

**Aboriginal Peoples Television
Network Incorporated**

Financial Statements
August 31, 2011

November 23, 2011

Independent Auditor's Report

**To the Directors of
Aboriginal Peoples Television Network Incorporated**

We have audited the accompanying financial statements of Aboriginal Peoples Television Network Incorporated which comprise the statement of net assets as at August 31, 2011, 2010 and September 1, 2009 and the statements of operations, changes in net assets and cash flows for the years ended August 31, 2011 and 2010 and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Aboriginal Peoples Television Network Incorporated as at August 31, 2011, 2010 and September 1, 2009 and the results of its operations and its cash flows for the years ended August 31, 2011 and 2010 in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

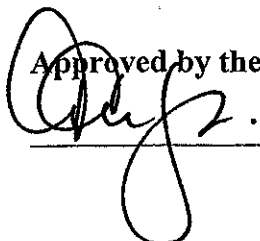
Chartered Accountants

Aboriginal Peoples Television Network Incorporated

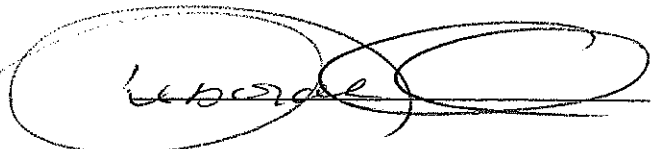
Statement of Net Assets

	August 31, 2011 \$	August 31, 2010 \$	September 1, 2009 \$
Assets			
Current assets			
Cash	53,483	41,921	1,585,983
Short-term investments	-	1,081,210	4,599,716
Accounts receivable (note 3)	4,690,878	5,264,953	5,816,903
Prepaid expenses, deposits and other assets	204,476	725,786	235,476
	<u>4,948,837</u>	<u>7,113,870</u>	<u>12,238,078</u>
Film and television program rights (note 4)	26,471,188	28,652,133	24,002,835
Capital assets (note 6)	14,345,752	10,779,541	9,560,766
	<u>45,765,777</u>	<u>46,545,544</u>	<u>45,801,679</u>
Liabilities			
Current liabilities			
Outstanding cheques	817,342	2,011,655	-
Bank indebtedness (note 7)	2,680,000	170,000	-
Accounts payable and accrued liabilities (notes 9 and 10)	1,749,292	3,698,545	3,004,564
Film and television program accounts payable	1,122,093	2,289,490	1,810,526
Current portion of mortgage (note 8)	188,589	-	-
	<u>6,557,316</u>	<u>8,169,690</u>	<u>4,815,090</u>
Mortgage (note 8)	4,450,957	-	-
	<u>11,008,273</u>	<u>8,169,690</u>	<u>4,815,090</u>
Net Assets			
Net assets invested in capital assets	9,706,206	10,779,541	9,560,766
Unrestricted net assets	25,051,298	27,596,313	31,425,823
	<u>34,757,504</u>	<u>38,375,854</u>	<u>40,986,589</u>
	<u>45,765,777</u>	<u>46,545,544</u>	<u>45,801,679</u>
Commitments, contingencies and guarantees (note 12)			

Approved by the Board of Directors



Director



Director

Aboriginal Peoples Television Network Incorporated

Statement of Operations

For the year ended August 31, 2011

	2011	2010
	\$	\$
Revenue		
Subscriber fees	32,575,942	31,538,926
Advertising	2,798,619	2,794,852
Contributions (note 13)		
Government of Canada - Department of Canadian Heritage	-	1,225,000
Canadian Satellite Communications Inc.	1,500,000	1,500,000
CTV globemedia special benefits	900,000	-
Other revenue	139,088	412,949
	<u>37,913,649</u>	<u>37,471,727</u>
Expenses		
Network operations		
Amortization of capital assets	2,222,350	2,239,371
Facility operating costs	1,030,478	1,561,347
Insurance	165,419	160,444
Low Power Rebroadcast transmitter repair and maintenance	2,633,056	1,790,157
Transponder and uplink rental (note 13)	3,332,500	3,574,640
Uplink utilities	505,670	521,601
Vehicle lease	149,349	159,276
	<u>10,038,822</u>	<u>10,006,836</u>
Network programming		
Communications and marketing	2,824,690	2,943,798
Consultants	864	57,411
Equipment and office supplies	50,414	76,621
Production expense	481,673	1,770,426
Amortization of film and television programs	12,994,188	11,133,009
Program development contributions	1,092,641	975,255
Socan fees	342,407	274,685
Salaries	6,555,882	6,235,508
Travel	502,592	878,247
	<u>24,845,351</u>	<u>24,344,960</u>
General and administration		
Bad debt	27,188	20,469
Board meetings	346,751	281,298
Entertainment	40,529	47,558
General office	184,249	270,741
Interest and finance charges	209,707	92,308
Memberships	21,076	16,248
Mortgage interest	370,015	-
Other professional development	344,058	229,524
Professional fees	1,014,574	692,732
Recruitment and relocation	10,886	36,915
Salaries and benefits	3,690,314	3,675,603
Staff travel	169,269	125,860
Telephone	219,210	241,410
	<u>6,647,826</u>	<u>5,730,666</u>
	<u>41,531,999</u>	<u>40,082,462</u>
Loss for the year	<u>(3,618,350)</u>	<u>(2,610,735)</u>

Aboriginal Peoples Television Network Incorporated

Statement of Changes in Net Assets

For the year ended August 31, 2011

	Balance - Beginning of year \$	Loss for the year \$	Balance - End of year \$
Net assets invested in capital assets	10,779,541	(1,073,335)	9,706,206
Unrestricted net assets	27,596,313	(2,545,015)	25,051,298
	<u>38,375,854</u>	<u>(3,618,350)</u>	<u>34,757,504</u>

Aboriginal Peoples Television Network Incorporated

Statement of Cash Flows

For the year ended August 31, 2011

	2011 \$	2010 \$
Cash flows from (used in)		
Operating activities		
Loss for the year	(3,618,350)	(2,610,735)
Items not affecting cash		
Amortization of film and television program rights	12,994,188	11,133,009
Amortization of capital assets	2,222,350	2,239,371
	<u>11,598,188</u>	<u>10,761,645</u>
Net change in other non-cash working capital items		
Accounts receivable	574,075	551,950
Prepaid expenses, deposits and other assets	521,310	(490,310)
Accounts payable and accrued liabilities	(1,949,253)	693,981
Film and television program accounts payable	(1,167,397)	478,964
	<u>9,576,923</u>	<u>11,996,230</u>
Investing activities		
Proceeds from short-term investments	1,081,210	3,518,506
Purchase of capital assets	(5,788,561)	(3,458,146)
Investment in film and television program rights	(10,813,243)	(15,782,307)
	<u>(15,520,594)</u>	<u>(15,721,947)</u>
Financing activities		
Mortgage proceeds	4,800,000	-
Repayment of mortgage	(160,454)	-
	<u>4,639,546</u>	<u>-</u>
Decrease in cash and cash equivalents	(1,304,125)	(3,725,717)
Cash and cash equivalents - Beginning of year	(2,139,734)	1,585,983
Cash and cash equivalents - End of year	(3,443,859)	(2,139,734)
Cash and cash equivalents consists of		
Cash	53,483	41,921
Outstanding cheques	(817,342)	(2,011,655)
Bank indebtedness	(2,680,000)	(170,000)
	<u>(3,443,859)</u>	<u>(2,139,734)</u>

Aboriginal Peoples Television Network Incorporated

Notes to Financial Statements

August 31, 2011

1 Nature of the operations

The Aboriginal Peoples Television Network Incorporated (the "Company") was incorporated on June 12, 1989 without share capital under Part II of the Canada Corporations Act as Television Northern Canada. Following its successful national licence application in 1999, it was renamed Aboriginal Peoples Television Network. The Company is a non-profit corporation established to share programming by, for and about Aboriginal Peoples with all Canadians and viewers around the world. The Company is a registered charity under the Income Tax Act (Canada) and as such is not subject to income taxes.

Effective August 31, 2005, the Company was granted a seven year licence by the Canadian Radio-television and Telecommunications Commission ("CRTC") to distribute programming through cable systems across Canada and earn subscriber fees. The licence has been administratively renewed for one further year to August 31, 2013. Class 1 and 2 distribution undertakings licensed by the CRTC are required to distribute the Company's programming as part of their basic services.

2 Significant accounting policies

Changes in accounting policy

Accounting standards for not-for-profit organizations

In December, 2010, the Canadian Accounting Standards Board issued a comprehensive set of accounting standards applicable to Not-For-Profit Organizations. The standards are effective for fiscal years beginning on or after January 1, 2012 and require retrospective application, except for certain exemptions and exceptions contained within the standards. Early adoption of the standards is permitted.

The Company could choose between adoption of International Financial Reporting Standards ("IFRS") or the accounting standards for Not-For-Profit Organizations. The Company has reviewed these standards and has concluded that the new standards for non-government not-for-profit organizations are more applicable in the circumstances and have been adopted. These financial statements reflect the adoption of these standards. The only change resulting from the adoption of these standards is the required disclosure of government remittances payable, which is included in note 9.

Principles of consolidation

As a result of its ownership interest in Animiki See Digital Productions Inc. ("AnP") and its ability to influence AnP's Board of Directors, the Company is the primary beneficiary of AnP. As such, the assets, liabilities and results of operations from AnP are presented in these financial statements in note 5. AnP is an agent for the production and acquisition of certain film and television broadcast rights for the Company.

Aboriginal Peoples Television Network Incorporated

Notes to Financial Statements

August 31, 2011

Revenue recognition

Subscriber fees are recognized monthly on the basis of the number of the subscribers reported by distributing cable and Direct to Home satellite companies at rates prescribed by the CRTC. Revenue derived from advertising consists primarily of the sale of air time which is recognized at the time commercials or related programs are broadcast.

Contributions from Canadian Satellite Communications Inc. are recognized in the period to which the contributions relate. Contributions that do not meet these criteria are deferred.

Other contributions, including special benefit contributions, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Film and television broadcast rights

The Company has entered into various agreements for the rights to broadcast certain feature films and television programs. The Company records a liability for film and program rights and the corresponding asset when the films or programs are available for telecast. Funds paid prior to the films and programs being available for broadcast are treated as deposits.

Film and television program rights are recorded at cost and are charged to operations over the number of expected or permitted plays under the related licensing agreements or on a straight-line basis over the term of the licensing agreements for unlimited play programs. Film and television program rights are carried at the lower of amortized cost and net realizable value based on undiscounted future cash flows.

Salaries of permanent and contract staff and other program development costs are expensed as incurred.

Program development contributions

The Company provides early development contributions to organizations that develop programming suitable to the Company. These contributions do not necessarily provide the Company with specific rights to acquire future benefits and are therefore expensed as incurred.

Aboriginal Peoples Television Network Incorporated

Notes to Financial Statements

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Capital assets

Capital assets are recorded at cost and are amortized as follows (using the half-year rule in the year of purchase):

Buildings	4% declining balance
Office equipment	20% declining balance
Digital and other broadcast equipment	20% declining balance
Computer software	35% declining balance
Leasehold improvements	life of lease

Cash and cash equivalents

Cash and cash equivalents are composed of non-restricted cash and short-term, highly liquid investments with an original maturity of up to 90 days. Short-term investments, if any, are composed of guaranteed investment certificates with an original maturity in excess of 90 days.

License

License renewal costs are expensed as incurred.

Financial instruments

Fair values

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below.

Classification

Cash and cash equivalents	Held-for-trading
Short-term investments	Held-for-trading
Accounts receivable	Loans and receivables
Outstanding cheques	Other liabilities
Bank indebtedness	Other liabilities
Accounts payable and accrued liabilities	Other liabilities
Film and television program accounts payable	Other liabilities
Mortgage	Other liabilities

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August 31, 2011

Held-for-trading

Held-for-trading financial assets are typically acquired for resale prior to maturity or are designated as held-for-trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Loans and receivables

Financial assets designated as loans and receivables are recorded at amortized cost using the effective interest method. Given the short-term nature of grants and other receivables, their carrying value approximates fair value.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities. Given the short-term nature of accounts payable and accrued liabilities, their carrying value approximates fair value.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

3 Accounts receivable

	2011	2010
	\$	\$
Subscriber fees	3,476,768	3,672,656
Advertising	536,956	527,463
Investment in and advances to AnP (note 5)	-	292,336
Goods and services tax	218,123	114,497
Special Benefits Agreement	450,000	-
Government of Canada - Department of Canadian Heritage	-	525,000
Other	9,031	133,001
	<u>4,690,878</u>	<u>5,264,953</u>

Aboriginal Peoples Television Network Incorporated

Notes to Financial Statements

August 31, 2011

4 Film and television program rights

	2011	2010
	\$	\$
Deposits paid on programs in process	1,958,018	2,446,454
Broadcast rights - net of accumulated amortization of \$47,075,216 (2010 - \$47,391,826)	24,513,170	26,205,679
	<u>26,471,188</u>	<u>28,652,133</u>

The Company has also entered into various agreements to acquire additional film and television program rights amounting to approximately \$12,300,000 (2010 - \$12,500,000).

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August 31, 2011

5 Investment in and advances to Animiki See Digital Productions Inc. ("AnP")

As described in note 2, the Company is the primary beneficiary of AnP. AnP's financial results have not been consolidated in the Company's financial statements. Financial statements for AnP are prepared separately. A financial summary of AnP's unaudited financial position as at August 31, 2011 and the results of operations for the year then ended are as follows:

	2011 \$ (Unaudited)	2010 \$ (Unaudited)
Financial position		
Assets	222,988	169,312
Due to the Company	-	292,236
Other liabilities	97,503	134,106
Retained earnings (deficit)	125,485	(257,030)
	<u>222,988</u>	<u>169,312</u>
Results of operations		
Revenue	743,871	376,984
Expenses	361,355	537,657
Net income (loss) for the year	<u>382,516</u>	<u>(160,673)</u>
Cash flow from		
Operating activities	58,697	106,075
Investing activities	(6,843)	-
Financing activities	-	-
Net change in cash	<u>51,854</u>	<u>106,075</u>

The Company had the following transactions with AnP:

- The Company did not purchase any film and television program rights from AnP (2010 -\$211,551). The Company paid \$67,500 (2010 - nil) to AnP as a production advance. The Company recorded this amount in production expenses.
- The Company paid operating expenses on behalf of AnP costing \$10,111 (2010 - \$69,676). These operating expenses were later reimbursed to the Company.
- AnP made payments to the Company of \$302,147 (2010 - \$5,106) with respect to operating expenses and settlement of the payable.

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the Company and AnP.

Aboriginal Peoples Television Network Incorporated

Notes to Financial Statements

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6 Capital assets

			2011	2010
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Land	1,396,065	-	1,396,065	-
Buildings	3,994,843	79,897	3,914,946	-
Office equipment	1,897,485	1,278,392	619,093	768,784
Digital equipment	18,912,385	11,634,795	7,277,590	8,683,324
Computer software	1,185,911	978,164	207,747	267,855
Leasehold improvements	1,597,175	666,864	930,311	1,059,578
	<u>28,983,864</u>	<u>14,638,112</u>	<u>14,345,752</u>	<u>10,779,541</u>

During the year, the Company acquired from a third party the building facility from which its head office has been operating. The property acquired included an adjacent building which was substantially unoccupied at August 31, 2011. The Company intends to develop this property for its own use in the future.

7 Bank indebtedness

At August 31, 2011, the Company had a \$4,500,000 revolving demand loan facility. Availabilities under this facility reduced over time and were partially dependent on a margin requirement equal to 75% of defined accounts receivables. On October 9, 2011, the facility was renegotiated with maximum availability under the facility as follows:

Period	Maximum Availability \$	Margined Amount \$	Temporary Amount \$
Until September 30, 2011	4,500,000	2,500,000	2,000,000
October 1, 2011 - December 31, 2011	4,000,000	3,000,000	1,000,000
December 31, 2011 onwards	2,500,000	2,500,000	-

As of August 31, 2011, the Company's indebtedness under this facility was \$2,680,000 (2010 - \$170,000), and the Company was in compliance with the margin requirement, which would have allowed for the maximum borrowing of up to \$4,500,000.

Advances under this facility bear interest at Royal Bank prime plus 1.00% and are repayable on demand. The facility is secured by a general security agreement giving the lender first ranking security interest in personal property of the Company.

On November 16, 2011, the Company entered into an agreement with Royal Bank for additional financing by way of a \$1.5 million term loan bearing interest at Royal Bank prime plus 3.00% and requiring monthly repayments of \$250,000 commencing in June 2012.

Aboriginal Peoples Television Network Incorporated

Notes to Financial Statements

August 31, 2011

8 Mortgage

\$

Business Development Bank of Canada

Mortgage with monthly blended payment of \$45,319, at 7.8%, due September 2025, collateralized by the land and buildings as well as a general security agreement on all assets of the Company subject to existing registered charges, priority on inventory and receivables to the lender extending a line of credit (note 7) and future charges on specific equipment to creditors financing the purchase or lease.

Less: Current portion

4,639,546

(188,589)

Long-term portion

4,450,957

Principal payments for the next five years are as follows:

\$

Year ending August 31, 2012

188,589

2013

203,836

2014

220,316

2015

238,129

2016 and thereafter

3,788,676

4,639,546

9 Government indebtedness

Accounts payable and accrued liabilities include amounts due to governments of \$92,733 (2010 - \$69,955) including payroll taxes and other remittances, payroll withholdings and provincial sales taxes.

Aboriginal Peoples Television Network Incorporated

Notes to Financial Statements

August 31, 2011

10 Related party balances and transactions

During the year, the following amounts were charged to the Company by member organizations:

	2011	2010
	\$	\$
Office rent and maintenance	21,883	48,470
Film and television program rights	595,604	478,823
Other	57,088	66,326

These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts due to member organizations, which are included in accounts payable and accrued liabilities and film and television program accounts payable, consist of:

	2011	2010
	\$	\$
Okalakatiget Society	33,748	23,920
Inuit Broadcasting Corporation	76,439	240,273
Native Communications Society	-	29,120
Northern Native Broadcasting Yukon	-	5,423
Qauminiq Ltd.	10,400	42,900
Native Communications Inc.	-	10,260
Taqramiut Nipingat Inc.	34,216	-
	<hr/>	<hr/>
	154,803	351,896

Deposits paid on programs in process (note 4) include amounts paid to member organizations of:

	2011	2010
	\$	\$
Inuit Broadcasting Corporation	171,848	42,430
Taqramiut Nipingat Inc.	18,720	-
Okalakatiget Society	18,720	-
	<hr/>	<hr/>
	209,288	42,430

Aboriginal Peoples Television Network Incorporated

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11 Non-monetary transactions

In the normal course of business, the Company enters into non-monetary transactions to exchange advertising for various products and services. These transactions are recorded at the fair value of the goods or services received and no gains or losses have been reported on these transactions. Advertising revenue and communications and marketing expenses for the year ended August 31, 2011 include \$208,500 (2010 - \$429,100) related to non-monetary transactions.

12 Commitments, contingencies and guarantees

Commitments

The Company has commitments for office space and equipment under operating leases, and maintenance contracts as follows:

	\$
Year ending August 31, 2012	497,197
2013	469,992
2014	353,706
2015	320,050
2016 and thereafter	180,756

Under the terms of its license with the CRTC, the Company is required to spend significant amounts on new programming projects, technical improvements and audience research. To date, the Company has met these commitments. Furthermore, as indicated in note 4, at August 31, 2011, the Company had entered into various agreements to acquire investments in film and television program rights amounting to approximately \$12,300,000.

Contingencies

The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not likely to have material adverse effect on the Company's financial position, results of operations or cash flows.

Guarantees

The Company has agreed to indemnify its current and former directors and officers to the extent permitted by law, against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or any other judicial, administrative or investigative proceeding in which the directors and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of such indemnification prevents the Company from making a reasonable estimate of the maximum potential amount if it could be required to pay to counter parties. The Company has purchased directors' and officers' liability insurance.

Aboriginal Peoples Television Network Incorporated

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August 31, 2011

13 Contribution agreements

The Company's agreement with Canadian Satellite Communications Inc. ("CSCP") provides the Company with an annual contribution of \$1,500,000. In addition, in fiscal 2011 the Company received transponder and uplink services from CSCI at a cost of \$2,511,300 (2010 - \$2,511,300). The agreement expires on August 31, 2013.

14 Risk management

Concentration of credit risk

The Company is exposed to credit risk, primarily in relation to accounts receivable. Exposure to credit risk varies due to the concentration of balances owing from Canadian cable companies and advertising agencies. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible amounts.

Interest rate risk

The Company is subject to interest rate risk to the extent that required interest payments on its bank indebtedness fluctuate with changes in the prime rate (note 7). The Company's mortgage bears a fixed interest rate (note 8) and is therefore not subject to interest rate risk.

Liquidity risk

Liquidity risk is the risk of having insufficient cash resources to meet financial obligations without raising funds at unfavourable rates or selling assets on a forced basis. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due.

The liquidity requirements of the Company have been met primarily by funds received from subscriber fees and to a lesser extent from funds received from advertising revenues. Cash provided from these sources is used primarily for payment of network programming, network operations, and general and administration expenses. To manage cash flow requirements, the Company budgets expenditures for future periods based on expected funding received. In addition, the Company has an operating line for temporary cash shortfalls.

15 Comparative figures

Certain prior year amounts have been reclassified to conform to the current year's financial statement presentation.