such a manner that control is considered to exist.

#### Non-controlling interests

Non-controlling interest represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. The share of net income and comprehensive income attributable to non-controlling interests is recognized directly in equity. Changes to the Company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

#### Investments in associates

Associates are entities over which the Company has significant influence, but not control. The financial results of the Company's investments in its associates are included in the Company's results according to the equity method. Subsequent to the acquisition date, the Company's share of profits or losses of associates is recognized in the statement of income and its share of other comprehensive income of associates is included in the other comprehensive income account.

Unrealized gains on transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognized in the statement of income.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 3 Significant accounting policies, judgments and estimation uncertainty (continued)

#### Investments in associates (continued)

The Company assesses at each year-end whether there is any objective evidence that its interests in associates are impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to the statement of income.

#### Segmented reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision making group. The chief operating decision making group that are responsible for allocating resources and assessing performance of the operating segments have been identified as the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. In measuring performance, the Company does not distinguish or group its operations on a geographical or any other basis and, accordingly, has a single reportable segment for disclosure purposes.

#### Foreign currency translation

##### (i) Functional and presentation currency

Items included in the financial statements of each consolidated entity of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Primary and secondary indicators are used to determine the functional currency (primary indicators have priority over secondary indicators). The primary indicator which applies to the Company is the currency that mainly influences revenues and expenses. Secondary indicators include the currency in which funds from financing activities are generated, and the autonomy of foreign subsidiaries. For the Company and all subsidiaries other than Wildbrain, the Canadian dollar has been determined to be the functional currency. For Wildbrain, the functional currency is the US dollar. These consolidated financial statements are presented in Canadian dollars, which is the the Company's functional currency. The financial statements of consolidated entities that have a functional currency other than Canadian dollars ("foreign operations") are translated into Canadian dollars as follows:

- (a) assets and liabilities – at the closing rate at the date of the balance sheet, and
- (b) income and expenses – at the average rate for the period (as this is considered to be a reasonable approximation of actual rates).

All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

When the Company disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If the Company disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary is reallocated between controlling and non-controlling interests.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 3 Significant accounting policies, judgments and estimation uncertainty (continued)

#### Foreign currency translation (continued)

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation, at year-end exchange rates, of monetary assets and liabilities denominated in currencies other than the functional currency are recognized in the statement of income.

#### Revenue recognition

Revenue from the licensing of film and television programs is recognized when:

- (a) the Company has persuasive evidence of a contractual arrangement;
- (b) the production has been completed;
- (c) the contractual delivery arrangements have been satisfied;
- (d) the licensing period has commenced;
- (e) the fee is fixed or determinable; and
- (f) collectability of proceeds is reasonably assured.

Cash payments received or advances currently due pursuant to a broadcast license or distribution arrangement are recorded as deferred revenue until all of the foregoing conditions of revenue recognition have been met.

Revenues from production services for third parties and new media revenue on the Company's proprietary productions are recognized on a percentage-of-completion basis. Percentage-of-completion is based upon the proportion of costs incurred in the current period to total expected costs. A provision is made for the entire amount of future estimated losses, if any, on productions-in-progress.

Revenue from live tours is recorded in the period in which the show is performed and other revenue recognition criteria are met. Merchandising revenue is recognized at the point of sale to customers.

Royalty revenue is accrued for royalty streams for which the receipt of revenue is probable and is recognized in accordance with the substance of the relevant agreements and statements received from third party agents.

#### Investment in film and television programs

Investment in film and television programs represents the balance of costs of film and television programs which have been produced by the Company or for which the Company has acquired distribution rights and the Company's right to participate in certain future cash flows of film and television programs produced and distributed by other unrelated parties ("Acquired Participation Rights"). Investment in film and television programs also includes acquired film and television libraries or properties that are in production.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 3 Significant accounting policies, judgments and estimation uncertainty (continued)

#### Investment in film and television programs (continued)

Costs of acquiring and producing film and television programs are capitalized. The costs are measured net of federal and provincial program contributions earned and are charged to income using the individual film forecast method, whereby capitalized costs are charged to income and ultimate participation costs are accrued in the proportion that current revenue bears to management's estimate of ultimate revenue expected to be recognized from the exploitation, exhibition or licensing of the film or television program. For film and television programs produced by the Company, capitalized costs include all direct production and financing costs incurred during production that are expected to benefit future periods. Financing costs are capitalized to the costs of a film or television program until substantially all of the activities necessary to prepare the film or television program for delivery are complete. Capitalized production costs do not include charges for losses on properties sold or abandoned. For episodic television series, until estimates of secondary market revenue can be established, capitalized costs for each episode produced are limited to the amount of revenue contracted for each episode. Costs in excess of this limitation are expensed as incurred on an episode-by-episode basis. Production financing provided by third parties that acquire substantive equity participation is recorded as a reduction of the cost of the production. Acquired participation costs are recognized initially at the amounts paid or the fair value of amounts due to the counterparty.

For films other than episodic television series and acquired libraries, ultimate revenue includes estimates over a period not to exceed ten years following the date of initial release. For episodic television series, ultimate revenue includes estimates of revenue over a period not to exceed ten years from the date of delivery of the first episode or, if still in production, five years from the date of delivery of the most recent episode, if later. For acquired film and television libraries previously released, ultimate revenue includes estimates of revenue over a period not to exceed twenty years from the date of acquisition.

Investment in film and television programs are included within current assets. The normal operating cycle of the Company can be greater than 12 months.

Ultimate revenue estimates are prepared on a title-by-title basis and are reviewed periodically based on current market conditions. For film, ultimate revenue estimates include box office receipts, sale of DVDs, licensing of television broadcast rights and licensing of other ancillary film rights to third parties. For television programs, ultimate revenue estimates include licensed rights to broadcast television programs in development and rights to renew licenses for episodic television programs in subsequent seasons. Ultimate revenue includes estimates of secondary market revenue for produced episodes only when the Company can demonstrate through its experience or industry norms that the number of episodes already produced, plus those for which a firm commitment exists and the Company expects to deliver, can be licensed successfully in the secondary market. Ultimate estimates of future revenue involve measurement uncertainty and it is therefore possible that reductions in the carrying value of investment in film and television programs may be required as a consequence of changes in management's future revenue estimates.

The valuation of investment in film and television programs (including Acquired Participation Rights), is reviewed on a title-by-title basis when an event or change in circumstances indicates that the net realizable value of a film or television program or the acquired participation right is less than its cost. The net realizable value of the film or television program is determined using management's estimates of future revenues and costs under a discounted cash flow approach. A write-down is recorded equivalent to the amount by which the costs exceed the estimated net realizable value of the film or television program or acquired participation right.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 3 Significant accounting policies, judgments and estimation uncertainty (continued)

#### Development costs

Development costs include costs of acquiring film rights to books, stage plays or original screenplays and costs to adapt such projects. Such costs are capitalized and included in investment in film and television programs upon commencement of production. Advances or contributions received from third parties to assist in development are deducted from these costs. Projects in development are written off as development expenses at the earlier of the date determined not to be recoverable or when projects under development are abandoned, or three years from the date of the initial recognition of the investment, if there have been no active development milestones or significant development expenditures within the last year.

#### Property, plant and equipment

Property, plant and equipment are carried at historical cost, less accumulated amortization and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charges to the statement of income during the period in which they are incurred. Amortization is provided, commencing when the asset is available for use, over the estimated useful life of the asset, using the following annual rates and methods:

Building	4% by declining balance
Furniture, fixtures and other equipment	5% - 20% by declining balance
Computer equipment	30% by declining balance
Post-production equipment	30% by declining balance
Computer software	2 years straight-line
Website design	2 years straight-line
Leasehold improvements	5 years straight-line and straight-line over term of lease

The Company allocated the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciated separately each such part. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of income.

#### Goodwill

Goodwill represents the cost of acquired businesses in excess of the fair value of net identifiable assets acquired at the date of acquisition. Goodwill is carried at cost less any accumulated impairment losses and is not subject to amortization. Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. Goodwill is allocated to a cash generating unit ("CGU"), or group of CGU's, which is the lowest level within an entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment. Impairment is tested by comparing the recoverable amount of goodwill assigned to a CGU or group of CGU's to its carrying value.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 3 Significant accounting policies, judgments and estimation uncertainty (continued)

#### Identifiable intangible assets

Identifiable intangible assets are carried at cost, including amounts of purchase price allocations upon acquisitions. Amortization is provided on a straight-line basis over the estimated useful life of the assets, using the following annual rates and methods:

Production backlog	2 to 3 years straight-line
Broadcaster relationships	7 to 10 years straight-line
Customer and distribution relationships	10 years straight-line
Non-compete contracts and brands	3 to 9 years straight-line
Production software	5 years straight-line

#### Impairment of non-financial assets

Property, plant and equipment and intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Long lived assets that are not amortized are subject to an annual impairment test. For the purposes of measuring recoverable amounts, assets are grouped into CGU's. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use, being the present value of the expected future cash flows of the relevant CGU. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, including investment in films and property, plant and equipment, are added to the cost of those assets, until such time as the assets are substantially complete and ready for use. All other borrowing costs are recognized as a finance expense in the statement of income in the period in which they are incurred.

#### Government financing and assistance

The Company has access to several government programs, including tax credits that are designed to assist film and television production and distribution in Canada. Amounts received or receivable in respect of production assistance are recorded as a reduction of the production costs of the applicable production. Government assistance with respect to distribution rights is recorded as a reduction of investment in film and television programs. Government assistance towards current expenses is recorded as a reduction of the applicable expense item.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 3 Significant accounting policies, judgments and estimation uncertainty (continued)

#### Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

#### Operating leases

Rentals payable under operating leases are charges to income on a straight-line basis over the term of the relevant lease.

#### Income taxes

Income taxes are comprised of current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, as well as the benefit of losses that are probable to be realized and are available for carry forward to future years to reduce income taxes. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

The effect of a change in tax rates on deferred tax assets and liabilities is included in earnings in the period that the change is substantively enacted, except to the extent it relates to items previously recognized outside earnings in which case the rate change impact is recognized in a manner consistent with how the items were originally recognized.

Deferred income tax assets and liabilities are presented as non-current. Tax on income in interim periods is accrued using the tax rate that would be applicable to expected annual total earnings.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 3 Significant accounting policies, judgments and estimation uncertainty (continued)

#### Share-based compensation

The Company grants stock options to certain directors, officers, employees and consultants of the Company. Stock options vest over periods of up to 4 years and expire after 5 years. Each vesting tranche of stock options is considered a separate award with its own vesting period and estimated grant date fair value. The estimated grant date fair value of each vesting tranche is estimated using the Black-Scholes option pricing model. Compensation expense is recognized over each tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

#### Earnings per share

Basic and fully diluted earnings per share are computed based on the weighted average number of common shares outstanding during the period. Diluted loss per share does not include the potential exercise of the employee stock options, put options and warrants where to do so would be anti-dilutive for the periods presented. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method.

#### Financial instruments

Financial instruments are classified as follows:

- Short-term investments and long-term investment are classified as "Available-for-Sale". Financial assets classified as Available-for-Sale are recognized initially at fair value plus transaction costs and are subsequently carried at fair value with the changes in fair value recorded in other comprehensive income. Available-for-Sale assets are classified as non-current, unless the investment matures or management expects to dispose of them within twelve months.
- Derivative financial instruments are classified as "Held-for-Trading" and recognized initially on the balance sheet at fair value. Financial assets classified as Held-for-Trading are recognized at fair value with the changes in fair value recorded in net income.
- Cash and amounts receivable are classified as "Loans and Receivables". After their initial fair value measurement, they are measured at amortized cost using the effective interest method, less a provision for impairment, established on an account-by-account basis, based on, among other factors, prior experience and knowledge of the specific debtor and its assessment of the current economic environment.
- Bank indebtedness, accounts payable and accrued liabilities, interim production financing, long-term debt and other liabilities are classified as "Other Financial Liabilities". Other Financial Liabilities are initially recognized at fair value less transaction costs. Subsequent to initial recognition, Other Financial Liabilities are measured at amortized cost using the effective interest method.



# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 3 Significant accounting policies, judgments and estimation uncertainty (continued)

#### Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

- Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- Available-for-Sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net income.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on Available-for-Sale financial assets are not reversed.

#### Accounting standards issued but not yet applied

The Company does not expect to early adopt the following revised standards and amendments. Accordingly, the Company expects to adopt these standards on the effective dates listed below.

##### *IFRS 9, Financial Instruments*

The International Accounting Standards Board ("IASB") has issued IFRS 9, "Financial Instruments" ("IFRS 9"), effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. IFRS 9 introduces new classification and measurement requirements for financial instruments. The Company is assessing the impact of IFRS 9 on its consolidated statement of income and balance sheet.

##### *IFRS 10, Consolidated Financial Statements*

The IASB issued IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), effective for annual periods beginning on or after January 1, 2013. IFRS 10 replaces portions of IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27") that addresses consolidation, and supersedes Standing Interpretations Committee ("SIC") SIC-12 in its entirety. The objective of IFRS 10 is to define the principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. IAS 27 has been amended to reflect the issuance of IFRS 10 and retains guidance only for separate financial statements. The Company is assessing the impact of IFRS 10 on its consolidated statement of income and balance sheet.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 3 Significant accounting policies, judgments and estimation uncertainty (continued)

#### Accounting standards issued but not yet applied (continued)

##### *IFRS 11, Joint Ventures*

The IASB issued IFRS 11, “Joint Ventures” (“IFRS 11”), effective for annual periods beginning on or after January 1, 2013. IFRS 11 supersedes IAS 31, “Interest in Joint Ventures” and SIC-13, “Jointly Controlled Entities – Non Monetary Contributions by Venturers”. Through an assessment of the rights and obligations in an arrangement, IFRS 11 establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by the entities that have an interest in arrangements which are controlled jointly. As a result of the issuance of IFRS 10 and IFRS 11, IAS 28, “Investments in Associates and Joint Ventures” (“IAS 28”) was amended to reflect the guidance provided in IFRS 10 and IFRS 11. The Company is assessing the impact of this standard on its consolidated statement of income and balance sheet.

##### *IFRS 12, Disclosure of Interests in Other Entities*

The IASB issued IFRS 12, “Disclosure of Interests in Other Entities” (“IFRS 12”) effective for annual periods beginning on or after January 1, 2013. IFRS 12 requires extensive disclosures relating to a company’s interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities. IFRS 12 enables users of the financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position and performance. The Company is assessing the impact of IFRS 12 on its consolidated statement of income and balance sheet.

##### *IFRS 13, Fair Value measurement*

The IASB issued IFRS 13, “Fair Value Measurement” (“IFRS 13”) effective for annual periods beginning on or after January 1, 2013. IFRS 13 defines fair value, provides guidance in a single framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. The Company is assessing the impact of IFRS 13 on its consolidated statement of income and balance sheet.

##### *Amendments to standards*

IFRS 7, Financial Instruments: Disclosures, has been amended to include additional disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity’s financial position, particularly those involving securitization of financial assets. The amendment is applicable for annual periods beginning on or after July 1, 2011, with earlier application permitted. The Company is assessing the impact of all other changes to IFRS 7 on its consolidated statement of income and financial position.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 3 Significant accounting policies, judgments and estimation uncertainty (continued)

#### Accounting standards issued but not yet applied (continued)

IAS 1, Presentation of Financial Statements, has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted. The Company is assessing the impact of all other changes to IAS 1 on its consolidated statement of income and financial position.

#### Significant accounting judgments and estimation uncertainty

The preparation of consolidated financial statements under IFRS requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable. Actual results may differ materially from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

(i) Investment in film and television programs

The costs of acquiring and producing film and television programs are capitalized, net of federal and provincial program contributions earned, and amortized using the individual film forecast method, whereby capitalized costs are charged to income and ultimate participation costs are accrued in the proportion that current revenue bears to management's estimate of ultimate revenue expected to be recognized from the exploitation, exhibition or licensing of the film or television program. The estimate of ultimate revenue and ultimate costs depends on management judgment and assumptions based on the pattern of historical experience and other factors.

(ii) Goodwill

The Company is required to test for impairment at least annually, or more frequently if events or circumstances indicate that the asset might be impaired. Impairment is tested by comparing the recoverable amount, which is the greater of fair value less cost to sell and value in use, of goodwill to its carrying value. The value in use calculation of recoverable amount requires the estimation of future cash flows and the choice of a suitable discount rate (see note 13).

(iii) Intangible assets

The Company recognizes intangible assets acquired as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon management's judgement and includes assumptions on the timing and amount of future cash flows, the selection of an appropriate discount rate and estimation of the expected useful lives of the intangible assets.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 3 Significant accounting policies, judgments and estimation uncertainty (continued)

#### Significant accounting judgments and estimation uncertainty (continued)

##### (iv) Impairment of investment in associates

The Company is required to test for impairment if indicators of impairment are present. In order to assess impairment, management uses judgment to determine the fair value of the Company's investment in associates using valuation techniques as there are no published price quotations. The Company uses an earnings approach to value these investments based on earnings multiples for recent transactions involving similar businesses.

##### (v) Income taxes and deferred income taxes

Deferred tax assets and liabilities require management's judgement in determining the amounts to be recognized. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognized with respect to the timing of deferred taxable income.

The current income tax provision for the year is determined according to complex tax laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the provision for current income taxes which are recognized in the consolidated financial statements. The Company considers the estimates, assumptions and judgements to be reasonable but this can involve complex issues which may take an extended period to resolve. The final determination of prior years' tax provisions could be different from the estimates reflected in the financial statements.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 4 Transition to IFRS

The Company adopted IFRS on July 1, 2011. Prior to adoption of IFRS, the Company prepared its financial statements in accordance with Canadian GAAP.

The accounting policies in note 3 have been applied in preparing the interim consolidated financial statements for the periods ended March 31, 2012, the comparative information for the periods ended March 31, 2011 and the opening consolidated IFRS balance sheet at July 1, 2010 (“Transition Date”).

In preparing its opening consolidated IFRS balance sheet, the Company has adjusted amounts reported previously in its consolidated financial statements prepared in accordance with Canadian GAAP. The Company will ultimately prepare its opening consolidated IFRS balance sheets for 2011 and 2012 by applying existing IFRS with an effective date of June 30, 2012, or prior. Accordingly, the balance sheets at July 1, 2010 and June 30, 2011 presented in the June 30, 2012 annual financial statements may differ from those presented in these interim financial statements.

An explanation of how the transition from Canadian GAAP to IFRS has affected the Company’s balance sheet, financial performance and cash flows is summarized in this note as follows:

- Initial elections upon adoption
  - a) IFRS mandatory exceptions
  - b) IFRS optional exemptions
- Reconciliation and comprehensive income and equity as previously reported under Canadian GAAP to IFRS
- Reconciliation of statement of cash flows as previously reported under Canadian GAAP to IFRS
- Notes to the reconciliation of Canadian GAAP to IFRS

#### i) Initial elections upon adoption

##### (a) IFRS mandatory exceptions

IFRS 1 contains certain mandatory exemptions which must be applied at the time of transition from Canadian GAAP to IFRS.

##### *Exception for estimates*

IFRS estimates as at July 1, 2010 are consistent with the estimates as the same date in conformity with Canadian GAAP.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 4 Transition to IFRS (continued)

#### i) Initial elections upon adoption (continued)

##### (a) IFRS mandatory exceptions (continued)

The other mandatory exceptions in IFRS as follows are not relevant to the Company:

- Hedge accounting;
- De-recognition of financial assets and financial liabilities; and
- Non-controlling interests.

##### (b) IFRS optional exemptions

IFRS 1 contains certain optional exemptions which may be applied at the time of transition from Canadian GAAP to IFRS.

###### *Exemption for business combinations*

IFRS 1 provides the option to apply IFRS 3 – Business Combinations prospectively from the Transition Date or from a specific date prior to the Transition Date. This provides relief from full retrospective application that would require restatement of business combinations prior to the Transition Date. The Company elected to apply IFRS 3 prospectively to business combinations occurring after its Transition Date; accordingly, business combinations prior to the Transition Date have not been restated.

The Company has elected not to apply the remaining optional exemptions available at the time of transition from Canadian GAAP to IFRS.

#### (ii) Reconciliation of comprehensive income and equity as previously reported under Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity and comprehensive income for certain prior periods. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods for comprehensive income and equity.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

(expressed in thousands of Canadian dollars)

### 4 Transition to IFRS (continued)

#### ii) Reconciliation of comprehensive income and equity as previously reported under Canadian GAAP to IFRS (continued)

##### Comprehensive income

The following is a summary of transition adjustments to the Company's comprehensive income from Canadian GAAP to IFRS:

	Note 4 (iv)	Year ended June 30, 2011 \$	Three-months ended March 31, 2011 \$	Nine-months ended March 31, 2011 \$
Comprehensive income – Canadian GAAP		1,713	352	1,637
IFRS adjustments increase (decrease)				
Share-based compensation	(a)	39	8	38
Business combinations and deferred acquisition costs	(b)	(470)	(193)	(264)
Cumulative translation adjustment	(d)	(476)	200	(221)
Deferred income taxes	(e)	143	60	81
Comprehensive income - IFRS		949	427	1,271

##### Equity

The following is a summary of transition adjustments to the Company's shareholders' equity from Canadian GAAP to IFRS:

	Note 4 (iv)	June 30, 2011 \$	March 31, 2011 \$	July 1, 2010 \$
Equity - Canadian GAAP		82,059	81,838	80,179
IFRS adjustments increase (decrease)				
Business combinations and deferred acquisition costs	(b)	(470)	(264)	-
Cumulative translation adjustment	(d)	(476)	(221)	-
Deferred income taxes	(e)	143	81	-
Equity - IFRS		81,256	81,434	80,179

#### iii) Reconciliation of statement of cash flows as previously reported under Canadian GAAP to IFRS

As explained in note 4(iv) (c), as a result of the consolidation of certain subsidiaries previously considered variable interest entities under Canadian GAAP, the cash balance increased by \$1,356 at July 1, 2010 (see summary of the impact of the transition adjustments below). The transition from Canadian GAAP to IFRS had no other significant impact on the statement of cash flows.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

(expressed in thousands of Canadian dollars)

### 4 Transition to IFRS (continued)

#### iii) Reconciliation of statement of cash flows as previously reported under Canadian GAAP to IFRS (continued)

The following is a summary of the impact of the transition adjustments on the Company's statement of cash flows from Canadian GAAP to IFRS:

	Year-ended June 30, 2011 \$	Three-months ended March 31, 2011 \$	Nine-months ended March 31, 2011 \$
Increase (decrease) in net income for the period	(297)	(125)	(145)
Decrease in charges to income not involving cash	(175)	(68)	(119)
Decrease (increase) in net investment in film and television programs	601	(265)	(1,434)
Increase in change in non-cash working capital balances related to operations	3,286	4,142	5,058
<b>Decrease (increase) in cash provided by operating activities</b>	<b>3,415</b>	<b>3,684</b>	<b>3,360</b>
Increase in repayment of interim production financing	(3,892)	(3,306)	(3,713)
<b>Decrease (increase) in cash used in financing activities</b>	<b>(3,892)</b>	<b>(3,306)</b>	<b>(3,713)</b>
Decrease in consideration paid for business acquisitions	159	-	71
Decrease (increase) in net cash advances to investees	(175)	222	(13)
<b>Decrease (increase) in cash used in investing activities</b>	<b>(16)</b>	<b>222</b>	<b>58</b>
<b>Decrease in net change in cash during the periods</b>	<b>(493)</b>	<b>600</b>	<b>(295)</b>
<b>Increase in cash – Beginning of period</b> (note 4 (iv) (c))	<b>1,356</b>	<b>461</b>	<b>1,356</b>
<b>Increase in cash – End of period</b>	<b>863</b>	<b>1,061</b>	<b>1,061</b>
Cash under Canadian GAAP – Beginning of period	15,920	15,339	15,920
Cash under IFRS – Beginning of period	17,276	15,800	17,276
<b>Increase in cash under IFRS – Beginning of period</b>	<b>1,356</b>	<b>461</b>	<b>1,356</b>
Cash under Canadian GAAP – End of period	18,662	17,941	17,941
Cash under IFRS – End of period	19,525	19,002	19,002
<b>Increase in cash under IFRS – End of period</b>	<b>863</b>	<b>1,061</b>	<b>1,061</b>



# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 4 Transition to IFRS (continued)

#### iv) Notes to the reconciliation of Canadian GAAP and IFRS (continued)

##### a) Share-based compensation

Under IFRS, the Company expenses the estimated fair value of stock options over the vesting period using the graded vesting method of amortization, rather than the straight-line method, which was the Company's policy under Canadian GAAP. To estimate the fair value of the stock options using the Black-Scholes valuation model, the Company included an estimated forfeiture rate which was not previously included under Canadian GAAP. As a result, contributed surplus and deficit increased at the Transition Date by \$246, and reduced selling, general and administrative expenses by \$8 and \$38 for the three and nine-months ended March 31, 2011 and \$39 for the year ended June 30, 2011.

##### b) Business combinations and deferred acquisition costs

In accordance with IFRS transitional provisions, the Company elected to apply IFRS 3 - Business Combination prospectively to business combinations occurring after its transition date. As detailed in note 6, on September 14, 2010, the Company acquired all the outstanding shares in W!LDBRAIN Entertainment Inc. ("Wildbrain"). The acquisition was accounted for using the purchase method under Canadian GAAP and IFRS; however, in accordance with IFRS, the consideration was increased by a total of \$1,334, reflecting a decrease of \$71 related to the expensing of transaction costs in accordance with IFRS and an increase of \$1,405 related to the recognition of the fair value of certain deferred purchase price consideration, including an earnout and a holdback. As a result, professional fees increased by \$nil and \$71 for the three and nine-months ended March 31, 2011 and by \$159 for the year-ended June 30, 2011.

In addition to the transaction costs associated with the acquisition of Wildbrain, at June 30, 2011 under Canadian GAAP, the Company had deferred acquisition costs of \$311 related to potential acquisitions under consideration. In accordance with IFRS, such costs were expensed during the year ended June 30, 2011. As a result, at June 30, 2011, prepaid expenses decreased by \$311 and development expenses and other increased by \$311 for the year ended June 30, 2011. At March 31, 2011, prepaid expenses decreased by \$193 and development expenses and other increased by \$193 for both the three and nine-month periods ended March 31, 2011.

##### c) Consolidation

Certain subsidiaries considered variable interest entities under Canadian GAAP were not subject to full consolidation and were reported in the financial statements under the equity method. These subsidiaries have been fully consolidated for IFRS purposes. As a result, at June 30, 2010, the Transition Date, cash increased \$1,356, accounts receivable increased \$5,032, investment in film increased \$674, investment in production companies decreased \$1,389, accounts payable decreased \$311, deferred revenue increased \$3 and interim production financing increased \$5,981, but did not result in any change of net income for the three and nine-months ended March 31, 2011 or for the year-ended June 30, 2011.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 4 Transition to IFRS (continued)

#### iv) Notes to the reconciliation of Canadian GAAP and IFRS (continued)

##### d) Cumulative translation adjustment

Under Canadian GAAP, the Company used the temporal method of foreign exchange translation for its integrated wholly owned subsidiary, Wildbrain. Under the temporal method, non-monetary assets were converted to the presentation currency using historical foreign exchange rates and the resulting difference between the translation of Wildbrain's balance sheet and statement of income was recorded in the Company's statement of income. Under IFRS, the temporal method is not recognized and the translation methodology used to translate the financial statements of entities with presentation currencies other than Canadian dollars is driven by the determination of the functional currency in each entity in the group. Because the functional currency of Wildbrain has been determined to be the US dollar, the Company translated the assets and liabilities of Wildbrain at the exchange rate in effect at each balance sheet date. Because the acquisition of Wildbrain did not occur until September 14, 2010, there was no impact on the Company's consolidated balance sheet or statement of changes in equity at July 1, 2010.

As a result, other comprehensive income increased by \$200 and decreased by \$221 for the three and nine-months ended March 31, 2011 and decreased by \$476 for the year ended June 30, 2011.

##### e) Deferred income taxes

Deferred income tax liabilities were adjusted to give effect to both the recognition of the earnout and the expensing of the transaction costs associated with the acquisition of Wildbrain and other deferred acquisition costs (note 4(iv)(b)) in accordance with IFRS. As a result, deferred tax liabilities decreased by \$511 and \$568 at March 31, 2011 and June 30, 2011, respectively, and the deferred income taxes recovered increased by \$60, \$81 and \$143 for the three and nine-months ended March 31, 2011 and for the year-ended June 30, 2011, respectively.

### 5 Compensation of key management

Key management includes all directors, including both executive and non-executive directors, as well as the Chief Operating Officer and Chief Financial Officer. The compensation earned by key management is as follows:

	<b>Year ended June 30, 2011 \$</b>
Salaries and employee benefits	1,540
Share-based compensation	336
	<hr/>
	1,876
	<hr/>

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 6 Acquisitions

On September 14, 2010 (“Wildbrain Effective Date”), the Company acquired all the outstanding shares in Wildbrain, for consideration as follows:

- Cash consideration (including bank indebtedness incurred) of \$8,291 on the Wildbrain Effective Date; and
- An earnout in US\$ calculated as 50% of cash receipts over \$10,500 – \$11,500 from the Yo-Gabba-Gabba! property over the 36 month period from closing (“Earnout Period”). The ultimate threshold amount within the range of \$10,500 – \$11,000 of cash receipts will be determined based on a minimum of \$10,000 in cash receipts plus, once achieved, \$500 per year in operating expenses for the remaining life of the Earnout Period. The fair value of the earnout has been estimated at \$1,292 and is shown in other liability at March 31, 2012 (June 30, 2011 - \$1,251).

The acquisition was accounted for using the purchase method. As such, the results of operations reflect revenue and expenses of the assets of Wildbrain from the Wildbrain Effective Date. All special purpose entities have been identified and are accounted for in accordance with the principles of consolidation disclosed in these financial statements.

The purchase price has been allocated to the assets acquired and liabilities assumed based on their fair value as follows:

	\$
<b>Assets acquired</b>	
Cash	275
Short-term investments	10
Accounts receivable	1,145
Prepaid expenses and deposits	67
Investment in film and television programs	5,903
Development costs	713
Property, plant and equipment	212
Intangible assets	433
Goodwill	715
Deferred income taxes	450
	<hr/>
	9,923
<b>Less: liabilities assumed</b>	
Accounts payable and accrued liabilities	307
	<hr/>
	<u>9,616</u>

The purchase agreement includes a contingent payment, based on an earnout amount as described above. The purchase consideration includes \$1,325 related to the earnout amount. Subsequent changes to the value of the earnout amount are recorded in net income.

### 7 Short-term investments

As at March 31, 2012, the cost of the short-term investments were \$5,217 (June 30, 2011 - \$6,041, July 1, 2010 - \$6,086). As at March 31, 2012, short-term investments consist of Canadian government grade bonds which bear interest at rates from 3.25% to 4.0% respectively.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 8 Amounts receivable

	<b>March 31, 2012</b>	<b>June 30, 2011</b>	<b>July 1, 2010</b>
	\$	\$	\$
Trade receivables	19,518	19,807	18,481
Less: provision for impairment of trade receivables	(70)	(70)	(131)
	<hr/>	<hr/>	<hr/>
	19,448	19,737	18,350
Goods and service taxes recoverable	1,569	1,267	393
Federal and provincial film tax credits and other government assistance	<hr/>	<hr/>	<hr/>
	31,965	33,888	40,621
Amounts receivable	<hr/>	<hr/>	<hr/>
	52,982	54,892	59,364

The aging of trade receivables is as follows:

	<b>March 31, 2012</b>	<b>June 30, 2011</b>	<b>July 1, 2010</b>
	\$	\$	\$
Less than 60 days	17,719	17,789	15,130
Between 60 and 90 days	226	1,375	699
Over 90 days	<hr/>	<hr/>	<hr/>
	1,573	643	2,652
	<hr/>	<hr/>	<hr/>
	19,518	19,807	18,481

The Company does not have security over these balances. All impaired trade receivables are older than 90 days.

Trade receivables, goods and services taxes recoverable and federal and provincial film tax credits receivable and other government assistance are provided for based on estimated irrecoverable amounts as determined by using a combination of historical default experience, any changes to credit quality and management estimates. Goods and services taxes recoverable and federal and provincial film tax credits receivable and other government assistance do not contain any impaired receivables.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 9 Investment in film and television programs

	March 31, 2012 \$	June 30, 2011 \$	July 1, 2010 \$
<b>Development costs</b>	2,800	2,372	2,162
<b>Theatrical and non-theatrical productions in progress</b>			
Cost, net of government and third party assistance and third party participation	2,401	4,448	4,584
<b>Acquired participation rights – theatrical and non-theatrical</b>			
Cost	5,860	5,860	5,860
Accumulated amortization	(5,062)	(4,453)	(3,842)
	798	1,407	2,018
<b>Non-theatrical productions completed and released</b>			
Cost, net of government and third party assistance and third party participation	182,032	166,574	143,870
Accumulated amortization	(141,011)	(131,334)	(118,235)
Accumulated impairment in value of investment in film and television programs	(4,418)	(4,283)	(3,833)
	36,603	30,957	21,802
	42,602	39,184	30,566

The Company expects that 12% of the costs related to theatrical and non-theatrical productions completed and released will be realized during the remainder of the year ended June 30, 2012. The Company expects that 56% of the costs related to theatrical and non-theatrical productions completed and released will be realized during the period ending June 30, 2014. The Company expects that over 79% of the costs related to productions completed will be realized by June 30, 2016.

During the three and nine-months ended March 31, 2012, interest of \$161 and \$710 (three and nine-months ended March 31, 2011 - \$353 and \$1,212) has been capitalized to investment in film and television programs.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 9 Investment in film and television programs (continued)

The continuity of investment in film and television programs is as follows:

	<b>March 31, 2012</b>	<b>June 30, 2011</b>
	\$	\$
Net opening investment in film and television programs	39,184	30,566
Productions acquired	-	5,903
Cost of productions (completed and released and productions in progress), net of government assistance and third party participation	13,092	17,149
Increase in acquired participation rights	-	713
Increase in development costs	428	(502)
Amortization	(10,286)	(13,710)
Impairment in value of certain investment in film and television programs	(135)	(450)
Exchange differences	319	(485)
	<hr/>	<hr/>
	42,602	39,184
	<hr/>	<hr/>

### 10 Investment in associates

Investment in associates is accounted for using the equity method. The continuity of investment in associates is as follows:

	<b>Three-month period ended March 31, 2012</b>	<b>Nine-month period ended March 31, 2012</b>	<b>Year ended June 30, 2011</b>
	\$	\$	\$
Opening balance	1,661	1,687	2,020
Share of loss of associates	(55)	(81)	(333)
	<hr/>	<hr/>	<hr/>
	1,606	1,606	1,687
	<hr/>	<hr/>	<hr/>

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

(expressed in thousands of Canadian dollars)

### 11 Property, plant and equipment

	Land	Buildings	Furniture fixtures and equipment	Computer equipment	Post production equipment	Website design	Computer software	Leaseholds	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>At July 1, 2010</b>									
Cost	800	4,329	3,138	3,130	1,420	104	956	1,948	15,825
Accumulated amortization	-	(643)	(2,232)	(2,373)	(1,138)	(103)	(811)	(980)	(8,280)
Net book value	800	3,686	906	757	282	1	145	968	7,545
<b>For the year ended June 30, 2011</b>									
Opening net book value	800	3,686	906	757	282	1	145	968	7,545
Acquired in Wildbrain acquisition	-	-	9	146	-	-	41	16	212
Additions	-	-	181	1,687	108	-	1,048	231	3,255
Amortization	-	(145)	(193)	(363)	(98)	(1)	(236)	(148)	(1,184)
Disposals	-	-	-	(14)	(7)	-	-	-	(21)
Net book value	800	3,541	903	2,213	285	-	998	1,067	9,807
<b>At June 30, 2011</b>									
Cost	800	4,329	3,328	4,945	1,485	104	2,045	2,195	19,231
Accumulated amortization	-	(788)	(2,425)	(2,732)	(1,200)	(104)	(1,047)	(1,128)	(9,424)
Net book value	800	3,541	903	2,213	285	-	998	1,067	9,807
<b>For the period ended March 31, 2012</b>									
Opening net book value	800	3,541	903	2,213	285	-	998	1,067	9,807
Additions	-	-	16	723	1	-	345	7	1,092
Amortization	-	(108)	(145)	(561)	(66)	-	(308)	(145)	(1,333)
Disposals	-	-	(12)	(861)	-	-	(77)	(9)	(959)
Exchange differences	-	-	1	46	-	-	9	3	59
Net book value	800	3,433	763	1,560	220	-	967	923	8,666
<b>At March 31, 2012</b>									
Cost	800	4,329	3,332	4,807	1,486	104	2,313	2,193	19,364
Accumulated amortization	-	(896)	(2,570)	(3,293)	(1,266)	(104)	(1,355)	(1,273)	(10,757)
Exchange differences	-	-	1	46	-	-	9	3	59
Net book value	800	3,433	763	1,560	220	-	967	923	8,666

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

(expressed in thousands of Canadian dollars)

### 12 Intangible assets

	Production backlog \$	Broadcaster relationships \$	Customer and distribution relationships \$	Non-competitive contracts and brands \$	Production software \$	Total \$
<b>At July 1, 2010</b>						
Cost	1,033	4,417	546	1,788	394	8,178
Accumulated amortization	(907)	(1,781)	(227)	(993)	(202)	(4,110)
<b>Net book value</b>	<b>126</b>	<b>2,636</b>	<b>319</b>	<b>795</b>	<b>192</b>	<b>4,068</b>
<b>For the year ended June 30, 2011</b>						
Opening net book value	126	2,636	319	795	192	4,068
Additions	52	210	-	171	-	433
Amortization	(138)	(540)	(55)	(137)	(79)	(949)
<b>Net book value</b>	<b>40</b>	<b>2,306</b>	<b>264</b>	<b>829</b>	<b>113</b>	<b>3,552</b>
<b>At June 30, 2011</b>						
Cost	1,085	4,627	546	1,959	394	8,611
Accumulated amortization	(1,045)	(2,321)	(282)	(1,130)	(281)	(5,059)
<b>Net book value</b>	<b>40</b>	<b>2,306</b>	<b>264</b>	<b>829</b>	<b>113</b>	<b>3,552</b>
<b>For the period ended March 31, 2012</b>						
Opening net book value	40	2,306	264	829	113	3,552
Amortization	(12)	(408)	(41)	(109)	(59)	(629)
<b>Net book value</b>	<b>28</b>	<b>1,898</b>	<b>223</b>	<b>720</b>	<b>54</b>	<b>2,923</b>
<b>At March 31, 2012</b>						
Cost	1,085	4,627	546	1,959	394	8,611
Accumulated amortization	(1,057)	(2,729)	(323)	(1,239)	(340)	(5,688)
<b>Net book value</b>	<b>28</b>	<b>1,898</b>	<b>223</b>	<b>720</b>	<b>54</b>	<b>2,923</b>



# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 13 Goodwill

The continuity of goodwill is as follows:

	<b>March 31, 2012</b>	<b>June 30, 2011</b>
	\$	\$
Opening net book value	11,763	11,088
Acquired on Wildbrain (note 6)	-	715
Exchange differences	23	(40)
	<u>11,786</u>	<u>11,763</u>

Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. The Company tested goodwill for impairment at March 31, 2012, June 30, 2011 and July 1, 2010 in accordance with its policy described in note 3. For the purposes of allocating goodwill, the Company considers itself to be a single CGU engaged in the production, distribution and licensing of film and television programs. As the recoverable amount of the CGU was greater than its carrying value, the Company determined there was no impairment of goodwill as at March 31, 2012, June 30, 2011 and July 1, 2010.

For determining the recoverable amount of its CGU, the Company uses both the income and market approaches. Under the income approach, management estimates the discounted future cash flows for five years and a terminal value for the CGU. The future cash flows are based on management's best estimates considering historical and expected production, distribution and other revenue deliveries, economic conditions, and general outlook for the industry. The discount rates used by the Company are based on optimal debt equity ratio and consider the average debt ratio, market equity risk premium, and size premium for possible variations from management's projections. The terminal value is the value attributed to the CGU's operations beyond the projected period of 5 years using a perpetuity growth rate based on industry, revenue and operating income trends and growth prospects. Under the market approach, the Company estimates fair value by multiplying maintainable earnings before interest, income taxes, depreciation, amortization and other non-recurring costs by multiples based on market comparables. The estimation process results in a range of values for which management uses the simple average of the mid-points under each approach.

The Company's assumptions are affected by current market conditions which may affect expected revenues, particularly production and distribution revenues. In addition, while the Company has implemented cost savings initiatives, selling, general and administrative costs may increase more significantly than expected. The Company also has significant competition in the markets in which it operates which may impact its revenue and operating costs. The Company has made certain assumptions for the discount and terminal growth rates to reflect possible variations in the cash flows; however, the risk premiums expected by market participants related to uncertainties about the industry or specific intangible assets may differ or change quickly depending on economic conditions and other events. Accordingly, it is reasonably possible that future changes in assumptions may negatively impact future valuations of goodwill and the Company would be required at that time to recognize impairment losses.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

(expressed in thousands of Canadian dollars)

### 13 Goodwill (continued)

The key assumptions used in the analysis of the CGU under the value in use model are as follows:

	March 31, 2012 \$	June 30, 2011 \$	July 1, 2010 \$
Budgeted gross margin	37%	37%	37%
Growth rate	2-3%	2-3%	2-3%
Pre-tax discount rate	14.8%	14.8%	14.8%

With regard to the assessment of value in use, calculations indicate that there is approximately \$10,000 of headroom when compared to carrying value at March 31, 2012.

### 14 Bank indebtedness, interim production financing, long-term debt and obligations under capital lease

	March 31, 2012 \$	June 30, 2011 \$	July 1, 2010 \$
Bank indebtedness	1,753	5,200	250
Interim production financing	28,079	31,404	38,796
Long-term debt and obligations under capital lease	6,295	3,910	3,164
Total interest bearing debt and obligations under capital lease	36,127	40,514	42,210
Amount due within 12 months	(31,787)	(37,621)	(39,587)
Amount due beyond 12 months	4,340	2,893	2,623

#### a) Bank indebtedness

As of March 31, 2012, the maximum amount of all the borrowing, including Interim Production Financing, with the Royal Bank of Canada ("RBC") is \$55,000 ("RBC Master Agreement"). The RBC Master Agreement matures November 30, 2012. As part of the RBC Master Agreement, bank indebtedness was \$1,753 at March 31, 2012 (June 30, 2011 - \$5,200 and July 1, 2010 - \$250) (the "RBC Revolving Operating Credit Facility"). The maximum amount of the RBC Revolving Operating Credit Facility for general working capital purposes is \$3,510.

A general security agreement over all property of the Company has been pledged as security for the RBC Revolving Operating Credit. The RBC Revolving Operating Facility bears interest at RBC prime plus 1.25% (June 30, 2011 - RBC prime plus 1.25%). The availability of the RBC Revolving Operating Credit Facility is subject to the Company maintaining interest and consolidated indebtedness coverage ratios and certain other covenants (note 21).

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

(expressed in thousands of Canadian dollars)

### 14 Bank indebtedness, interim production financing, long-term debt and obligations under capital lease (continued)

#### b) Interim production financing

	March 31, 2012 \$	June 30, 2011 \$	July 1, 2010 \$
Revolving production credit facility ("RBC Revolving Production Credit Facility"), bearing interest at bank prime plus 0.5% - 2.0%. Assignment and direction of specific production financing and licensing contracts receivable, with a net book value of approximately \$25,733 at March 31, 2012 (June 30, 2011 - \$27,887 and July 1, 2010 - \$21,214)	17,417	17,448	19,468
Interim production credit facilities with various institutions, bearing interest at bank prime plus 0.5% - 2.25%. Assignment and direction of specific production financing and licensing contracts receivable, with a net book value of approximately \$11,623 at March 31, 2012 (June 30, 2011 - \$19,552 and July 1, 2010 - \$25,531)	10,662	13,956	19,328
	<u>28,079</u>	<u>31,404</u>	<u>38,796</u>

During the three and nine-months ended March 31, 2012, the bank prime rate averaged 3.00% (year ended June 30, 2011 – 2.94 %).

As part of the RBC Master Agreement, the Company also has a RBC Revolving Production Credit Facility with a maximum authorized amount of \$40,284. The RBC Revolving Production Credit Facility is the aggregate of interim production financing of individual programs financed through the RBC which are subject to individual approved tranches (collectively the "RBC Individual Approved Tranches"). Substantially all of the Company's assets and certain of its subsidiaries have been pledged as security for borrowing under the RBC Revolving Production Credit Facility. The RBC Revolving Credit Production Facility matures at various dates up to December 2013, but specifically twenty-four months following the first drawdown of funds in respect of each RBC Individual Approved Tranche.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

(expressed in thousands of Canadian dollars)

### 14 Bank indebtedness, interim production financing, long-term debt and obligations under capital lease (continued)

#### c) Long-term debt and obligations under capital leases

	March 31, 2012 \$	June 30, 2011 \$	July 1, 2010 \$
Loans payable, bearing interest at Business Development Bank of Canada prime minus 1.5%, maturing in May 2021, repayable in monthly principal installments of \$20 plus interest, secured by a first mortgage on land and building having a net book value of \$4,233 at March 31, 2012 (June 30, 2011 - \$4,341 and July 1, 2010 - \$4,486) and a general assignment of rents.	2,006	2,186	2,424
Obligation under various capital leases, with total quarterly instalments of \$100, bearing interest at rates ranging from 4.0% to 9.8%, maturing on dates ranging from February 2013 to October 2013 of which \$387 is denominated in USD (June 30, 2011 - \$1,290 and July 1, 2010 - \$nil).	622	1,724	740
RBC Acquisition Facility, bearing interest of RBC prime plus 2.5%, repayable in quarterly installments of \$333 plus interest, maturing in November 2014.	3,667	-	-
	<u>6,295</u>	<u>3,910</u>	<u>3,164</u>
Less: Current portion	(1,955)	(1,017)	(541)
	<u>4,340</u>	<u>2,893</u>	<u>2,623</u>

The RBC Master Agreement, includes a term facility with a maximum amount of \$10,000 (“RBC Acquisition Facility”) upon which \$3,667 is drawn at March 31, 2012 (June 30, 2011 and July 1, 2010 - \$nil and \$nil) to fund acceptable acquisitions as defined in the RBC Master Agreement. A general security agreement over all property of the Company has been pledged as security for the RBC Acquisition Facility. The RBC Acquisition Facility bears interest at RBC prime plus 2.50%. The availability of the RBC Acquisition Facility is subject to the Company maintaining interest and consolidated indebtedness coverage ratios and certain other covenants (note 21).

The Company considers that the fair value of bank indebtedness, interim production financing and long-term debt and obligations under capital leases is equal to the carrying value, as the majority of the interest rates are floating and the impact of discounting is not significant.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 14 Bank indebtedness, interim production financing, long-term debt and obligations under capital lease (continued)

#### (c) Long-term debt and obligations under capital leases (continued)

The Company has the following undrawn borrowing facilities:

	<b>March 31, 2012</b>	<b>June 30, 2011</b>	<b>July 1, 2010</b>
	\$	\$	\$
Bank indebtedness	1,757	2,310	3,260
Interim production financing	22,867	22,836	25,484
Acquisition facility	6,333	10,000	-
Other	870	387	475
	<u>31,827</u>	<u>35,533</u>	<u>29,219</u>

### 15 Share capital and contributed surplus

#### a) Authorized

100,000,000 Preferred variable voting shares, redeemable at the option of the Company at any time at a millionth of a cent per share, no entitlement to dividends, voting  
Unlimited common shares without nominal or par value

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

(expressed in thousands of Canadian dollars)

### 15 Share capital and contributed surplus (continued)

#### b) Issued and outstanding

Changes in the Company's issued share capital during the periods were as follows:

	March 31, 2012		June 30, 2011	
	Number	Amount \$	Number	Amount \$
<b>Preferred variable voting shares</b> (note 15 (c))	100,000,000	-	100,000,000	-
<b>Common shares</b> (note 15 (d))				
Opening balance	61,596,615	76,437	61,626,836	76,548
Substantial issuer bid shares repurchased and cancelled	(7,142,857)	(8,857)	-	-
Share issuance costs net of tax effect of \$38	-	-	-	(82)
Issued as part of employee share purchase plan	10,313	9	9,293	9
Shares cancelled related to an employee loan forgiven	(27,000)	(50)	(13,514)	(25)
Normal course issuer bid shares repurchased and cancelled	(1,369,500)	(1,698)	(51,000)	(43)
Options exercised	-	-	25,000	30
Ending balance	53,067,571	65,841	61,596,615	76,437
<b>Share purchase financing</b> (note 15 (e))				
Opening balance	-	(189)	-	(268)
Repayments made by an officer	-	2	-	2
Loan forgiven	-	50	-	25
Compensation expense	-	46	-	47
Interest received	-	2	-	5
Ending balance	-	(89)	-	(189)
<b>Warrants</b> (note 15 (f))				
Opening balance	937,500	210	5,860,250	1,840
Expiration of warrants	(937,500)	(210)	(4,922,750)	(1,630)
Conditional warrants granted	1,000,000	-	-	-
Ending balance	1,000,000	-	937,500	210
<b>Contributed surplus and stock options</b> (note 15 (g))				
Opening balance	4,020,000	6,083	4,111,547	4,293
Common shares repurchased and cancelled including costs of \$120, net of tax effect of \$38	-	4,395	-	-
Compensation expense on options issued during the period	880,000	130	870,000	108
Compensation expense on existing options	-	205	-	334
Stock option exercised	-	-	(25,000)	(11)
Options forfeited	(200,000)	-	(190,000)	-
Options expired	(340,000)	-	(746,547)	-
Warrants expired, net of tax effect of \$33 (year-ended June 30, 2011 - \$271)	-	177	-	1,359
Ending balance	4,360,000	10,990	4,020,000	6,083

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 15 Share capital and contributed surplus (continued)

#### c) Preferred variable voting shares

The Preferred variable voting shares were issued May 12, 2006 to an officer and director.

#### d) Common shares

During the three and nine-months ended March 31, 2012, the Company issued 3,129 and 10,313 common shares, at an average price of \$0.82 and \$0.79, respectively as part of the Company's employee share purchase plan (year-ended June 30, 2011 – 9,293 at 0.96 per share).

During the three and nine-months ended March 31, 2012, as part of the Company's previously announced normal course issuer bid, 34,000 and 1,369,500 common shares were repurchased and cancelled for \$30 and \$1,076, respectively (year-ended June 30, 2011 – 51,000 for \$43). The amounts recorded as reduction to common shares were \$1.24 per share (based on the average book value per common share) or \$41 and \$1,698 with a credit to contributed surplus of \$10 and \$620 respectively.

During the three and nine-months ended March 31, 2012, nil and 27,000 shares were returned and cancelled as settlement of an exiting employees share purchase financing loan of \$50 (year ended June 30, 2011 – 13,514 for \$25) (note 15 (e)).

On December 30, 2011, as part of the Company's previously announced substantial issuer bid, 7,142,857 common shares were repurchased for \$5,000 and cancelled (year-ended June 30, 2011 – nil). The amount recorded as a reduction to common shares was \$1.24 per share (based on the average book value per common share) or \$8,857 with a credit to contributed surplus in the amount of \$3,857.

#### e) Share purchase financing

During the three and nine-months ended March 31, 2012 and the year-ended June 30, 2011, the Company issued no amounts for share purchase financing. During the three and nine-months ended March 31, 2012, \$nil and \$46 of compensation expense was recognized on an employee loan forgiven (year-ended June 30, 2011 - \$47). During the three and nine-months ended March 31, 2011, \$1 and \$2 of interest (year-ended June 30, 2011 - \$5) received on these loans was recorded as a capital contribution. During the three and nine-months ended March 31, 2012, \$nil and \$2 was received (year-ended June 30, 2011 – \$2) as principal repayment of an employee loan. During the three and nine-month periods ended March 31, 2012, \$nil and \$50 reduction in share purchase financing was recorded on a loan forgiven in exchange for common shares returned and cancelled (note 15(d)) (year ended June 30, 2011 - \$25).

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

(expressed in thousands of Canadian dollars)

### 15 Share capital and contributed surplus (continued)

#### f) Warrants

During the three and nine-month periods ended March 31, 2012, 1,000,000 conditional warrants (“Conditional Warrants”) were granted to consultants of the Company at a strike price of \$0.785 per share (year-ended June 30, 2011 – nil). The vesting for the Conditional Warrants is conditional upon satisfying specified future vesting events. Specified vesting conditions are not taken into account when estimating the fair value of the warrants at the measurement date. Instead vesting conditions are taken into account for consideration purposes based on the number of warrants that eventually vest. As at March 31, 2012, the vesting conditions have not been met, accordingly no amount for compensation expense has been recorded. During the three and nine-month periods ended March 31, 2012, 937,500 warrants expired (year-ended June 30, 2011 – 4,922,750). For the three and nine-months periods ended March 31, 2012 the amount recorded to warrants was \$210 and the amount recorded as a credit to contributed surplus was \$177 (year-ended June 30, 2011, \$1,630 and \$1,359).

	<b>Number of warrants</b>	<b>Weighted average exercise price per warrant \$</b>
<b>Outstanding at July 1, 2010</b>	5,860,250	1.95
Warrants expired	<u>(4,922,750)</u>	<u>2.10</u>
<b>Outstanding at June 30, 2011</b>	937,500	1.15
Warrants expired	(937,500)	1.15
Warrants granted	<u>1,000,000</u>	<u>0.78</u>
<b>Outstanding at March 31, 2012</b>	<u><u>1,000,000</u></u>	<u><u>0.78</u></u>

The fair value of the Conditional Warrants has been estimated at \$390 by management using the Black-Scholes option pricing model. The assumptions used in the pricing model to value the Conditional Warrants are as follows:

Risk-free interest rate	1.12%
Expected option life	2 years
Expected volatility	54%
Expected dividend yield	nil



# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

(expressed in thousands of Canadian dollars)

### 15 Share capital and contributed surplus (continued)

#### g) Stock options

At March 31, 2012 and June 30, 2011, the Company had the following stock options outstanding:

	Number of options	Weighted average exercise price per option \$
<b>Outstanding at July 1, 2010</b>	4,111,547	1.33
Granted to an employee	170,000	0.96
Granted to directors	700,000	0.93
Options exercised	(25,000)	0.78
Options expired	(746,547)	2.25
Options forfeited	(190,000)	1.45
<b>Outstanding at June 30, 2011</b>	4,020,000	1.07
Options forfeited	(200,000)	1.18
Options expired	(340,000)	2.16
Options granted	880,000	0.80
<b>Outstanding at March 31, 2012</b>	4,360,000	0.93
<b>Exercisable at June 30, 2011</b>	2,081,250	1.16
<b>Exercisable at March 31, 2012</b>	2,231,250	1.01

The total maximum number of common shares to be reserved for issuance through the Company stock option plan is 9% of the total number of issued and outstanding common shares at any time. As at March 31, 2012, this amounted to 4,776,081 (June 30, 2011 – 5,543,695).

On September 21, 2011, 300,000 stock options were issued to an employee at \$0.83 per share, all of which vested upon granting, expiring on September 21, 2016.

On October 1, 2011, 80,000 stock options were issued to employees at \$0.83 per share, vesting over four years and expiring on October 1, 2016.

On November 1, 2011, 150,000 stock options were issued to an employee at \$0.83 per share, vesting over four years and expiring on November 1, 2016.

On November 30, 2011, 150,000 stock options were issued to an employee at \$0.83 per share, vesting over four years and expiring on November 30, 2016.

On December 15, 2011, 200,000 stock options were issued to employees at \$0.69 per share, vesting over four years and expiring on December 15, 2016.

During the three and nine-months ended March 31, 2012, no stock options were exercised (year-ended June 30, 2011 – 25,000 at a price of \$0.78 per common share).

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 15 Share capital and contributed surplus (continued)

#### g) Stock options (continued)

During the three and nine-months ended March 31, 2012, 75,000 and 200,000 options were forfeited and 65,000 and 340,000 expired (year-ended June 30, 2011 – 190,000 and 746,547).

The weighted average grant date fair value of stock options and assumptions using the Black-Scholes option pricing model for the three and nine-months ended March 31, 2012 and 2011 are as follows:

	Three-months ended March 31, 2012	Nine-months ended March 31, 2012	Three-months months ended March 31, 2011	Nine-months ended March 31, 2011
Weighted average grant value date	-	0.29	0.51	0.50
Risk-free interest rate	-	1.23%	2.51%	1.87%
Expected option life	-	4 years	4 years	4 years
Expected volatility	-	65%	67%	68%
Expected dividend yield	-	nil	nil	nil

Changes in the assumptions can materially affect the fair value estimate and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the stock options.

During the three and nine-months ended March 31, 2012, a total of \$71 and \$381 (three and nine-months ended March 31, 2011 - \$85 and \$304) was recognized as compensation expense. Included in the compensation expense for the three and nine-months ended March 31, 2012 was \$nil and \$46 related to employee share purchase loans (three and nine-months ended March 31, 2011 - \$nil and \$47).

### 16 Government financing and assistance

During the three and nine-months ended March 31, 2012, investment in film and television programs was reduced by \$372 and \$722 (year ended June 30, 2011 - \$2,737) related to production financing from government agencies. This financing is related to equity participation by government agencies and is repayable from distribution revenue of the specific productions for which the financing was made. In addition, during the three and nine-months ended March 31, 2012, investment in film also has been reduced by \$800 and \$2,604 (year ended June 30, 2011 - \$2,376) related to non-repayable contributions from the Canadian Television Fund license fee program. During the three and nine-months ended March 31, 2012, investment in film and television programs has been reduced by \$5,396 and \$9,891 (year ended June 30, 2011 - \$11,754) for tax credits relating to production activities. Lastly, during the three and nine-months ended March 31, 2012, the Company received \$3,511 and \$12,026, respectively, in government financing and assistance (year ended June 30, 2011 - \$19,358).

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

(expressed in thousands of Canadian dollars)

### 17 Income taxes

Significant components of the Company's deferred income tax asset (liability) as at March 31, 2012, June 30, 2011 and July 1, 2010 are as follows:

	March 31, 2012 \$	June 30, 2011 \$	July 1, 2010 \$
Cultural donations	71	4	432
Leasehold inducements	124	124	–
Foreign tax credits	296	296	245
Deferred production revenue	426	426	–
Participation payables, capital lease obligations and other liabilities	780	714	249
Property, plant and equipment	(291)	(263)	(77)
Share issuance costs and deferred financing fees	322	452	656
Investment in film and television programs	(2,387)	(3,448)	(2,239)
Intangible assets	(1,686)	(1,848)	(2,153)
Non-capital losses and other	2,834	3,885	2,373
	<hr/>	<hr/>	<hr/>
Deferred income tax asset (liability)	489	342	(514)

### 18 Finance income and finance expense

Finance income and finance expense are comprised of the following:

	Three-months ended		Nine-months ended	
	March 31, 2012 \$	March 31, 2011 \$	March 31, 2012 \$	March 31, 2011 \$
<b>Finance income</b>				
Interest income	49	11	172	115
Net foreign exchange gain (loss)	(78)	185	21	161
	<hr/>	<hr/>	<hr/>	<hr/>
	(29)	196	193	276
<b>Finance costs</b>				
Interest expense on bank indebtedness	27	28	75	46
Interest expense on long-term debt and capital leases	32	96	95	148
	<hr/>	<hr/>	<hr/>	<hr/>
	59	124	170	194
	<hr/>	<hr/>	<hr/>	<hr/>
Net finance income (expense)	(88)	72	23	82

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

(expressed in thousands of Canadian dollars)

### 19 Expenses by nature and employee benefit expense

The following sets out the expenses by nature:

	Three-months ended		Nine-months ended	
	March 31, 2012 \$	March 31, 2011 \$	March 31, 2012 \$	March 31, 2011 \$
Direct production and new media costs	8,374	4,505	29,661	15,709
Amortization of film and television programs	2,130	2,266	9,677	10,650
Impairment in value of investment in film and television programs	-	-	135	450
Amortization of acquired library	131	107	609	446
Development expenses and other	226	408	436	844
Office and administrative	762	1,046	2,273	2,357
Investor relations and marketing	9	439	402	757
Professional and regulatory	309	555	954	1,222
Amortization of property, plant and equipment and intangibles	742	527	1,963	1,545
	<u>12,683</u>	<u>9,853</u>	<u>46,110</u>	<u>33,980</u>

The following sets out the components of employee benefits expense:

Salaries and employee benefits	2,869	2,002	7,781	7,150
Share-based compensation	71	85	381	304
Termination benefits	50	5	72	27
	<u>2,990</u>	<u>2,092</u>	<u>8,234</u>	<u>7,481</u>
	<u>15,673</u>	<u>11,945</u>	<u>54,344</u>	<u>41,461</u>

### 20 Commitments and contingencies

#### Commitments

The Company has entered into various operating leases for operating premises and equipment. The future aggregate minimum payments under these operating leases are as follows:

	\$
Year ending June 30, 2012	376
2013	1,255
2014	890
2015	538
2016	555

#### Contingencies

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the normal course of business and as such, provisions have been recorded where appropriate. Management does not believe that the final determination of these claims will have a material adverse effect on the financial position or results of operations of the Company. The maximum exposure at March 31, 2012 and June 30, 2011 related to the above matters is estimated at \$400.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

(expressed in thousands of Canadian dollars)

### 21 Capital disclosures

The Company's objectives when managing capital are to provide an adequate return to shareholders, safeguard its assets, maintain a competitive cost structure and continue as a going concern in order to pursue the development, production, distribution and licensing of its film and television properties. To maximize ongoing development and growth effort, the Company did not pay out dividends during three and nine-months ended March 31, 2012 or the year ended June 30, 2011.

The Company's capital is summarized in the table below:

	<b>March 31, 2012</b>	<b>June 30, 2011</b>	<b>July 1, 2010</b>
	\$	\$	\$
Total bank indebtedness, long-term debt and obligations under capital leases	8,048	9,110	3,414
Less: Cash	(18,000)	(19,525)	(17,276)
Net debt	(9,952)	(10,415)	(13,862)
Total Shareholders' Equity	78,423	81,256	80,179
	<u>68,471</u>	<u>70,841</u>	<u>66,317</u>

To facilitate the management of its capital structure, the Company prepares annual expenditure operating budgets that are updated as necessary depending on various factors including industry conditions and operating cash flow. The annual and updated budgets are reviewed by the board of directors.

The Company monitors capital using a number of financial ratios, specifically for the RBC Revolving Operating and Production Credit Facilities (note 14), including but not limited to:

- Funded Debt Ratio, defined as funded debt (the total of all obligations for borrowed money which bear interest or imputed interest (not including interim production financing), all capital lease obligations, and any contingent liabilities) ("Funded Debt") to consolidated EBITDA; and
- The Fixed Charge Ratio, defined as adjusted consolidated EBITDA (consolidated EBITDA less cash, income taxes and unfunded capital expenditures) to fixed charges (consolidated interest expense, scheduled principal payments on Funded Debt, and Company distributions).

The following table illustrates the financial ratios calculated on a rolling twelve-month basis as at:

	<b>Measure targets</b>	<b>March 31, 2012</b>	<b>June 30, 2011</b>
Funded Debt Ratio	< 3.0x	0.9x	1.3x
Fixed Charge Ratio	> 1.25x	6.33x	6.22x

The Company has been in compliance with these and all previous ratios since the inception of the RBC Master Credit Facility.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

(expressed in thousands of Canadian dollars)

### 22 Earnings per common share

a) Basic

Basic earnings per share is calculated by dividing the net income by the weighted average number of common shares in issue during the period.

	Three-months ended		Nine-months ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
	\$	\$	\$	\$
Net income	\$ 546	\$ 237	\$ 2,699	\$ 1,520
Weighted average number of common shares	53,094,638	61,617,610	59,032,410	61,620,850
Basic earnings per share	\$ 0.01	\$ 0.00	\$ 0.05	\$ 0.02

b) Diluted

Diluted earnings per common share is calculated by adjusting the weighted average number of shares common shares outstanding to assume conversion of all potentially dilutive instruments which are convertible into common shares. The Company has two categories of potentially dilutive instruments which are convertible into common shares: stock options and warrants. For both the stock options and the warrants, a calculation is completed to determine the number of common shares that could have been acquired at fair value (determined as the average market price of the Company's outstanding common shares for the period), based on the monetary value of the subscription rights attached to the stock options and warrants. The number of shares calculated above as compared with the number of shares that would have been issued assuming exercises of the warrants and stock options.

For the three and nine-months ended March 31, 2012, the weighted average number of potentially dilutive instruments, comprised of shares issuable in respect of warrants and stock options, was 417,556 and 367,724 respectively (three and nine-months ended March 31, 2011 – 321,889 and 323,755).

	Three-months ended		Nine-months ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
	\$	\$	\$	\$
Net income	\$ 546	\$ 237	\$ 2,699	\$ 1,520
Weighted average number of common shares	53,512,194	61,939,499	59,400,134	61,944,605
Diluted earnings per share	\$ 0.01	\$ 0.00	\$ 0.05	\$ 0.02

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

(expressed in thousands of Canadian dollars)

### 22 Earnings per common share (continued)

#### b) Diluted

For the periods ended March 31, 2012 and March 31, 2011, options and warrants that were determined to be anti-dilutive have been excluded from diluted earnings per share. The Conditional Warrants have also been excluded from the calculation of the diluted earnings per share as at March 31, 2012 the vesting conditions have not been met.

### 23 Net change in non-cash working capital balances related to operations

	Three-months ended		Nine-months ended	
	March 31, 2012 \$	March 31, 2011 \$	March 31, 2012 \$	March 31, 2011 \$
Decrease (increase) in amounts receivable	3,547	3,921	1,794	63
Decrease (increase) in prepaid expenses and deposits	(163)	217	(724)	(110)
Increase (decrease) in accounts payable and accrued liabilities	(394)	1,885	2,979	6,415
Increase (decrease) in deferred revenue	(2,423)	(649)	2,695	2,532
	<u>567</u>	<u>5,374</u>	<u>6,744</u>	<u>8,900</u>
During the period, the Company paid and received the following:				
Interest paid	589	505	1,373	1,421
Interest received	115	55	263	275
Taxes paid	420	1	730	17

### 24 Revenues and segmented information

The Company operates production entities and offices throughout Canada and in Los Angeles, USA. In measuring performance, the Company does not distinguish or group its operations on a geographical or any other basis and, accordingly, has a single reportable segment for disclosure purposes and has the following sources of revenue:

	Three-months ended		Nine-months ended	
	March 31, 2012 \$	March 31, 2011 \$	March 31, 2012 \$	March 31, 2011 \$
Production revenue	2,253	2,523	11,370	13,200
Distribution revenue	1,884	1,640	5,053	6,192
Producer and service fee revenues	8,323	4,187	24,571	11,456
Merchandising and licensing and other	4,159	3,933	17,244	13,043
	<u>16,619</u>	<u>12,283</u>	<u>58,238</u>	<u>43,891</u>

Of the Company's \$16,619 and \$58,238 in revenues for the three and nine-months ended March 31, 2012 (\$12,283 and \$43,891 for the three and nine-months ended March 31, 2011), \$7,802 and \$27,827 was attributable to the Company's entities based in Canada (\$7,058 and \$26,487 for the three and nine-months ended March 31, 2011) and \$8,817 and \$30,411 (\$5,225 and \$17,404 for the three and nine-months ended March 31, 2011) was attributable to the Company's entities based in the USA.

# DHX Media Ltd.

## Notes to Unaudited Condensed Consolidated Financial Statements For the periods ended March 31, 2012 and 2011

---

(expressed in thousands of Canadian dollars)

### 24 Revenues and segmented information (continued)

As at March 31, 2012, the following non-current assets were attributable to the Company's entities based in the USA: \$1,338 of property, plant and equipment, \$344 of intangible assets, and \$698 of Goodwill (June 30, 2011 \$2,168, \$390, and \$765 and July 1, 2010 \$13, nil, and nil, respectively). All other non-current assets were attributable to the Company's entities based in Canada.

### 25 Accumulated other comprehensive income (loss)

The components of the Company's accumulated other comprehensive income (loss) are as follows:

	March 31, 2012	June 30, 2011	July 1, 2010
	\$	\$	\$
Unrealized gain on available for sale investment	23	19	12
Cumulative translation account	(213)	(476)	-
	<hr/>	<hr/>	<hr/>
Total accumulated other comprehensive income (loss)	(190)	(457)	12

### 26 Seasonality

Results of operations for any period are dependent on the number and timing of film and television programs delivered, which cannot be predicted with certainty. Consequently, the Company's results from operations may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods. Cash flows may also fluctuate and are not necessarily closely correlated with revenue recognition. During the initial broadcast of the rights the Company is somewhat reliant on the broadcaster's budget and financing cycles and at times the license period gets delayed and commences at a later date than originally projected.

The Company's film and television revenues vary significantly from quarter to quarter driven by contracted deliveries with the primary broadcasters. Although with the Company's recent diversification of its revenue mix, particularly in the strengthening of the distribution revenue stream, some of the quarterly unevenness is improving slightly and becoming more predictable. Distribution revenues are contract and demand driven and can fluctuate significantly from year to year.



