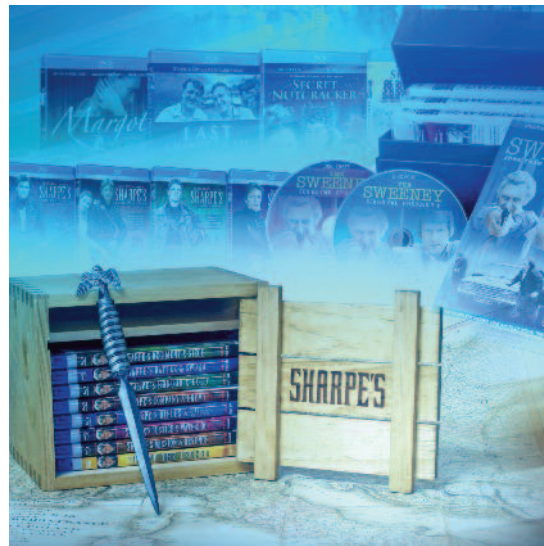


**B.F.S**

ENTERTAINMENT  
& MULTIMEDIA  
LIMITED



## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the thirteen weeks ended  
August 6, 2011

In Compliance with Interim Financial Reporting  
("IAS 34") In Conformity with International  
Financial Reporting Standards ("IFRS")

---

**B.F.S**  
VIDEO

AMERICAN  
HOME  
TREASURES

**BODHI**  
lifestyle.

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis of the financial results of BFS Entertainment & Multimedia Limited ("BFS" or "Company") should be read in conjunction with the unaudited financial statements and related notes for the period ending August 6, 2011 and the audited financial statements and related notes for the period ending May 7, 2011. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The Company's common shares are listed on the TSX Venture Exchange, symbol BFS and its reporting currency is the Canadian dollar. The financial data contained in this discussion and analysis is in compliance with IAS 34 Interim Financial Reporting ("IAS 34") in conformity with IFRS. The information contained in this management's discussion and analysis report updates for the year ended May 7, 2011 for material changes that have taken place. Additional information relating to BFS is filed at [www.sedar.com](http://www.sedar.com). This management's discussion and analysis is dated October 31, 2011.

### **Adoption of Accounting Standards and Pronouncements in Compliance with Interim Reporting ("IAS 34") in Conformity with International Financial Reporting Standards ("IFRS")**

This management's discussion and analysis has been prepared by management in compliance with IAS 34, "Interim Financial Reporting" ("IAS 34"), in conformity with International Financial Reporting Standards ("IFRS"). The Canadian Accounting Standards Board (the "AcSB") has confirmed that International Financial Reporting Standards as promulgated by the International Accounting Standards Board ("IASB") would replace existing generally accepted accounting principles in Canada ("Canadian GAAP") for publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. This is the Company's first MD&A presented in accordance with IAS 34. "First-Time Adoption of IFRS" ("IFRS 1") was applied on transition. As a result of the adoption of IFRS, there was no impact on the Company's balance sheet at May 1, 2010, as reported under Canadian GAAP, thereby resulting in a similar opening balance sheet at May 2, 2010, in conformity with IFRS.

IFRS 2, Share Based Payments, permits the application of that standard only to equity instruments granted after November 7, 2002 that had not vested by May 2, 2010. The Company had no stock options that remained unvested on the transition date and accordingly, the Company has not applied IFRS 2.

As anticipated by management, the adoption of IFRS has resulted in certain presentation, disclosure and description changes to the unaudited consolidated interim financial statements. IFRS 1 does not permit changes to estimates that have been made previously. Consistent with that restriction, estimates used in the preparation of the Company's opening unaudited consolidated interim statement of financial position in compliance with IAS 34 were consistent with those that were made under Canadian GAAP.

In the opinion of management, all adjustments considered necessary for fair presentation under IAS 34 have been included.

### **Cautionary Note Regarding Forward-Looking Information**

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.

## Results from Operations

Selected Annual Information of Operations Data <i>(unaudited and not reviewed by an auditor - in Canadian dollars)</i>	Thirteen Weeks Ended	
	Aug. 6, 2011	Jul. 31, 2010
Sales	\$ 2,228,463	\$ 2,476,796
Cost of goods sold	873,876	1,005,978
Gross profit	1,354,587	1,470,818
Gross profit %	61%	59%
Selling & administrative expenses	1,473,894	1,476,565
Interest expense	10,775	6,954
Foreign exchange gain	(11,053)	(53,594)
Amortization	78,544	77,671
Net loss and comprehensive loss	(133,238)	(31,853)
Basic and diluted loss per share	\$ (0.02)	\$ (0.00)
Weighted average number of shares	7,524,333	7,524,333

Sales decreased by 10% during the first quarter when compared to the same period in the prior year. Negative economic conditions resulted in sales declines in both corporate (-8%) and direct to consumer (-11%) markets.

**Sales** for the quarter were \$2,228,463 compared to \$2,476,796 during the same quarter last year, a 10% decrease over the prior year.

**Gross profit** for the quarter was \$1,354,587 (61% of sales) compared to \$1,470,818 (59% of sales) in the prior year.

**Selling and administrative expenses** for the quarter were \$1,473,894 (66% of sales) compared to \$1,476,565 (60% of sales) in the prior year, a decrease in the quarter of \$2,671 over the previous year. Advertising and promotions increased by \$61,374 resulting from a reconfiguration of the frequency and timing of catalogue mailings; salaries and benefits decreased by \$25,581; selling related expenses decreased by \$22,399; shipping and handling costs decreased by \$8,426 due to reduced sales volume and other expenses decreased by a net \$4,968 for the three months over the previous year.

**Foreign exchange** gain for the quarter was \$11,053 compared to \$53,594 in the prior year.

**Amortization** of intangible assets and property and equipment was \$78,544 for the quarter compared to \$77,671 in the prior year.

**Loss before income taxes** in this quarter was \$197,573 compared to \$36,778 in the prior year.

**Net loss and comprehensive loss** for the quarter was \$133,238 or \$0.02 per share for this year, compared to \$31,853 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 August 6, 2011

Selected data on financial condition <i>(unaudited and not reviewed by an auditor - in Canadian dollars)</i>	Aug. 6, 2011	May 7, 2011
Cash	\$ 424,474	\$ 373,070
Net working capital	2,810,125	2,883,658
Total assets	6,540,273	6,237,641
Bank indebtedness	1,260,784	900,000
Total long-term liabilities	63,536	72,168
Total liabilities	2,768,821	2,332,951
Shareholders' equity	3,771,452	3,904,690

**Total assets** of the Company at the end of the quarter increased to \$6,540,273 compared to \$6,237,641 at the prior year end, primarily due to an increase in accounts receivable and cash, offset by a decrease in inventories, prepaid video royalties and prepaid expenses and deposits.

**Cash and cash equivalents** increased by \$51,404 from the prior year end to \$424,474.

**Accounts receivable** increased to \$1,850,739 from \$1,436,387 at the prior year end due to a general slowdown of collections from our customers who currently are facing difficult United States economic conditions.

**Inventory** decreased to \$1,581,419 from \$1,612,493 at the prior year as a result of improved inventory management.

**Prepaid royalties** for video products decreased to \$1,289,815 from \$1,322,576 at the prior year end.

**Intangible assets** decreased to \$173,306 from \$191,646 at the prior year end. No additions were made during the quarter.

**Property and equipment** decreased to \$551,299 from \$601,340 at the prior year end. Continuing capital expenditures for the quarter for master tapes were \$10,163.

**Total liabilities** increased to \$2,768,821 from \$2,332,951 at the prior year end, primarily from the increase in bank indebtedness of \$360,784 and an increase in accounts payable of \$83,738 from the prior year end.

**Shareholders' equity** decreased by \$133,238 from \$3,904,690 at the prior year end. The share capital as at August 6, 2011 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 \$1,260,784 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. As at August 6, 2011, the Company was in breach of one of its financial covenants with its lenders. The lender has, however, agreed to waive its right to claim breach of covenant for the period ending May 5, 2012. We believe that our current cash will provide us with sufficient capital to meet our operating goals. We expect that any significant new acquisitions would require additional funding.

On September 16, 2010, the Company received approval from the TSX Venture Exchange to purchase, pursuant to a normal course issuer bid expiring on September 20, 2011, a maximum of 401,883 shares of the Company for cancellation. The Company purchased no shares during the term of this normal course issuer bid.

## **Subsequent Event**

### **Normal Course Issuer Bid Approved**

On October 27, 2011, the Company received approval from the TSX Venture Exchange to purchase, pursuant to a normal course issuer bid expiring on October 30, 2012, a maximum of 409,073 common shares of the Company for cancellation. Pursuant to the approval, the Company has purchased no common shares for cancellation as of October 31, 2011.