## Consolidated Statements of Cash Flow

| *(Unaudited & not reviewed by an auditor)* | *13 Weeks Ended* | | *26 Weeks Ended* | |
|---|---|---|---|---|
| *For the period ended* | **Oct. 31, 2009** | Nov. 1, 2008 | **Oct. 31, 2009** | Nov. 1, 2008 |
| **Operating activities** | | | | |
| Net income | **$ 189,773** | $ 184,797 | **$ 45,326** | $ 27,644 |
| Items not affecting cash: | | | | |
| Future income taxes | **37,009** | 2,938 | **55,001** | 9,002 |
| Amortization of capital assets | **75,604** | 80,224 | **144,558** | 151,623 |
| Amortization of deferred development costs | **31,495** | 29,023 | **58,670** | 53,456 |
| Amortization of trademarks and other intangibles | **1,711** | 1,710 | **3,422** | 3,421 |
| | **335,592** | 298,692 | **306,977** | 245,146 |
| Net changes in non-cash working capital balances (*) | **(592,181)** | (277,299) | **(814,702)** | (365,995) |
| Cash flows provided by (used in) operating activities | **(256,589)** | 21,393 | **(507,725)** | (120,849) |
| **Financing activities** | | | | |
| Increase in bank borrowings | **322,858** | - | **322,858** | - |
| Repayment of capital lease obligations | **(11,123)** | (14,883) | **(22,005)** | (29,442) |
| Cash flows provided by (used in) financing activities | **311,735** | (14,883) | **300,853** | (29,442) |
| **Investing activities** | | | | |
| Additions to investment in productions | **(47,086)** | - | **(47,086)** | - |
| Additions to development costs | **(34,825)** | (36,718) | **(69,383)** | (71,958) |
| Additions to capital assets | **(63,466)** | (64,095) | **(84,037)** | (208,712) |
| Cash flows used in investing activities | **(145,377)** | (100,813) | **(200,506)** | (280,670) |
| Net change in cash | **$ (90,231)** | $ (94,303) | **$ (407,378)** | $ (430,961) |
| Cash and cash equivalents, beginning of period | **90,231** | 516,656 | **407,378** | 853,314 |
| Cash, end of period | **$ -** | $ 422,353 | **$ -** | $ 422,353 |
| (*) Components of the net changes in non-cash working capital balances related to operations | | | | |
| Decrease (increase) in accounts receivable | **$ (291,901)** | $ (421,284) | **$ 267,621** | $ (306,749) |
| Increase in inventories | **(59,427)** | (285,790) | **(209,768)** | (345,168) |
| Decrease (increase) in prepaid video royalties | **3,410** | (226,187) | **47,121** | (274,616) |
| Decrease (increase) in prepaid expenses and deposits | **43,455** | (101,318) | **(187,593)** | (99,276) |
| Increase in income taxes recoverable | **-** | 170,068 | **-** | 86,120 |
| Increase (decrease) in accounts payable and accrued liabilities | **(156,422)** | 587,212 | **(523,200)** | 573,694 |
| Increase (decrease) in income taxes payable | **(131,296)** | - | **(208,883)** | - |
| | **$ (592,181)** | $ (277,299) | **$ (814,702)** | $ (365,995) |

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.



### Report to Shareholders

We are reporting our unaudited consolidated financial and operating results for the second quarter ended October 31, 2009.

Sales for the first six months were $5,801,552 compared to $4,737,836 last year, a 22% increase. Net income for the first six months was $45,326 ($0.01 per share) compared to $27,644 ($0.00 per share) for the same period last year.

Sales for the second quarter were $3,484,977 compared to $2,770,740 during the same quarter last year, a 26% increase. Net income for the second quarter was $189,773 ($0.03 per share) compared to $184,797 ($0.02 per share) in the same quarter last year.

We are pleased to report that sales revenue increased by 22% for the first six months of fiscal 2010. We continue to remain very positive for the balance of this fiscal year.

BFS is a recognised independent manufacturer and distributor of home video with head office in Toronto, Ontario.

BFS acquires exclusive rights to film and television programming for home video distribution and broadcast where applicable. Distribution rights are obtained by license, acquisition and co-production from various independent production and television broadcast companies. These programming rights are developed into home video products for North American distribution and where applicable, are licensed internationally.

Programming includes classic dramas, mystery, comedy, sports, documentaries and health and wellness and is sold under the BFS Video, American Home Treasures and Bodhi Lifestyle™ brands. North American distribution is through national retailers, distributors, mail order companies and BFS' direct to consumer division.

BFS' strategy is to continue to acquire new programming and to expand its proprietary programme development, international distribution and direct to consumer electronic delivery.

Denis B.E. Donnelly
Chairman, President & CEO
December 21, 2009

Shareholders and other individuals requesting copies of the Annual and Quarterly Reports should contact:
**INVESTOR RELATIONS**
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E-Commerce Website: www.collectablesdirect.com

B·F·S ENTERTAINMENT & MULTIMEDIA LIMITED


FOR THE SIX MONTH PERIOD
ENDED **OCTOBER 31, 2009**

B·F·S VIDEO AMERICAN HOME TREASURES BODHI lifestyle.

## Consolidated Statements of Operations

| *(Unaudited & not reviewed by an auditor)* | *13 Weeks Ended* | | *26 Weeks Ended* | |
|---|---|---|---|---|
| *For the Period ended* | **Oct. 31, 2009** | Nov. 1, 2008 | **Oct. 31, 2009** | Nov. 1, 2008 |
| **Sales** | **$ 3,484,977** | $ 2,770,740 | **$ 5,801,552** | $ 4,737,836 |
| **Cost of goods sold** | **1,284,669** | 885,845 | **2,160,837** | 1,638,405 |
| **Gross profit** | **2,200,308** | 1,884,895 | **3,640,715** | 3,099,431 |
| **Expenses** | | | | |
| Selling | **1,062,670** | 855,558 | **1,677,761** | 1,583,558 |
| Administrative | **709,142** | 747,308 | **1,420,008** | 1,371,619 |
| Foreign exchange (gain) loss | **20,959** | (117,016) | **239,480** | (120,272) |
| Interest | **3,241** | 3,131 | **5,372** | 6,106 |
| Amortization | **108,810** | 110,957 | **206,650** | 208,500 |
| | **1,904,822** | 1,599,938 | **3,549,271** | 3,049,511 |
| **Income before income taxes** | **295,486** | 284,957 | **91,444** | 49,920 |
| **Income taxes (recovered)** | | | | |
| Current | **68,704** | 97,222 | **(8,883)** | 13,274 |
| Future | **37,009** | 2,938 | **55,001** | 9,002 |
| | **105,713** | 100,160 | **46,118** | 22,276 |
| **Net income** | **$ 189,773** | $ 184,797 | **$ 45,326** | $ 27,644 |
| Basic and diluted earnings per share (Note 3) | **$ 0.03** | $ 0.02 | **$ 0.01** | $ 0.00 |

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.

## Consolidated Statements of Retained Earnings

| *(Unaudited & not reviewed by an auditor)* | *13 Weeks Ended* | | *26 Weeks Ended* | |
|---|---|---|---|---|
| *For the period ended* | **Oct. 31, 2009** | Nov. 1, 2008 | **Oct. 31, 2009** | Nov. 1, 2008 |
| Retained earnings – beginning of period | **$ 1,994,970** | $ 1,631,021 | **$ 2,139,417** | $ 1,788,174 |
| Net income | **189,773** | 184,797 | **45,326** | 27,644 |
| Retained earnings – end of period | **$ 2,184,743** | $ 1,815,818 | **$ 2,184,743** | $ 1,815,818 |

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.

BFS ENTERTAINMENT & MULTIMEDIA LIMITED

## Consolidated Balance Sheets

| *(Unaudited & not reviewed by an auditor)* | | |
|---|---|---|
| *As at* | **October 31, 2009** | May 2, 2009 |
| **Assets** | | |
| Current | | |
| Cash | **$ -** | $ 407,378 |
| Accounts receivable | **1,439,441** | 1,707,062 |
| Inventories | **1,944,423** | 1,734,655 |
| Prepaid video royalties | **1,145,016** | 1,192,137 |
| Prepaid expenses and deposits | **301,884** | 114,291 |
| Future income taxes | **51,787** | 91,608 |
| | **4,882,551** | 5,247,131 |
| Investment in productions | **97,086** | 50,000 |
| Development costs | **219,871** | 209,158 |
| Trademarks and other intangibles | **38,834** | 42,256 |
| Capital assets | **613,966** | 674,487 |
| Future income taxes | **39,950** | 55,130 |
| | **$ 5,892,258** | $ 6,278,162 |
| **Liabilities** | | |
| Current | | |
| Bank indebtedness (Note 2) | **$ 322,858** | $ - |
| Accounts payable and accrued liabilities | **1,246,383** | 1,769,583 |
| Income taxes payable | **31,875** | 240,758 |
| Capital lease obligations due within one year | **28,173** | 41,433 |
| | **1,629,289** | 2,051,774 |
| Capital lease obligations | **-** | 8,745 |
| | **1,629,289** | 2,060,519 |
| **Shareholders' Equity** | | |
| Capital stock (Note 3) | **2,078,226** | 2,078,226 |
| Retained earnings | **2,184,743** | 2,139,417 |
| | **4,262,969** | 4,217,643 |
| | **$ 5,892,258** | $ 6,278,162 |

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.

## Notes to Interim Consolidated Financial Statements *(unaudited)*

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in these unaudited interim consolidated financial statements conform to those presented in the corporation's May 2, 2009 audited annual consolidated financial statements. These interim consolidated financial statements do not include all of the disclosures included in the annual consolidated financial statements and accordingly, should be read in conjunction with the annual consolidated financial statements.

The accompanying unaudited interim financial statements of the corporation have been prepared by and are the responsibility of the corporation's management.

The corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

### 2. BANK INDEBTEDNESS

As of October 31, 2009, the company had an operating line of credit in the amount of $1,500,000 (May 2, 2009 – $1,500,000) of which $520,000 (May 2, 2009 - $155,000) was outstanding at that date. The outstanding portion of the line of credit bears interest at the bank prime rate plus 0.5% per annum payable monthly. A general security providing a first charge over all accounts receivable, inventories and equipment, other than leased assets, has been pledged as security for this operating line of credit.

### 3. CAPITAL STOCK

**Authorized**

Unlimited common shares

**Issued – Common Shares**

| | Shares | Amount |
|---|---|---|
| Balance – beginning of year and end of period | 7,524,333 | $ 2,078,226 |

The following table sets out the computation of basic and diluted earnings per share:

| | 2009 | 2008 |
|---|---|---|
| **Numerator:** | | |
| Net earnings available to common shareholders | **$ 45,326** | $ 27,644 |
| **Denominator:** | | |
| Weighted average shares for basic earnings per share | **7,524,333** | 7,828,333 |
| Weighted average shares for diluted earnings per share | **7,524,333** | 7,828,333 |
| Basic and diluted earnings per share | **$ 0.01** | $ 0.00 |

On September 15, 2009, the company received approval from the TSX Venture Exchange to purchase, pursuant to a normal course issuer bid expiring on September 21, 2010, a maximum of 392,083 common shares of the company for cancellation. Pursuant to the approval, the company has purchased no common shares for cancellation as at October 31, 2009.

On September 15, 2009, the shareholders of the company approved a new stock option plan for directors, officers and employees, enabling them to purchase common shares of the company. A total of 750,000 common shares of the company have been reserved for options under this plan. Each option entitles the holder to purchase one common share of the company. As at October 31, 2009, there were no options outstanding.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis of the financial results of BFS Entertainment & Multimedia Limited should be read in conjunction with the unaudited financial statements and related notes for the period ending October 31, 2009 and the audited financial statements and related notes for the period ending May 2, 2009. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All information is presented in Canadian dollars.

This report may contain forward-looking statements, including statements regarding the future success of our business strategies and future market opportunities. These statements are neither promises nor guarantees, but involve known and unknown risks and uncertainties that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed in or implied by these forward-looking statements. These risks include risks related to our sales growth, operating results, industry and products as well as other factors discussed below and elsewhere in this report. Readers should not place undue reliance on any such forward-looking statements, which speak only as of the date they were made. We disclaim any obligation to publicly update or revise such statements to reflect any change in our expectations or in events, conditions or circumstances on which any such statements may be based or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements. This information contained in this management's discussion and analysis report updates for the year ended May 2, 2009 for material changes that have taken place. Additional information relating to BFS is filed at www.sedar.com. This management's discussion and analysis is dated December 21, 2009.

## RESULTS FROM OPERATIONS

| **Selected Annual Information of Operations Data** | **Thirteen Weeks Ended** | | **Twenty-Six Weeks Ended** | |
|---|---|---|---|---|
| *(unaudited and not reviewed by an auditor)* | **Oct. 31, 2009** | Nov. 1, 2008 | **Oct. 31, 2009** | Nov. 1, 2008 |
| Sales | **$ 3,484,977** | $ 2,770,740 | **$ 5,801,552** | $ 4,737,836 |
| Cost of goods sold | **1,284,669** | 885,845 | **2,160,837** | 1,638,405 |
| Gross profit | **2,200,308** | 1,884,895 | **3,640,715** | 3,099,431 |
| Gross profit % | **63%** | 68% | **63%** | 65% |
| Selling and administrative expenses | **1,771,812** | 1,602,866 | **3,097,769** | 2,955,177 |
| Foreign exchange loss (gain) | **20,959** | (117,016) | **239,480** | (120,272) |
| Interest expense | **3,241** | 3,131 | **5,372** | 6,106 |
| Amortization | **108,810** | 110,957 | **206,650** | 208,500 |
| Net income | **189,773** | 184,797 | **45,326** | 27,644 |
| Basic and diluted earnings per share | **$ 0.03** | $ 0.02 | **$ 0.01** | $ 0.00 |
| Weighted average number of shares | **7,524,333** | 7,828,333 | **7, 524,333** | 7,828,333 |

Sales increased by 22% during the six months when compared to the same period in the prior year. We continue to be successful in growing our revenue base and we remain very positive for the balance of this fiscal year.

**Sales** for the quarter were $3,484,977 compared to $2,770,740 during the same quarter last year, a 26% increase over the prior year. Sales for the six months were $5,801,552 compared to $4,737,836 for the same period last year, a 22% increase.

**Gross profit** for the quarter was $2,200,308 (63% of sales) compared to $1,884,895 (68% of sales) in the prior year. Gross profit for the six month period was $3,640,715 (63% of sales) compared to $3,099,431 (65% of sales) in the prior year.

**Selling and administrative expenses** for the quarter were $1,771,812 (51% of sales) compared to $1,602,866 (58% of sales) in the prior year, an increase in the quarter of $168,946 over the previous year. Advertising and promotions increased by $154,138, resulting from an increase in catalogue mailings as the company continues to explore new markets, shipping costs increased by $12,001 and other expenses increased by a net $2,807 for the three months over the previous year.

Selling and administrative expenses for the six months were $3,097,769 (53% of sales) compared to $2,955,177 (62% of sales) in the prior year, an increase in the six months of $142,592 over the previous year. Advertising and promotions increased by $44,565, resulting from an increase in catalogue mailings as the company continues to explore new markets, salaries and benefits increased by $83,725 due to the addition of sales and merchandising staff, shipping costs increased by $30,791 and other expenses decreased by a net $16,489 for the six months over the previous year.

**Foreign exchange** loss for the quarter was $20,959 compared to a gain of $117,016 in the prior year. Foreign exchange loss for the six months was $239,480 compared to a gain of $120,272 in the prior year. During the six months, the Canadian dollar against the United States dollar appreciated by approximately 9% compared to a depreciation of approximately 19% in the prior year. As the majority of our customers are in the United States, the strengthening Canadian dollar against the United States dollar has had an unfavourable impact on the company's net financial instruments denominated in foreign currencies in the six months.

**Amortization** of capital assets and deferred development costs was $108,810 for the quarter compared to $110,957 in the prior year.

Amortization for the six months was $206,650 compared to $208,500 in the previous year.

**Income before income taxes** in this quarter was $295,486 compared to $284,957 in the prior year.

Income before income taxes for the six months was $91,444 compared to $49,920 in the prior year.

**Net income** for the quarter was $189,773 or $0.03 per share for this year, compared to $184,797 or $0.02 per share in the prior year.

Net income for the six months was $45,326 or $0.01 per share for the year, compared to $27,644 or $0.00 per share in the prior year.

**Weighted average number of shares** outstanding for the quarter was 7,524,333.

## FINANCIAL CONDITION AS AT OCTOBER 31, 2009

| **Selected data on financial condition** | | |
|---|---|---|
| *(unaudited and not reviewed by an auditor)* | **Oct. 31, 2009** | May 2, 2009 |
| Cash (Bank indebtedness) | **$ (322,858)** | $ 407,378 |
| Net working capital | **3,253,262** | 3,195,357 |
| Total assets | **5,892,258** | 6,278,162 |
| Total long-term liabilities | **-** | 8,745 |
| Total liabilities | **1,629,289** | 2,060,519 |
| Shareholders' equity | **4,262,969** | 4,217,643 |

*(continued on next page)*

**Total assets** of the company at the end of the quarter decreased to $5,892,258 compared to $6,278,162 at the prior year end, primarily due to a decrease in cash and accounts receivable offset by an increase in inventories, prepaid expenses and deposits.

**Cash** decreased by $407,378 and bank indebtedness increased by $322,858 from the prior year end due to increased working capital requirements.

**Accounts receivable** decreased to $1,439,441 from $1,707,062 at the prior year end due to normal and expected seasonal decreases.

**Inventory** increased to $1,944,423 from $1,734,655 at the prior year end due to anticipated next quarter sales seasonality, increased new product offerings and timing of catalogue mailings.

**Prepaid royalties** for video products decreased to $1,145,016 from $1,192,137 at the prior year end.

**Capital assets** decreased to $613,966 from $674,487 at the prior year end. Continuing capital expenditures for the quarter for master tapes were $64,851.

**Total liabilities** decreased to $1,605,272 from $2,060,519 at the prior year end primarily from the decrease in accounts payable and income taxes payable.

**Shareholders' equity** increased by $45,326 from $4,217,643 at the prior year end. The share capital as at October 31, 2009 was $2,078,226 with 7,524,333 shares outstanding unchanged from the prior year end.

## CAPITAL REQUIREMENTS, RESOURCES AND LIQUIDITY

At year end, the company had an operating line of credit of $1,500,000 of which $520,000 was outstanding. A registered general agreement providing a first charge over all accounts receivable, inventories and equipment, other than leased assets, has been provided as security for this operating line of credit.

On September 17, 2008, the company received approval from the TSX Venture Exchange to purchase, pursuant to a normal course issuer bid expiring on September 21, 2009, a maximum of 422,483 shares of the company for cancellation. The company purchased 304,000 shares as part of the normal course issuer bid for $32,090 for cancellation.

On September 15, 2009, the company received approval from the TSX Venture Exchange to purchase, pursuant to a normal course issuer bid expiring on September 21, 2010, a maximum of 392,083 common shares of the company for cancellation.  Pursuant to the approval, the company has purchased no common shares for cancellation as of December 21, 2009.

On September 15, 2009, the shareholders of the company approved a new stock option plan for directors, officers and employees, enabling them to purchase common shares of the company. A total of 750,000 common shares of the company have been reserved for options under this plan. Each option entitles the holder to purchase one common share of the company.