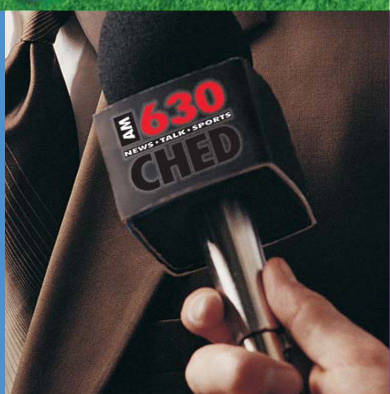
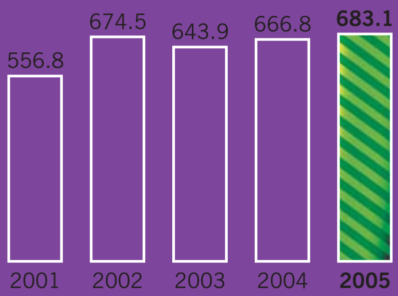
ENTERTAINMENT

CORUS MEASURES UP

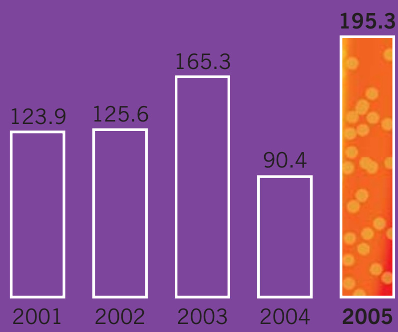
2005 Annual Report



Revenues



Segment profit



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Front cover images [clockwise from top] ◄

Kids Can Press book character Franklin, now the star of several Nelvana-animated films and a TV series, is a consumer products phenomenon in France.

Paula hosts YTV's Saturday morning action-adventure block *Vortex*.

Edmonton radio station 630 CHED celebrated its 50th anniversary in fiscal 2004/2005.

3-D animated preschool series *The Backyardigans*, a Nelvana-Nickelodeon co-production, is seen on Treehouse TV in Canada.

How does Corus Entertainment measure up?

Well, in 2005, Corus Radio was #1 in Canada in terms of audience reach and tune-in. Corus Television's W Network, YTV and Treehouse were all the #1 specialty channels with their respective target audiences. Nelvana's groundbreaking 3-D show for preschoolers, *Rolie Polie Olie*, received its third Emmy Award. We also posted the strongest revenue and segment profit in our Company's history. So, any way you measure it, thanks to our people, our partners and our audiences, 2005 was an outstanding year for Corus Entertainment.

Financial highlights

[in millions of Canadian dollars except per share amounts]	**2005**	2004	2003	2002	2001
Revenues	**683.1**	666.8	643.9	674.5	556.8
Segment profit [1]	**195.3**	90.4	165.3	125.6	123.9
Net income (loss)	**71.1**	(23.1)	40.0	(168.6)	128.2
Earnings (loss) per share					
Basic	**$1.66**	$(0.54)	$0.94	$(3.96)	$3.09
Diluted	**$1.65**	$(0.54)	$0.94	$(3.96)	$3.06
Total assets	**1,928.4**	1,896.9	1,940.6	1,940.0	2,269.8
Total long-term financial liabilities	**660.4**	690.9	693.5	761.3	710.3
Cash dividends declared per share					
Class A Voting Shares	**$0.065**	$0.04	–	–	–
Class B Non-Voting Shares	**$0.075**	$0.05	–	–	–

[1] As defined in "Key performance indicators – Segment profit and segment profit margin" in management's discussion and analysis.

MEASURING UP TO OUR AUDIENCES' EXPECTATIONS

Unsurpassed research, strong brands, innovative marketing and great programming. This is what makes Corus a leader in specialty television.

The numbers speak for themselves: W Network is the #1 specialty channel in Canada for women, YTV is #1 with kids and Treehouse TV is #1 with preschoolers.

With YTV, Treehouse and interests in TELETOON and Discovery Kids, Corus Entertainment has the strongest portfolio of kids networks in the country. YTV is seen in over eight million Canadian homes, and its lineup includes 15 of the top 20 kids programs, including *All Grown Up*, *The Fairly OddParents* and *SpongeBob SquarePants*.

Watched by over 10 million viewers in an average month, W Network is Canada's leading specialty channel for women 25 to 54. W's lineup delivers compelling entertainment for women ranging from popular drama and lifestyle series to blockbuster movies. By investing in groundbreaking research with our W HEReport and offering a range of programming including younger-focused series such as *Gilmore Girls* and *Style By Jury*, W has also become the #1 specialty channel for women 18 to 49.

Corus Television also leads the way in innovative content delivery. To give our customers more control over their viewing schedules, we introduced three On-Demand services: Subscription Treehouse On-Demand [SVOD], YTV Anime On-Demand and The Documentary Channel On-Demand. In December 2004, Movie Central Express became Canada's first service to offer 24-hour dedicated High-Definition programming. Recognized as a force in Canadian independent film and television production, Movie Central increased its subscriber base by 6% to over 748,000 in 2005.

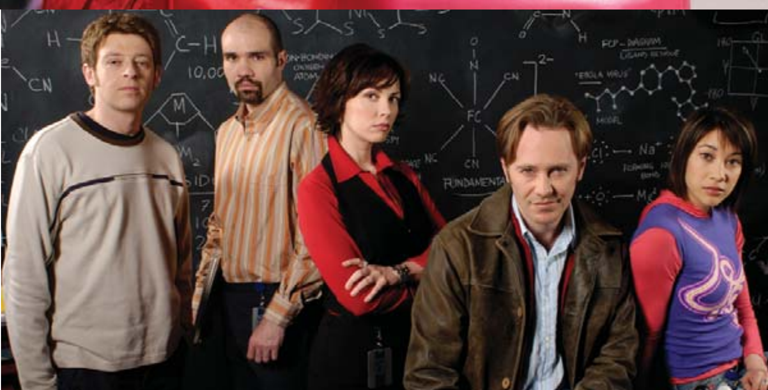
In addition to YTV, Treehouse, TELETOON, Discovery Kids, W Network, The Documentary Channel and Movie Central, our Television division's portfolio includes CMT Canada, SCREAM, Telelatino, Corus Custom Networks, Max Trax digital music service and three local over-the-air television stations.

By offering a lineup that includes big ticket movie premieres such as *Legally Blonde*, W has succeeded in drawing a broader audience. ◀

WE HAVE THE

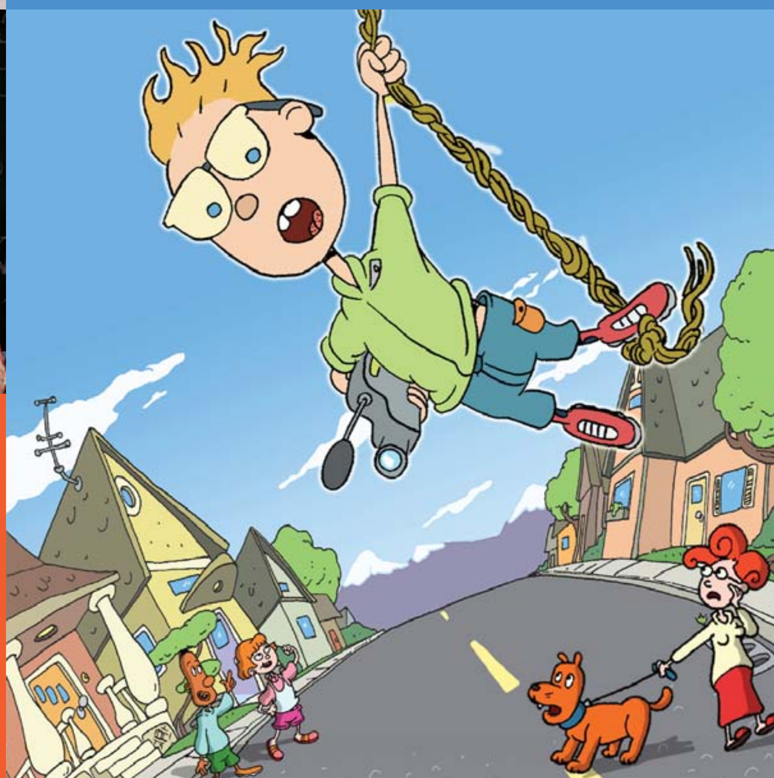
#1

SPECIALTY CHANNELS IN CANADA FOR WOMEN, KIDS AND PRESCHOOLERS



With made-for-pay original series like *ReGenesis*, Movie Central pushes the creative envelope in providing compelling and thought-provoking series for Canadian audiences. ▲

YTV's original production *Being Ian*, produced in association with Canada's Studio B, has become an instant hit with kids. With international rights owned by Nelvana, this series has also been sold in Germany, France and Latin America. ▶



Corus Radio supported over 400 local organizations in 2005, including Skatepark West, a safe area for young skateboarders in Winnipeg. Pictured left is one of the contributing bands to *Studio 97*, Power 97's fundraising CD that, combined with special events, raised $70,000 for the Skatepark facility. ◄

Corus Radio is leading the way in podcast programming. *The Ongoing History of New Music* continues to be a hit, reaching as high as #5 on the iTunes podcast charts. ▼

CANADIANS TUNED IN TO CORUS RADIO STATIONS

44%

MORE OFTEN THAN THOSE OF OUR CLOSEST COMPETITOR

HOSTED BY ALAN CROSS

ongoing history of new music

In 2005, Corus Radio began to integrate eight Québec-based stations acquired from Astral Media and, along with our existing Corus stations, has created a province-wide news network, Corus Nouvelles. Our three Montréal talk stations, Info690, 98,5 CHMP and CKAC, are part of this powerful syndicate. ►

98,5 fm Le nouveau FM parlé de Montréal

Info690 LA RADIO DES NOUVELLES

CKAC 730AM LA voix du Québec

A MEASURE ABOVE

In terms of reach, tune-in, client best practices and innovation, Corus Entertainment is the clear leader in Canadian radio.

Now operating in nine of Canada's top 10 radio markets [up from eight last year], Corus Radio increased its reach to 8.5 million people in 2005. On average, Canadians tuned in to Corus Radio stations 44% more often than those of our closest competitor.

We believe in harnessing the power of our radio assets to serve the communities in which we operate, to support Canadian talent, to provide the best service to our clients and to inform and entertain our audiences.

Last year, we introduced initiatives like the Corus Radio Sales Guarantee and the Corus Radio Sales Professional Code of Ethics, fulfilling our promise to become a role model for the industry. Our efforts were praised by the Association of Canadian Advertisers and have helped to strengthen relationships with our advertising clients, contributing to our 11% ad revenue growth.

The dynamic, content-rich websites of our stations delivered an average of 1.4 million unique visitors a month and we have a growing database of over 630,000 registered members. Corus Radio made further strides in innovation this year by becoming the first commercial radio broadcaster in Canada to podcast and the first to make this medium accessible to our advertising clients.

As we look ahead to fiscal 2006, Corus Entertainment will continue to leverage the strongest radio portfolio in Canada, honouring our commitment to give our best to our audiences, our clients and our communities.

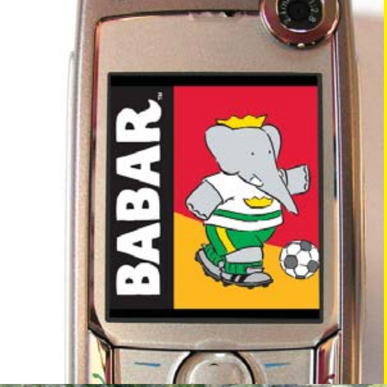
MEASURED BY THE STRENGTH OF OUR CHARACTERS

Nelvana builds strong brands that enrich children's lives. A leader in television animation for more than 35 years, Nelvana is now fast becoming a significant player in the global kids merchandising and marketing arena.

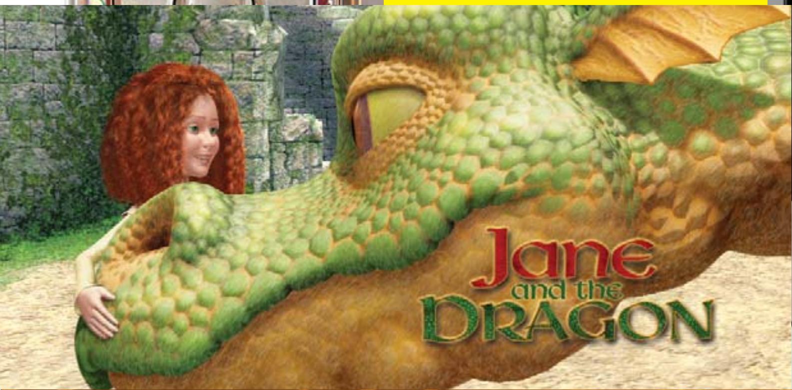
Nelvana enjoys a proud history of animation innovation and remains at the forefront of the industry, both domestically and globally. A pioneer in 3-D production for television, Nelvana established its reputation with *Rolie Polie Olie*, which this year garnered its third Emmy Award. This latest win highlights the exceptional quality of Nelvana's 3-D studio.

This year, Nelvana continued to optimize the value of its library, closing more than 350 broadcast deals with 131 broadcasters in over 160 countries. In addition to broadcast and home entertainment, Nelvana explored new streams of content distribution, notably inking a deal with U.S. cable giant Comcast to launch a new Video-On-Demand service for kids six to 12, and signing a raft of agreements in the mobile content and distribution arena for Franklin, Babar and Braceface.

Everyone's favourite turtle, Franklin, may have been blazing trails in the mobile realm this year, but thanks in part to book publisher Kids Can Press [a division of Nelvana], he also found a new home on Toronto's Centre Island. The Franklin Children's Garden was built on creativity and partnerships, two themes Kids Can Press holds close to its strategies for business and community support.



Nelvana's mobile store on Treehousetv.com will offer ringtones based on featured music from *Babar*, *Franklin* and other Nelvana-animated series, as well as downloadable wallpaper images. ◄



Comcast acquired 393 half-hours of Nelvana-animated programming, including contemporary hits *Jacob Two-Two* ▲ and *My Dad the Rock Star*, and cult classics *Tales from the Crypt Keeper* and *Dumb Bunnies*.

Nelvana's 2005/2006 production and development slate is strong on properties that deliver both entertainment value and solid opportunities in interactive, home entertainment and consumer products. Developed fully in-house at Nelvana, *Di-Gata Defenders* ◄ [set to air on TELETOON in Canada] leads the pack, joined by *The New Babar*, *Jane and the Dragon* and *Ruby Gloom*.

Our Company prospered in 2005. We exceeded our financial guidance targets, delivered the highest revenue and segment profit in our history and achieved a 36% increase in our share price.

FELLOW SHAREHOLDERS:

We are pleased to report that by every measure, our Company prospered in 2005. Our financial guidance for the year was a consolidated segment profit of between $190 and $200 million; free cash flow of between $50 and $60 million; and a reduction of our net debt to between 2.5 and 3.0 times segment profit. We exceeded those targets, delivered the highest revenue and segment profit in our history and achieved a 36% increase in our share price.

We thank our 3,000 employees, whose contributions to such a positive year are beyond measure. Of particular note, we would like to thank the employees of our seven outgoing stations in Québec and Red Deer for their past contributions, and would like to welcome our new employees in the eight stations we acquired in Québec. We would also like to thank Dorothy Zolf McDonald, an outgoing member of our Board of Directors. Dorothy has served on our Board since the founding of our Company, and we thank her for the dedication, wise counsel and support she has shown through the years.

OUR 2005 RESULTS

At $683.1 million, our revenues for the year were the highest achieved by our Company, with a consolidated segment profit of $195.3 million, up 116% over 2004. Our free cash flow rose 52% to over $79 million, allowing us to reach a net debt to segment profit ratio of 2.4 times. Net income was $71.1 million, with a basic earnings per share of $1.66.

We are proud to note that every division of the Company played a role in our success:

RADIO

Corus Entertainment continued to be Canada's leading radio operator in terms of audience reach and tune-in. Revenues for the year were $252.7 million, up 11%, and segment profit grew 15%. Our stations took advantage of a strong advertising market at both the local and national level, generating advertising growth of 11.3% versus total market growth of 8.7%. Corus Radio continued to lead the market with a reach of 8.5 million and audience tune-in that was 44% higher than that of our nearest competitor.

TV

Positive momentum in our Television division continued in 2005. Revenues for the year were $354.2 million, up 7%, and segment profit was up 13%. Driven by CMT, W Network and TELETOON, our specialty advertising revenues grew 13%, with the division's overall advertising revenues up 9%.

Movie Central's subscriber numbers were up 6% and SCREAM hit one million subscribers, contributing to a division-wide subscriber revenue growth of 5%. From a ratings perspective, W Network, YTV and Treehouse led the way, holding #1 positions with each of their respective target demographics.

CONTENT

With a planned revenue drop to $82.3 million for the year, Nelvana contributed $3.6 million to our Company's segment profit and had a second consecutive year of positive free cash flow. Nelvana continued to reduce its per-episode costs and focused on the development of brands with multiple revenue stream potential. Nelvana also developed strategies to mine the value of its film library. The Company inked a deal with U.S. cable giant Comcast to launch Vortex On-Demand, a new Video-On-Demand service providing programming for kids six to 12 on a digital platform. This agreement will serve as a model for future sales in other territories.

LOOKING AHEAD

As we look to 2006, we are excited about the opportunities ahead, and we believe we can continue to deliver superior results that drive shareholder value. Our financial goals for 2006 are clear:

- Consolidated segment profit of between $210 and $220 million
- Free cash flow of between $70 and $85 million

We believe in the strength of our core businesses.

We will work to maintain our momentum by continuing to leverage our assets in order to provide our audiences with compelling content that is meaningful to them, and our clients with targeted media assets that drive their businesses forward.

We will continue to demonstrate our leadership in the development and implementation of new technologies. In 2005, Subscription Treehouse On-Demand became Canada's first On-Demand service for children, Movie Central launched the country's first 24-hour, seven-day-a-week High-Definition channel, and we were the first commercial radio broadcaster in Canada to podcast and the first to make this new medium accessible to our advertising clients. We will continue to use new technologies to be more relevant to our audiences, and to be of more value to our clients by precisely targeting potential consumers.

We will continue to execute focused strategies for each of our business units. We believe in the strength of our core businesses. We have the most robust collection of radio stations in Canada and believe we can strengthen our leadership position. We are committed to growing our ratings and revenues in our Television division, particularly with our specialty channels. And we will continue to strategically position Nelvana as a content provider to support our television assets.

We will continue to invest in our people. They provide the foundation on which we build our success. Corus University will continue to offer employees a vehicle for their personal development and a way for our Company to build a team that gives us a competitive advantage. We will continue to use our Employee Survey, Leadership Conference, Company intranet, newsletter and CEO Town Halls to measure the pulse of our team, and to ensure that our Company goals and strategies are aligned at all levels of the organization.

We thank you, the shareholders of our Company, for your continued support and we look forward to sharing our future success with you.

John M. Cassaday
President and Chief Executive Officer

Heather A. Shaw
Executive Chair

BEYOND MEASURE

The value of our employees is truly beyond measure. Highly skilled, diverse and dedicated, they provide the foundation on which we build our success.

At Corus Entertainment, we are committed to providing a work environment that supports diversity, encourages initiative, respects the individual and recognizes the contribution of our employees.

Corus Entertainment is a learning organization. Through Corus University, a program established in 2003, we offer employees a robust curriculum focusing on leadership fundamentals, finance and sales training and negotiation and presentation skills. Investing in training and fostering the personal development of our employees gives us an important competitive advantage.

Open communication helps build a stronger sense of teamwork, allows us to share our knowledge and success, and ensures the Company-wide alignment of goals and strategies. Initiatives such as our Company intranet and monthly newsletters keep employees up-to-date, and we also conduct an annual Employee Survey to track employee satisfaction and commitment to our Core Values.

Our CEO travels to our Company locations throughout the year, which, coupled with our annual Leadership Conference, allows for employee feedback and ensures that employees and management share a common set of goals.

Every year, we recognize superior team performance with our President's Awards, individual achievements through our peer-nominated Samurai Awards, and long-term service through our Corus Service Awards.

We owe our success to the collective strength of our employees. They will continue to make great things happen.

John Cassaday conducting a Town Hall at our 2005 Leadership Conference. Our annual conference brings the Company's senior managers together to align goals and strategies and reinforce a one-company focus. ▲

More than 300 Corus employees attended 421 Corus University sessions in 2005, resulting in over 5,000 hours of training. ▲

John Cassaday with Corus Entertainment's 2005 Samurai Award winners. The winners are nominated by their co-workers for their exceptional contributions and commitment to Corus' Core Values. ◄

Hamilton's The New Country 95.3 supported Habitat for Humanity Canada by establishing the $60,000 "Country 95.3 House," and surpassed its goal by raising enough money to build three houses. ◄

WE DONATED MORE THAN $15 MILLION IN CASH, PRODUCTS AND AIRTIME TO MORE THAN

450

CHARITABLE ORGANIZATIONS

Corus Cornwall participates annually in the *Relay for Life* fundraising event organized by its local chapter of the Canadian Cancer Society. The overnight non-competitive relay raised over $462,000 in the Cornwall area in 2005. Pictured left are proud members of the Corus Cornwall staff, four of the event's 1,800 participants. ◄

Franklin found a home on Toronto's Centre Island this year. The Franklin Children's Garden was built with the goal of bringing children and families joy for years to come. Corus Entertainment President and CEO John Cassaday, Toronto Mayor David Miller and Franklin creators Paulette Bourgeois and Brenda Clark joined children in unveiling the Franklin and Bear sculptures. ►

FOR GOOD MEASURE

Corus Entertainment is committed to making a difference in the communities we serve. In 2005, we donated more than $15 million in cash, products and airtime to more than 450 charitable organizations.

Throughout the year, Corus Entertainment and our employees supported such worthwhile organizations as Kids Help Phone, Boys and Girls Clubs of Canada, the Canadian Women's Foundation and Kids Up Front. We also supported the United Way and, through our annual employee pledge drive, fundraising initiatives and corporate matching program for employee donations, Corus Entertainment was able to increase our contribution by 56% in 2005.

We are proud of our long-standing tradition of local community service. Events such as Corus Radio Edmonton's three-day annual radiothon in support of the Stollery Children's Hospital, the second annual Rock 101 Cares for Kids Radiothon for B.C. Children's Hospital, and Q107 Toronto personality John Derringer's 13 Days of Christmas campaign, gave Corus Entertainment an opportunity to show our support for our local audiences.

We also demonstrated that giving is not limited to our local or even national community. In January, Corus Entertainment used its media properties and substantial communications power to support relief efforts for victims of the Tsunami through radiothons and TV and radio public service announcement campaigns. Special events for Tsunami relief included YTV's after-school block, *The Zone*'s Goodwill Week and CMT's simulcast of the Tsunami relief concert, *Canada For Asia*.

Driven by the desire to make a difference, Corus Entertainment and our employees proudly give back wherever it is needed.

MADE TO MEASURE

Corus Entertainment is proudly Canadian. This pride motivates us to give back, both to the industries in which we operate and to the talent that drives our success.

Corus Entertainment is a major force in the Canadian film and television industry. Our Funds & Initiatives program supports homegrown talent through development and equity financing and pre-licensing top-ups.

Recognized as a strong supporter of Canadian feature films and original series, this year, Movie Central debuted a second season of the critically acclaimed dramatic series *Slings & Arrows*. And with the new 10-part series *Terminal City*, we continue to reaffirm our commitment to supporting the creation of high-quality drama in Canada.

Corus Entertainment's specialty networks also support and invest in Canadian productions. This year, we proudly broadcast such distinguished original productions as *Beauty Quest* [W Network], *Being Ian* [YTV], *This is Daniel Cook* [Treehouse] and *The Road Hammers* [CMT].

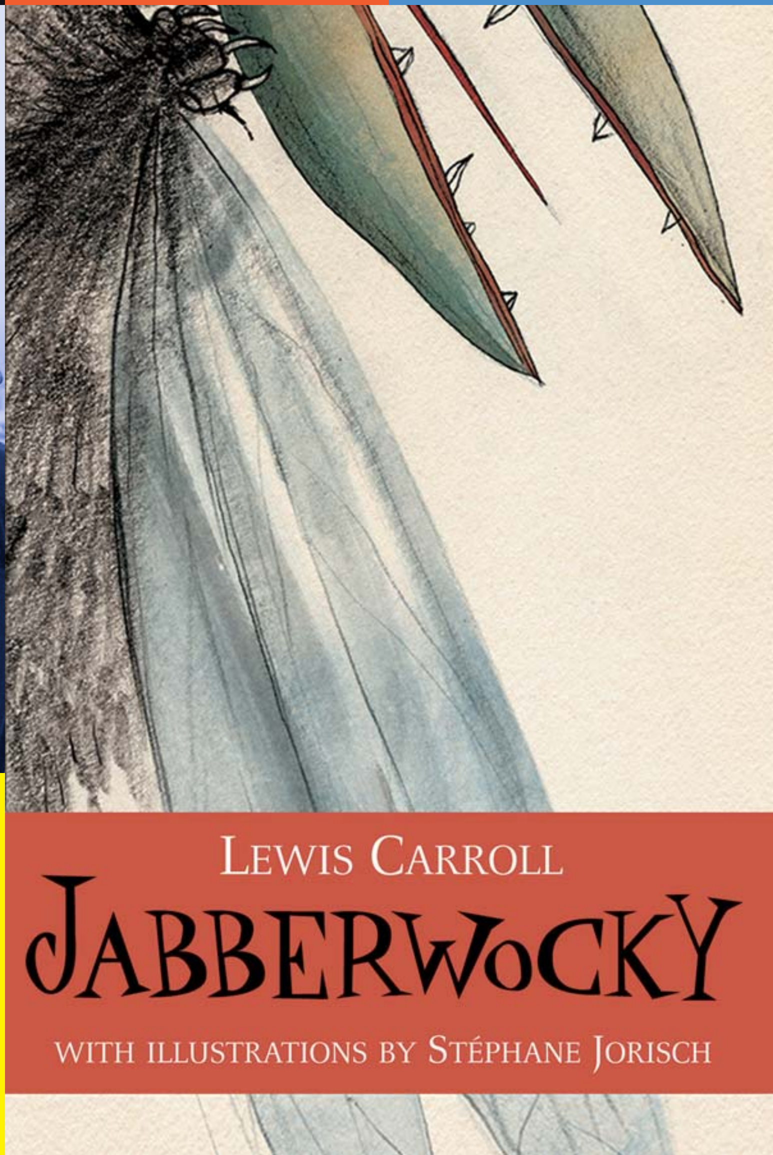
Nelvana has a rich history of championing Canadian creators, producers, writers and voice talent. This year, Nelvana welcomed more than 225 series pitches from Canadian creators and optioned several concepts currently in development.

With a list that is 95% Canadian authored and illustrated, Kids Can Press' more than 60 new titles each year introduce children to our rich history, literature, poetry and art. Every year, Kids Can Press invests in new talent that stands alongside such accomplished creators as Paulette Bourgeois, Gayle Friesen, Bill Slavin, Elizabeth MacLeod and Wallace Edwards.

Corus Radio supports musicians both on-air and off. On behalf of client BenQ, Deep Sky launched the Video Sound Tour, featuring three up-and-coming Canadian bands. Our Television division also contributes to Canada's music industry. Since 2001, CMT has commissioned more than 125 videos by emerging Canadian country music artists, and Max Trax made significant financial contributions this year to Canadian Music Week, the Canadian Songwriters Hall of Fame and the Canadian Country Music Awards.

Movie Central co-invested in the development of Angus Fraser's *Terminal City* with The Movie Network and CHUM Television. *Terminal City* is a darkly comedic exploration of a family living on the edge and in the shadow of cancer, starring Maria Del Mar, Gil Bellows and Paul Soles. ◂

Kids Can Press is committed to nurturing Canadian literary talent and has three Governor General's Awards under its belt for *Jabberwocky*, *Alphabeasts* and *Children's Nursery Rhymes*. Its latest nominees for this prestigious award are *Mixed Beasts* and *The Highwayman*. ▾



Our new rock stations have a long-standing history of developing musical talent. Toronto's 102.1 the Edge hosts its annual Canadian Artists Selected By You [CASBY] Music Awards, while 99.3 The FOX runs the annual FOX Vancouver Seeds Project. In 2005, four-man Vancouver band Faber [above] received its big break when it was named the grand-prize Seeds winner. ▴

This year, W Network made good on its promise to celebrate real beauty and real women through its support of the Canadian documentary *Beauty Quest*, which takes viewers on a lively and compelling journey through the eyes and camera lens of a female fashion photographer searching for the defining picture of beauty. ◂

MOVIE CENTRAL WILL HAVE SPENT MORE THAN $145 MILLION IN SUPPORT OF CANADIAN CONTENT OVER THE COURSE OF ITS LICENSE

TAKING THE RIGHT MEASURES

The contribution of an active and experienced Board, one committed to the principles of sound corporate governance, plays an essential role in our long-term success.

The values that guide our day-to-day operations are also reflected in the guidance we receive from our Board of Directors, which embraces the principle that strong corporate governance works in the best interest of Corus Entertainment and its shareholders. Our governance practices meet or exceed the Toronto Stock Exchange's Corporate Governance Policies and comply with the New York Stock Exchange's standards and proposed amendments.

Our Corporate Governance Practices were prepared by the Corporate Governance Committee of the Board and reflect our commitment to openness and accountability.

The components of our Corporate Governance Practices are presented in full detail in our 2005 Management Information Circular, and are posted on our website, www.corusent.com, under "Investor Information."

BOARD OF DIRECTORS:

Pierre Béland
Montréal, Québec

Mr. Béland is President of Métromédia Plus, a Montréal-based transit advertising company. Prior to this, he held the position of President of Corus Radio Québec, Métromédia Broadcasting and Télémedia Québec. Mr. Béland is a member of the Québec Bar Association and is also involved with a number of charitable organizations.

Member of the Human Resources Committee

John M. Cassaday
Toronto, Ontario

Mr. Cassaday is President and CEO of Corus Entertainment Inc., a position that he has held since the Company's creation in September 1999. Prior to that, Mr. Cassaday was President, Shaw Media. He is a director of Manulife Financial and Sysco Corporation.

Member of the Executive Committee

Dennis Erker
Edmonton, Alberta

Mr. Erker is a partner in the FE Advisory Group, a financial and estate planning company. Mr. Erker is the Chairman of Canadian Hydro Developers Inc., a director of First Canadian Insurance Company and Millennium Insurance Company, as well as a director of several charitable organizations.

Member of the Executive Committee and Chair of the Corporate Governance Committee

Wendy A. Leaney
Toronto, Ontario

Ms. Leaney is President of Wyoming Associates Ltd., a private investment and consulting firm based in Toronto. Prior to that, Ms. Leaney was Managing Director and Co-Head Global Communications Finance for TD Securities Inc. Ms. Leaney serves on the board of Canadian Western Bank. Ms. Leaney also served on the board of Call-Net Enterprises from 2001 to 2005.

Member of the Audit Committee

Dorothy Zolf McDonald Ph.D.
Toronto, Ontario

Ms. McDonald was an Associate Professor in the Masters Program in Communications Studies at the University of Calgary and a Visiting Assistant Professor in the Department of Marketing and Economic Analysis [Faculty of Business] and in Canadian Studies at the University of Alberta. Ms. McDonald also served as Chairperson of the CFCN/CTV Production Fund [for the Alberta film industry] and as a director of Shaw Communications Inc. She is presently a director of the Canadian Film Centre and a director of Heritage Toronto.

Member of the Corporate Governance Committee

Catherine Roozen
Edmonton, Alberta

Ms. Roozen is Director and Corporate Secretary of Cathton Holdings Ltd. and the Allard Foundation, positions she has held since 1981. Ms. Roozen serves as a board governor for the University of Alberta, as well as on a number of charitable boards.

Member of the Audit and Corporate Governance Committees

Ronald D. Rogers
Calgary, Alberta

Mr. Rogers retired as Senior Vice President and Chief Financial Officer of Shaw Communications Inc. in August of 2004. He is a director of The Brick Warehouse Company.

Chair of the Audit Committee and member of the Human Resources Committee

Terrance Royer
Calgary, Alberta

Mr. Royer is the Executive Vice Chairman of the Calgary-based Royal Host REIT and Royal Host Corp., a hotel and resort ownership, franchising and management company. Mr. Royer serves as Chairman of the Board for the University of Lethbridge and is a Trustee for the Alberta Ingenuity Fund.

Member of the Executive Committee and Chair of the Human Resources Committee

Serves as the lead Director for Corus Entertainment Inc.

Heather A. Shaw
Calgary, Alberta

Ms. Shaw is the Executive Chair of Corus Entertainment Inc., and has held the position since the Company's inception in September 1999. Ms. Shaw is a member of The Richard Ivey School of Business Advisory Board and past Director of Shaw Communications Inc. Ms. Shaw has sat, and continues to sit, on a number of charitable organization boards.

Chair of the Executive Committee

Julie M. Shaw
Calgary, Alberta

Ms. Shaw is the Vice President, Facilities, Design and Management, Shaw Communications Inc. and Secretary of the Shaw Foundation, a philanthropic organization.

OFFICERS:

Pierre Arcand
Montréal, Québec

President, Québec Radio
Corus Entertainment Inc.

Hal Blackadar
Oakville, Ontario

Vice President, Human Resources
Corus Entertainment Inc.

John M. Cassaday
Toronto, Ontario

President and Chief Executive Officer
Corus Entertainment Inc.

John P. Hayes
Toronto, Ontario

President, Radio
Corus Entertainment Inc.

Gary Maavara
Toronto, Ontario

Vice President, General Counsel
Corus Entertainment Inc.

Thomas C. Peddie, FCA
Toronto, Ontario

Senior Vice President and Chief Financial Officer
Corus Entertainment Inc.

John R. [Jack] Perraton
Calgary, Alberta

Corporate Secretary
Corus Entertainment Inc.

Senior Partner
Perraton Law

Paul W. Robertson
Toronto, Ontario

President, Television
Corus Entertainment Inc.

David Spence CA
Markham, Ontario

Vice President, Controller
Corus Entertainment Inc.

Management's discussion and analysis of the financial position and results of operations for the fiscal year ended August 31, 2005 is prepared at October 31, 2005. This should be read in conjunction with the Company's August 31, 2005 annual report and audited consolidated financial statements and notes therein.

The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ["GAAP"]. Please refer to note 21 of the consolidated financial statements of the Company for a summary of differences between Canadian and United States ["U.S."] GAAP.

All dollar amounts are in Canadian dollars unless otherwise indicated.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this report may constitute forward-looking statements and are subject to important risks and uncertainties. The results or events predicted in these statements may differ materially from actual results or events. Factors that could cause results or events to differ from current expectations include, among other things: our ability to attract and retain advertising revenues; audience acceptance of our television programs and cable networks; our ability to recoup production costs; the availability of tax credits and the existence of co-production treaties; our ability to compete in any of the industries in which we do business; the opportunities [or lack thereof] that may be presented to and pursued by us; conditions in the entertainment, information and communications industries and technological developments therein; changes in laws or regulations or the interpretation or application of those laws and regulations; our ability to integrate and realize anticipated benefits from our acquisitions and to effectively manage our growth; and, changes in accounting standards. Consequently, all of the forward-looking statements made in this report are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us. Unless otherwise required by applicable securities laws, we disclaim any intention or obligation to publicly update or revise any forward-looking statements whether as a result of new information, events or circumstances that arise after the date thereof or otherwise.

OVERVIEW

Corus Entertainment Inc. ["Corus" or the "Company"] commenced operations on September 1, 1999. On that date, pursuant to a statutory plan of arrangement, Corus was separated from Shaw Communications Inc. ["Shaw"] as an independently operated, publicly traded company and assumed ownership of Shaw's radio broadcasting, specialty television, digital audio services and cable advertising services businesses, as well as certain investments held by Shaw.

Corus manages its business in three operating segments: Radio, Television and Content. Generally, Corus' financial results depend on a number of factors, including the strength of the Canadian national economy and the local economies of Corus' served markets, local and national market competition from other broadcasting stations and other advertising media, government regulation, market competition from other distributors of children's animated programming and Corus' ability to continue to provide popular programming.

[a] Radio

The Radio segment comprises 51 radio stations situated primarily in nine of the ten largest Canadian markets by population, and in the densely populated area of Southern Ontario. Revenues are derived from advertising aired over these stations. Corus is Canada's leading radio operator in terms of revenues and audience reach.

[b] Television

The Television segment is composed of the following: specialty television networks YTV, W Network, Treehouse TV, Corus' 80% interest in Country Music Television Limited ["CMT"], 50.5% interest in Telelatino, 40% interest in TELETOON and a 19.9% interest in Food Network; Corus' premium television services Movie Central and Encore Avenue; interests in three digital television channels, SCREAM, Discovery Kids and The Documentary Channel; Digital Adventure [now operating as

Corus Custom Networks], a cable advertising service; three conventional television stations; and Max Trax, a residential digital audio service. Revenues for specialty television networks and digital television channels are generated from affiliate subscriber fees and advertising. Revenues for premium television and digital audio services are generated from affiliate subscriber fees. Revenues for the conventional television stations and cable advertising services are derived from advertising.

[c] Content

The Content segment consists of the production and distribution of television programs and the sale and licensing of related products. Revenues are generated from licensing of television programs, merchandise licensing and publishing.

KEY PERFORMANCE INDICATORS

The Company measures the success of its strategies using a number of key performance indicators. These have been outlined below, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions. With the exception of revenue, direct cost of sales, general and administrative expenses, and segment profit and segment profit margin, the following key performance indicators are not measurements in accordance with Canadian or U.S. GAAP and should not be considered as an alternative to net income or any other measure of performance under Canadian or U.S. GAAP.

Revenue

Revenue is a measurement defined by Canadian and U.S. GAAP. Revenue is the inflow of cash, receivables or other consideration arising from the sale of product and services and is net of items such as trade or volume discounts and certain excise and sales taxes. It is the basis on which free cash flow, a key performance indicator defined below, is determined; therefore, it measures the potential to deliver free cash flow as well as indicates the level of growth in a competitive marketplace.

The primary sources of revenues for the Company are outlined in the "Overview" section on page 20.

Corus is well diversified by revenue source with revenue streams for the year ended August 31, 2005 derived primarily from three areas: advertising [58%], subscriber fees [27%] and license fees [9%] [2004 – 55%, 27% and 14%, respectively].

Direct cost of sales, general and administrative expenses

Consolidated direct cost of sales, general and administrative expenses include amortization of program and film rights [costs of programming intended for broadcast, from which advertising and subscriber fee revenues are derived], amortization of film investments [costs associated with internally produced and acquired television and film programming, from which distribution and licensing revenues are derived], employee remuneration, regulatory license fees, cost of goods sold relating to publishing, marketing [research and advertising costs], selling, general administration and overhead costs. Cost of goods sold relating to publishing include the material cost of the product, printing, freight, customs and duties, and royalties to authors and illustrators based upon sales and is included in direct cost of sales, general and administrative expenses. Approximately 36% and 30% of consolidated direct cost of sales, general and administrative expenses in fiscal 2005 [2004 – 27% and 41%, respectively] were composed of employee remuneration and programming and film costs, respectively.

Segment profit and segment profit margin

Segment profit is calculated as revenues less direct cost of sales, general and administrative expenses as reported in the Company's consolidated statements of income (loss) and retained earnings (deficit). The Company believes this is an important measure as it allows the Company to evaluate the operating performance of its business segments and its ability to service and/or incur debt; therefore, it is calculated before [i] interest on long-term debt, [ii] non-cash expenses such as depreciation and amortization and [iii] items not indicative of the Company's core operating results, and not used in management's evaluation of the business segments' performance, such as restructuring charges and other income, net. Segment profit is also one of the measures used by the investing community to value the Company and is included in note 16 to the consolidated financial statements. Segment profit margin is calculated by dividing segment profit by revenues.

Free cash flow

Free cash flow is calculated as cash provided by (used in) operating activities plus cash provided by (used in) investing activities as reported in the consolidated statements of cash flows. Free cash flow measures the Company's ability to repay debt, finance the business and pay dividends.

[thousands of Canadian dollars]	**2005**	2004	2003
Cash provided by (used in):			
Operating activities	**102,416**	84,912	64,622
Investing activities	**(22,455)**	(32,425)	(27,803)
Free cash flow	**79,961**	52,487	36,819

Net debt and adjusted net debt

Net debt is calculated as long-term debt less cash and cash equivalents as reported in the consolidated balance sheets. Adjusted net debt is calculated as net debt adjusted for the unrealized cumulative foreign exchange gains on the Company's Senior Subordinated Notes. Adjusted net debt is an important measure as it reflects the principal amount of debt owing by the Company as at a particular date.

[thousands of Canadian dollars]	**2005**	2004
Long-term debt	**445,162**	529,139
Cash and cash equivalents	**(138,086)**	(95,231)
Net debt	**307,076**	433,908
Unrealized cumulative foreign exchange gains	**158,838**	111,625
Adjusted net debt	**465,914**	545,533

Adjusted net debt to adjusted segment profit

Net debt to adjusted segment profit is calculated as net debt divided by adjusted segment profit. Adjusted segment profit is calculated as segment profit adjusted for items not considered as being in the ordinary course of business. It is one of the key metrics used by the investing community to measure the Company's ability to repay debt through ongoing operations.

[thousands of Canadian dollars except ratios]	**2005**	2004	2003
Adjusted net debt [numerator]	**465,914**	545,533	598,925
Adjusted segment profit			
Segment profit	**195,311**	90,398	165,312
Writedown of investment in film	**–**	85,000	–
Adjusted segment profit [denominator]	**195,311**	175,398	165,312
Adjusted net debt to adjusted segment profit	**2.4**	3.1	3.6

ANNUAL SELECTED FINANCIAL INFORMATION

The following table presents summary financial information for Corus for each of the listed years ended August 31:

[millions of Canadian dollars except percentages and per share amounts]	2005	2004	2003	% Increase (decrease) 2005 over 2004	% Increase (decrease) 2004 over 2003
Revenues	**683.1**	666.8	643.9	2.4	3.6
Segment profit [1]	**195.3**	90.4	165.3	116.1	(45.3)
Net income (loss)	**71.1**	(23.1)	40.0		
Earnings (loss) per share					
Basic	**$1.66**	$(0.54)	$0.94		
Diluted	**$1.65**	$(0.54)	$0.94		
Total assets	**1,928.4**	1,871.9	1,940.6		
Total long-term financial liabilities	**660.4**	690.9	693.5		
Cash dividends declared per share					
Class A Voting Shares	**$0.065**	$0.04	–		
Class B Non-Voting Shares	**$0.075**	$0.05	–		

[1] As defined in "Key performance indicators – Segment profit and segment profit margin."

HIGHLIGHTS FOR FISCAL 2005

Operations

- Revenue from operations increased by 2% to $683 million in 2005.
- Segment profit increased by 116% to $195.3 million in 2005.
- Segment profit margins were 29% in 2005 compared to 14% in 2004.
- Television delivered double-digit segment profit growth.
- Corus Radio outperformed market growth in 2005.
- Corus Radio entered one of the top ten markets in Canada in Québec City.
- Content continued to deliver positive cash flow.

Financial

- Free cash flow of $80 million, up 52% from 2004.
- Adjusted net debt reduced to $466 million from $546 million at August 31, 2004.
- Adjusted net debt to adjusted segment profit reduced to 2.4 from 3.1 at August 31, 2004.
- Corus increased semi-annual dividend for holders of its Class A and Class B shares to $0.045 and $0.05, respectively.

Regulatory

- Corus secured Canadian Radio-television and Telecommunications Commission ["CRTC"] approval to swap five radio stations located in Québec with Astral Media Inc. ["Astral"] for eight radio stations also located in that province.

HIGHLIGHTS FOR FISCAL 2004

Operations

- Revenue from operations increased by 4% to $667 million in 2004.
- Segment profit decreased by 45% to $90.4 million in 2004 as a result of a non-cash writedown of film investments of $85 million in the third quarter.
- Segment profit margins were 14% in 2004 compared to 26% in 2003.
- The specialty television networks delivered double-digit segment profit growth in 2004.
- Ontario and Québec Radio outperformed market growth in 2004.
- Positive cash delivered from Content on a reduced production slate.
- In the first quarter, two strategic deals for the new Home Entertainment Division were announced with U.S.-based distributor FUNimation, acquiring the rights to release 44 back-catalogue titles and Maverick in the U.K. to market 33 Nelvana library titles, plus options on new releases.
- Non-cash negative impact of $0.42 per share was recognized for changes in Ontario tax rates in the first quarter.

Financial

- Free cash flow of $52 million, up 43% from August 31, 2003.
- Adjusted net debt reduced to $546 million at August 31, 2004 from $599 million at August 31, 2003.
- Adjusted net debt to segment profit target achieved at 3.1 times.
- Corus commenced payment of semi-annual dividends for holders of its Class A and Class B shares of $0.02 and $0.025, respectively, on December 31, 2003 and June 30, 2004.

RESULTS OF OPERATIONS

The following table presents summary financial information for Corus' operating business segments and a reconciliation of net income (loss) to segment profit for each of the listed years ended August 31:

[millions of Canadian dollars except percentages and per share amounts]	**2005**	**%** [1]	2004	% [1]	2003	% [1]	% Increase (decrease) 2005 over 2004	% Increase (decrease) 2004 over 2003
Revenues								
Radio	**252.7**	**37.0**	227.9	34.2	226.0	35.1	10.9	0.8
Television	**354.2**	**51.9**	332.3	49.8	306.9	47.7	6.6	8.3
Content	**82.3**	**12.0**	112.6	16.9	116.3	18.0	(26.9)	(3.2)
Eliminations	**(6.1)**	**(0.9)**	(6.0)	(0.9)	(5.3)	(0.8)	–	–
	683.1	**100.0**	666.8	100.0	643.9	100.0	2.4	3.6
Direct cost of sales, general and administrative expenses								
Radio	**183.7**	**72.7**	167.9	73.7	167.9	74.3	9.4	–
Television	**213.4**	**60.2**	207.2	62.4	193.5	63.0	3.0	7.1
Content	**78.7**	**95.6**	196.3	174.3	113.1	97.2	(59.9)	73.6
Corporate	**18.6**	**2.7**	11.0	1.6	8.8	1.4	69.1	25.0
Eliminations	**(6.6)**	**(1.0)**	(6.0)	(0.9)	(4.7)	(0.7)	–	–
	487.8	**71.4**	576.4	86.4	478.6	74.3	(15.4)	20.4
Segment profit (loss) [2]								
Radio	**69.0**	**27.3**	60.0	26.3	58.1	25.7	15.0	3.3
Television	**140.8**	**39.8**	125.1	37.6	113.4	37.0	12.5	10.3
Content	**3.6**	**4.4**	(83.7)	(74.3)	3.2	2.8	(104.3)	(2,715.6)
Corporate	**(18.6)**	**(2.7)**	(11.0)	(1.6)	(8.8)	(1.4)	69.1	25.0
Eliminations	**0.5**	**0.1**	–	–	(0.6)	(0.1)	–	–
	195.3	**28.6**	90.4	13.6	165.3	25.7	116.0	(45.3)
Depreciation	**23.7**	**3.5**	25.7	3.9	24.7	3.8	(7.8)	4.0
Amortization	**4.6**	**0.7**	7.3	1.1	9.8	1.5	(37.0)	(25.5)
Interest on long-term debt	**55.6**	**8.1**	55.3	8.3	61.0	9.5	0.5	(9.3)
Other income, net	**(5.5)**		(5.0)		(6.0)			
Restructuring charges	**–**		–		5.0			
Income before income taxes and non-controlling interest	**116.9**		7.1		70.8			
Income tax expense	**42.8**		26.9		28.6			
Non-controlling interest	**3.0**		3.3		2.2			
Net income (loss) for the year	**71.1**		(23.1)		40.0			

[1] Direct cost of sales, general and administrative expenses and segment profit for each business segment are expressed as a percentage of revenues for the segment. Other items are expressed as a percentage of total revenues.

[2] As defined in "Key performance indicators – Segment profit and segment profit margin."

FISCAL 2005 COMPARED TO FISCAL 2004

Revenues for fiscal 2005 were $683.1 million, up 2% from $666.8 million last year. Radio and Television experienced increases of 11% and 7%, respectively, while Content was down 27% compared to the prior year.

Direct cost of sales, general and administrative expenses were $487.8 million, down 15% from $576.4 million in the prior year. The fiscal 2004 results include a writedown in film investments of $85.0 million. Excluding the writedown, direct cost of sales, general and administrative expenses experienced a 1% decrease.

Segment profit for fiscal 2005 was $195.3 million, up 116% from $90.4 million last year. The Radio division achieved segment profit of $69.0 million, an increase of 15%. The Television division's segment profit of $140.8 million represents a segment profit growth of 13%. The Content division generated segment profit of $3.6 million, after incurring a loss of $83.7 million in the prior year. Segment profit as a percentage of revenues for the year ended August 31, 2005, was 29% compared to 14% in fiscal 2004.

Radio

Radio revenues for the year were $252.7 million, up 11% from the prior year, as our stations were well positioned to take advantage of a strong advertising market. This growth was experienced across Canada, and in both local and national advertising. According to the Trans-Canada Radio Advertising by Market ["TRAM"] report for the year ended August 31, 2005, Corus stations generated advertising growth of 11.3%, compared to total market growth of 8.7%.

Direct cost of sales, general and administrative expenses for the year were $183.7 million, up 9% from last year, mainly due to higher variable costs such as commissions and copyright fees, as well as higher on-air talent compensation costs and Québec integration costs.

Segment profit for the year was $69.0 million, 15% higher than the prior year. Segment profit margin for the year was 27%, up from 26% last year. Segment profit for fiscal 2005 includes the $2.6 million negative impact of the newly announced tariff rates imposed by the Copyright Board for 2005. The retroactive portion for fiscals 2003 and 2004 of $3.8 million has been reflected in other income, net.

Television

Television revenues for the year were $354.2 million, up 7% over last year. Advertising and subscriber revenues increased in the year by 9% and 5%, respectively, with Movie Central, Corus' western-based pay television service, finishing the year with 748,000 subscribers, up 6% from 707,000 at August 31, 2004. Specialty advertising revenues grew 13% over the prior year.

Direct cost of sales, general and administrative expenses for fiscal 2005 were $213.4 million, up 3% from the prior year. The increase was primarily due to higher costs of sales and higher variable costs associated with higher revenues. Amortization of program and film rights, included in cost of sales, increased as a result of a higher proportion of blockbuster movies acquired at Movie Central. These increased costs were offset by effective cost containment in general and administrative overhead.

Segment profit for the year was $140.8 million, up 13% from the prior year. Segment profit margin was 40%, up from 38% last year.

Content

Content revenues for the year were $82.3 million, a decrease of 27% from the prior year. Revenues were down for the year primarily due to the decline in *Beyblade* revenue in both broadcast sales and licensing. Included in Content's revenues are $6.1 million in intercompany revenues, unchanged from the prior year. These revenues are eliminated upon consolidation.

Direct cost of sales, general and administrative expenses for the year were $78.8 million, down 60% from the prior year. In the third quarter of fiscal 2004, the Content division recorded an $85.0 million writedown of its film investments. Excluding the writedown, direct cost of sales, general and administrative expenses were down 29%, reflecting lower cost of sales associated with lower revenues.

Segment profit for the year was $3.6 million, up from a loss of $83.7 million last year. The Content division continues to perform in line with the Company's expectations.

Corporate

The Corporate segment results represent the incremental cost of Corporate overhead in excess of the amount allocated to the other operating divisions. Corporate overhead in fiscal 2005 was $18.6 million, up from $11.0 million in 2004. Stock-based compensation expenses increased to $6.8 million in fiscal 2005 from $3.0 million last year. This increase reflects the impact of Corus' higher average share price in fiscal 2005 on expenses related to the Company's Performance Share Units ["PSUs"], as well as an additional year of expensing stock options. Other general and administrative costs increased to $11.8 million in fiscal 2005 from $8.0 million last year. This increase relates primarily to the increased cost of information technology and implementation costs associated with implementing the requirements of the *Sarbanes-Oxley Act*.

Depreciation

Depreciation expense for the year was $23.7 million, a decrease of $2.0 million from $25.7 million last year. This change reflects a lower capital cost base due to reduced capital expenditures and existing assets becoming fully amortized.

Amortization

Amortization expense for the year was $4.6 million, down from $7.3 million last year. The decrease is a result of certain deferred pre-operating costs and radio reformatting costs becoming fully amortized.

Interest on long-term debt

Interest expense for the year was $55.6 million, up from $55.3 million last year primarily due to lower savings generated by a fixed-to-floating interest rate swap in fiscal 2005 compared to fiscal 2004. The effective interest rate for the year was 9.1% compared to 8.6% in the prior year. This increase reflects a higher ratio of fixed debt in fiscal 2005 as the Company repaid its floating rate bank loans in the first quarter.

Other income, net

Other income for the year was $5.5 million, compared to $4.9 million in the prior year. The current year includes net derivative transaction gains of $4.4 million, foreign exchange gains of $3.3 million, realized contingent consideration gains of $4.1 million, a broadcast license impairment of $4.1 million and the retroactive portion of a performing rights tariff increase in the amount of $3.8 million, while the prior year includes net derivative transaction gains of $1.0 million and foreign exchange gains of $2.2 million.

Income taxes

The effective tax rate for the year was 36.6%, compared to the statutory rate of 35.4%. This difference reflects the geographical allocation of the Company's taxable income and the non-deductibility of stock-based compensation.

Net income (loss)

Net income for the year was $71.1 million, up from a loss of $23.1 million last year. Earnings per share for the year were $1.66 basic and $1.65 diluted, compared with a loss per share of $0.54 basic and diluted last year.

FISCAL 2004 COMPARED TO FISCAL 2003

Revenues for fiscal 2004 were $666.8 million, up 4% from $643.9 million in fiscal 2003. Television and Radio experienced increases of 8% and 1%, respectively, while Content was down 3% compared to the prior year.

Direct cost of sales, general and administrative expenses were $576.4 million, up from $478.6 million in the prior year. The fiscal 2004 results include a writedown in film investments of $85.0 million. Excluding the writedown, direct cost of sales, general and administrative expenses were up 3% from the prior year. The increase was primarily due to increased selling costs associated with increased revenues and higher programming costs.

Segment profit for fiscal 2004 was $90.4 million, down 45% from $165.3 million in fiscal 2003. The Radio division achieved segment profit of $60.0 million, an increase of 3%. The Television division's segment profit of $125.1 million represented a segment profit growth of 10%. The Content division generated a loss of $83.7 million, after earning a profit of $3.2 million in the prior year. Segment profit as a percentage of revenues for the year ended August 31, 2004 was 14% compared to 26% in fiscal 2003.

Radio

Radio revenues for the year were $227.9 million, up 1% from the prior year. The Ontario and Québec regions delivered strong performances for the year. According to the TRAM report for the year ended August 31, 2004, advertising sales growth for Corus' Ontario and Québec regions exceeded overall market growth for those regions. This helped to offset weaker results from the western regions as the Company made changes to address competitive challenges in key markets. While the western region lagged behind overall market growth for the region in the year, as indicated by the TRAM report, Corus' strategy, which included reformatting several stations, translated into improved summer Bureau of Broadcast Measurement ratings.

Direct cost of sales, general and administrative expenses for the year were $167.8 million, essentially unchanged from the prior year.

Segment profit for the year was $60.0 million, 3% higher than the prior year. Segment profit margin for the year remained unchanged at 26%.

Television

Television revenues for the year were $332.3 million, up 8% over last year. Advertising and subscriber revenues increased in the year by 13% and 5%, respectively, with Movie Central, Corus' western-based pay television service, finishing the year with 707,000 subscribers, up 7% from August 31, 2003.

Operating, general and administrative expenses for fiscal 2004 were $207.3 million, up 7% from the prior year. Amortization of program and film rights increased as a result of increased programming expenditures at W Network and Movie Central. Selling costs increased in proportion to increases in revenues, while savings were realized in general and administrative expenses.

Segment profit for the year was $125.1 million, up 10% from the prior year. Segment profit margin was 38%, up from 37% last year.

Content

Content revenues for the year were $112.6 million, a decrease of 3% from the prior year. This decrease resulted from a reduced production slate, as 121 episodes and three direct-to-video features were delivered in the year, compared to 140 episodes and two direct-to-video features in the prior year. This decrease was offset to a degree by increased merchandising revenue driven by the success of the *Beyblade* brand.

Direct cost of sales, general and administrative expenses for the year were $196.4 million up from $113.1 million in the prior year, reflecting a writedown of the film investments of $85.0 million recorded in the third quarter of fiscal 2004. This writedown resulted from a challenging library market and foreign exchange, specifically a lower U.S. dollar, which caused the Company to lower estimates of future revenues.

Segment loss for the year was a loss of $83.7 million, down from a profit of $3.2 million in fiscal 2003.

Corporate

The Corporate segment results represented the incremental cost of Corporate overhead in excess of the amount allocated to the other operating divisions. Corporate overhead in fiscal 2004 was $11.0 million, up from $8.8 million in 2003. This was a planned increase due to the Company's decision to expense stock options, as well as the introduction of the PSU program in fiscal 2003. The PSU program is designed to restrict and reduce the number of stock options issued. Payment is linked to prescribed share growth, and a stock purchase and retention requirement.

Depreciation

Depreciation expense was $25.7 million, compared to $24.7 million in the same period in fiscal 2003. The increase was primarily due to increased capital expenditures.

Amortization

Amortization expense was $7.3 million, down from $9.8 million in fiscal 2003. The decrease was due to a reduced cost base as deferred pre-operating costs and radio reformatting costs became fully amortized.

Interest on long-term debt

Interest expense was $55.3 million, down from $61.0 million last year primarily due to a lower average debt balance and savings generated by a fixed-to-floating interest rate swap entered into in the first quarter of fiscal 2004. The effective interest rate for the year was 8.6% compared to 8.7% in the prior year.

Other income, net

Other income for the year was $4.9 million, compared to $6.0 million in the prior year. Fiscal 2004 includes net derivative transaction gains of $1.0 million and foreign exchange gains of $2.2 million, while the prior year includes foreign exchange gains of $6.6 million.

Restructuring charges

The restructuring charges of $5.0 million in fiscal 2003 represented primarily workforce reductions in the Content division, reflective of the reduced level of production slated for fiscal 2003 and beyond.

Income taxes

Income tax expense was $26.9 million for the year on income before income taxes of $7.1 million. The first quarter was impacted by the Ontario government's decision to cancel previously announced reductions to future tax rates and to increase current tax rates. The change in Ontario rates caused an increase in the Company's non-cash income tax expense and net future tax liability position of $17.8 million. The third quarter was impacted by the tax benefit recognized on the writedown of film investments. The effective tax rate for the year excluding the impact of the Ontario tax rate change and the film investment writedown was 36.7%, in line with the statutory rate of 36.3%.

Net income (loss)

Net loss for fiscal 2004 was $23.1 million, down from income of $40.0 million in fiscal 2003. Loss per share for the year was $0.54 basic and diluted, compared with earnings of $0.94 basic and diluted in fiscal 2003. The impacts of the writedown in film investments and of the Ontario tax rate change were $1.41 and $0.42 per share, respectively.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION [UNAUDITED]

The following tables set forth certain unaudited data from the consolidated statements of income (loss) and retained earnings (deficit) for each of the eight most recent quarters ended August 31, 2005. The information has been derived from the Company's unaudited consolidated financial statements that, in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements contained elsewhere in this report.

[thousands of Canadian dollars except per share amounts]	Revenues	Segment profit [1]	Net income (loss)	Earnings (loss) per share Basic	Earnings (loss) per share Diluted
2005					
4th Qtr	**175,279**	**42,571**	**9,662**	**$0.23**	**$0.22**
3rd Qtr	**171,890**	**52,351**	**19,430**	**0.45**	**0.45**
2nd Qtr	**155,300**	**38,024**	**12,945**	**0.30**	**0.30**
1st Qtr	**180,600**	**62,365**	**29,077**	**0.68**	**0.68**
2004					
4th Qtr	162,959	42,837	14,018	$0.33	$0.33
3rd Qtr	163,864	(43,777)	(51,160)	(1.20)	(1.20)
2nd Qtr	155,019	34,069	8,305	0.19	0.19
1st Qtr	184,962	57,269	5,700	0.13	0.13

[1] As defined in "Key performance indicators – Segment profit and segment profit margin."

Seasonal fluctuations

Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. Accordingly, one quarter's operating results are not necessarily indicative of what a subsequent quarter's operating results will be. Our broadcasting businesses [Radio and Television] and our Content business each have unique seasonal aspects.

For our broadcasting businesses, operating results are dependent on general advertising and retail cycles associated with consumer spending activity. Accordingly, operating results for the first quarter tend to be the strongest, reflecting pre-Christmas advertising activity, and the second quarter tends to be the weakest, consistent with lower consumer spending in winter months.

For our Content business, operating results are dependent on the timing and number of television programs made available for delivery in the period, as well as timing of merchandising royalties received, none of which can be predicted with certainty. Consequently, Content's operating results may fluctuate significantly from quarter to quarter. Cash flows may fluctuate and are not necessarily closely related to revenue recognition.

Significant items causing variations in quarterly results

- First quarter fiscal 2004 was impacted by the Ontario government's decision to cancel previously announced reductions to future tax rates and to increase current tax rates. This change in Ontario tax rates caused an increase in the Company's non-cash income tax expense and net future tax liability position of $17.8 million [$0.42 per share].
- Third quarter fiscal 2004 was impacted by a non-cash, after-tax writedown in film investments of $60.3 million [$1.41 per share] resulting from the Company's decision to lower estimates of future revenue as a result of a challenging library market and lower U.S. dollar. The pre-tax writedown of $85.0 million was recorded in direct cost of sales, general and administrative expenses.

FOURTH QUARTER

Revenues for the fourth quarter were $175.3 million, an increase of 8% over $163.0 million last year. Radio revenues for the fourth quarter were $65.3 million, up 12% from the corresponding period last year. Revenue growth continued across Canada, particularly in Québec, which benefited from the newly acquired stations. Local and national airtime sales for the division increased over the prior year by 9% and 15%, respectively. Advertising spending across Canada has been strong and, collectively, Corus Radio stations outpaced the growth in advertising in important Toronto and Montréal markets, according to the TRAM report for the quarter ended August 31, 2005. Television revenues for the fourth quarter were $83.4 million, up 7% over the corresponding period last year. Revenue growth was driven by continued advertising growth of 7% and subscriber growth of 6%, while other non-broadcast related revenues were down in the quarter. On the advertising side, the strong growth was driven by CMT, W Network and TELETOON. Specialty advertising revenues grew 11% over the prior year's fourth quarter. The subscriber revenue growth was driven by Movie Central, Corus' western-based pay television service, which grew by 10% in the fourth quarter. Content revenues for the fourth quarter were $28 million, an increase of 1% from the prior year. During the quarter Content produced 12 episodes, primarily of *6-Teen* and *The Backyardigans*, plus four direct-to-video features, compared to 33 episodes in the prior year. The increase in revenues despite lower episode delivery came as a result of service revenue and music royalties, as well as first-window sales related to earlier deliveries.

Direct cost of sales, general and administrative expenses for the fourth quarter were $132.7 million, up 10% from $120.1 million in the prior year. Radio expenses were up 18% as the ex-Astral stations acquired at the beginning of the quarter were integrated into the Québec cluster. Television expenses were $52.7 million for the fourth quarter, up 6% from the prior year. The increase was primarily due to higher overall cost of sales and higher variable costs associated with increased revenues. These increased costs were offset by effective cost containment in general and administrative overhead. Content expenses for the quarter were $26.2 million, down by 5% from the prior year. Corporate overhead for the fourth quarter increased to $6.0 million from $2.6 million in the prior year, reflecting higher expenses for stock-based compensation, as well as increased costs of information technology and the requirements of the *Sarbanes-Oxley Act*.

Depreciation expense for the fourth quarter was $5.9 million, a decrease of $0.5 million from last year. This decrease reflects a lower capital cost base. Amortization expense for the fourth quarter was $1.1 million, down from $1.3 million last year. The decrease is a result of certain deferred start-up and reformatting costs becoming fully amortized. Interest expense for the fourth quarter was $14.3 million, up from $13.6 million last year. The increase results from the fact that the Company terminated its fixed-to-floating interest rate swap agreement in the third quarter of fiscal 2005. The effective interest rate for the fourth quarter was 9.4% compared to 8.5% in the prior year reflecting the absence of interest savings from the fixed-to-floating interest rate swap. Other expense for the fourth quarter was $5.3 million, compared to income of $3.2 million in the prior year. The current year's quarter includes a realized contingent consideration gain of $4.1 million, a broadcast license impairment of $4.1 million and the retroactive portion of a performing rights tariff increase in the amount of $3.8 million, while the prior year's quarter includes an unrealized derivative transaction gain of $2.5 million and foreign exchange losses of $1.4 million. The effective tax rate for the fourth quarter was 36.0%, compared to the statutory rate of 35.4%. This difference reflects the geographical allocation of the Company's taxable income.

Net income for the fourth quarter was $9.7 million, down from $14.0 million last year. Earnings per share for the fourth quarter were $0.23 basic and $0.22 diluted, compared with $0.33 basic and diluted last year.

RISKS AND UNCERTAINTIES

Impact of regulation on Corus' results of operations

Radio and Television

Corus' Radio and Television business activities are regulated by the CRTC under the *Broadcasting Act* and, accordingly, Corus' results of operations may be adversely affected by changes in regulations, policies and decisions by the CRTC. The CRTC, among other things, issues licenses to operate radio and television stations and regulates the rates Corus may charge for its specialty television services if such services are distributed as part of the basic service by a cable distributor. Corus' radio stations must also meet technical operating requirements under the *Radiocommunication Act* and regulations promulgated under the *Broadcasting Act*. Changes in the regulation of Corus' business activities, including decisions by the CRTC affecting Corus' operations [such as the granting or renewal of licenses, decisions as to the subscriber fees Corus may charge its customers, or the granting of additional distribution, broadcasting or programming licenses to competitors in Corus' markets] or changes in interpretations of existing regulations by courts or the CRTC, could materially adversely affect Corus' business and results of operations.

In addition, in order to maintain eligibility under the *Broadcasting Act* and the *Radiocommunication Act*, there are limitations on the ownership by non-Canadians of Corus Class A Voting Shares. Under certain circumstances, Corus' Board of Directors may refuse to issue or register the transfer of Corus Class A Voting Shares to any person that is a non-Canadian or may sell the Corus Class A Voting Shares of a non-Canadian as if they were the owner of such Corus Class A Voting Shares.

Corus' radio, conventional television, specialty television, pay television and digital audio undertakings rely upon licenses under the *Copyright Act* [Canada] in order to make use of the music component of the programming distributed by these undertakings. Under these licenses, Corus is required to pay royalties established by the Copyright Board pursuant to the requirements of the *Copyright Act* to collecting societies that represent the copyright owners in such music component. These royalties are paid by these undertakings on a monthly basis in the normal course of their business.

The levels of the royalties payable by Corus are subject to change upon application by the collecting societies and approval by the Copyright Board. The Government of Canada may, from time to time, make amendments to the *Copyright Act* to implement Canada's international treaty obligations and for other obligations and for other purposes. Any such amendments could result in Corus' broadcasting undertakings being required to pay additional royalties for these licenses. Effective October 14, 2005, the Copyright Board increased the royalties that commercial radio stations will pay to the Society of Composers, Authors and Music Publishers of Canada ["SOCAN"] and to the Neighbouring Rights Collective of Canada ["NRCC"] for their use of music from 2003 to 2007. Rates will vary according to a station's advertising revenues. On their first $1.25 million of annual revenues, music stations will continue to pay 3.2% of that amount to SOCAN and $100 to NRCC. For the rest, the rate increases from 3.2% to 4.4% for SOCAN and from 1.44% to 2.1% for NRCC. The rate for stations that use less music increases from 1.4% to 1.5% for SOCAN and from 0.64% to 0.75% for NRCC.

Content

Corus licenses a significant portion of its programming to Canadian conventional television stations, specialty and premium television networks, which are required by the CRTC to devote a certain portion of their programming schedules to Canadian productions. In addition to these scheduling requirements, the CRTC generally requires Canadian specialty services to devote a certain amount of their revenues to certified Canadian programming. There can be no assurance that such policies will not be eliminated or scaled back, thereby reducing the advantages that they currently provide to Corus as a supplier of such programs. Also, there can be no assurance that our programming will continue to qualify as certified Canadian programming. If Corus' programming fails to so qualify, Canadian broadcasters would not be able to use the programs to meet their Canadian programming obligations and, as a result, license fees paid to Corus by Canadian broadcasters would not reflect the current premium paid for certified Canadian programs and Corus would not qualify for certain Canadian tax credits and industry incentives. Canadian Heritage, the Canadian ministry that oversees the tax credits, has conducted a review of the definition of Canadian content, as it applies to film and television production, but no formal changes to the definition have been announced.

Competition

Corus encounters aggressive competition in all areas of its business. Corus' failure to compete in these areas could materially adversely affect Corus' results of operations.

The television production industry, specialty and pay television channel broadcasting and radio broadcasting have always involved a substantial degree of risk. There can be no assurance of the economic success of radio stations, television programs or specialty television channels as revenue derived depends on audience acceptance of other competing programs released into, or channels existing in, the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, public tastes generally and other intangible factors, all of which could change rapidly and many of which are beyond our control. The lack of audience acceptance for our radio stations, television programs and specialty and pay television channels would have an adverse impact on our businesses, results of operations, prospects and financial condition.

Radio

The financial success of each of Corus' radio stations is dependent principally upon its share of the overall advertising revenue within its geographic market, its promotional and other expenses incurred to obtain the revenue and the economic strength of its geographic market. Corus' radio advertising revenues are, in turn, highly dependent upon audience share. Other stations may change programming formats to compete directly with Corus' stations for listeners and advertisers or launch aggressive promotional campaigns in support of already existing competitive formats. If a competitor, particularly one with substantial financial resources, were to attempt to compete in either of these fashions, ratings at Corus' affected station could be negatively impacted, resulting in lower net revenues.

Radio broadcasting is also subject to competition from electronic and print media. Potential advertisers can substitute advertising through broadcast television, cable television systems [which can offer concurrent exposure on a number of cable networks to enlarge the potential audience], daily, weekly, and free-distribution newspapers, other print media, direct mail, and on-line computer services for radio advertising. Competing media commonly target the customers of their competitors, and advertisers regularly shift dollars from radio to these competing media and vice versa. Accordingly, there can be no assurance that any of Corus' radio stations will be able to maintain or increase their current audience share and advertising revenue share.

Television

The financial success of Corus' specialty television business depends on obtaining revenue from advertising as well as from subscription fees. Numerous broadcast and specialty television networks compete with Corus for advertising revenue, and a failure by Corus to obtain its necessary share of such revenue could materially adversely affect Corus' results of operations. Corus' services also compete with a number of foreign programming services such as A&E and CNN, which have been authorized for distribution in Canada by the CRTC. Moreover, increasingly Corus' specialty, pay and conventional television services are competing with alternative forms of entertainment that are not regulated by the CRTC, such as the Internet and video and DVD rentals. In addition, competition among specialty television services in Canada is highly dependent upon the offering of prices, marketing and advertising support and other incentives to cable operators and other distributors for carriage so as to favourably position and package the services to subscribers. As well, the CRTC has licensed a number of specialty services for digital distribution, which increases competition. Any failure by Corus to compete effectively in the area of specialty television services could materially adversely affect Corus' results of operations.

Corus' pay television services are exclusive providers of premium movies and series, as well as classical movie offerings to western Canadian subscribers. These services compete with pay-per-view movie offerings as well as video-on-demand offerings.

Content

The production and distribution of children's television, books and other media content are very competitive. There are numerous suppliers of media content, including vertically integrated major motion picture studios, television networks, independent television production companies and children's book publishers around the world. Many of these competitors are significantly larger than Corus and have substantially greater resources, including easier access to capital, than we do. Corus competes with other television and motion picture production companies for ideas and storylines created by third parties as well as for actors, directors and other personnel required for a production.

Further, vertical integration of the television broadcast industry and the creation and expansion of new networks, which create a substantial portion of their own programming, have decreased the number of available time slots for programs produced by third party production companies. There can be no assurances that Corus will be able to compete successfully in the future or that we will continue to produce or acquire rights to additional successful programming or enter into agreements for the financing, production, distribution or licensing of programming on terms favourable to us. There continues to be intense competition for the most attractive time slots offered by those services. There can be no assurances that Corus will be able to increase or maintain our penetration of broadcast schedules.

Risks associated with production of film and television programs

Each production is an individual artistic work and its commercial success is determined primarily by audience acceptance, which cannot be accurately predicted. The success of a program is also dependent on the type and extent of promotion and marketing activities, the quality and acceptance of other competing programs, general economic conditions and other factors, all of which can change rapidly and many of which are beyond Corus' control.

Production of film and television programs requires a significant amount of capital. Factors such as labour disputes, technology changes or other disruptions affecting aspects of production may affect Corus or its co-production partners and cause cost overruns and delay or hamper completion of a production.

Financial risks exist in productions relating to tax credits and co-production treaties. The aggregate amount of government tax credits a project may receive can constitute a material portion of a production budget and typically can be as much as 30% of total budgeted costs. There is no assurance that government tax credits and industry funding assistance programs will continue to be available at current levels or that Corus' production projects will continue to qualify for them. As well, the majority of Corus' productions are co-productions involving international treaties that allow Corus to access foreign financing and reduce production risk as well as qualify for Canadian government tax credits. If an existing treaty between Canada and the government of one of the current co-production partners were to be abandoned, one or more co-productions currently underway may also need to be abandoned. Losing the ability to rely on co-productions would have a significant adverse effect on Corus' production capabilities and production financing.

Results of operations for the production and distribution business for any period are dependent on the number, timing and commercial success of television programs and feature films delivered or made available to various media, none of which can be predicted with certainty. Consequently, current revenue from production and distribution 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.

Library revenue from production and distribution can vary substantially from year to year, both by geographic territory and by year of production. The timing of Nelvana's ability to sell library product in certain territories will depend on the market outlook in the particular territory and the availability of product by territory, which depends on the extent and term of any prior sale in that territory.

Intellectual property rights

Corus' trademarks, copyrights and other proprietary rights are important to the Company's competitive position. In particular, the Content group must be able to protect its trademarks, copyrights and other proprietary rights in order to competitively produce, distribute and license its television programs and published materials, and market its merchandise. Accordingly, Corus devotes the Company's resources to the establishment and protection of our trademarks, copyrights and other proprietary rights on a worldwide basis. However, from time to time, various third parties contest or infringe upon the Company's intellectual property rights. The Company reviews these matters to determine what, if any, actions may be required or should be taken, including legal action or negotiated settlement. There can be no assurance that the Company's actions to establish and protect our trademarks, copyrights and other proprietary rights will be adequate to prevent imitation or unauthorized reproduction of the Company's products by others or prevent third parties from seeking to block sales, licensing or reproduction of these products as a violation of their trademarks, copyrights and proprietary rights.

Moreover, there can be no assurance that others will not assert rights in, or ownership of, the Company's trademarks, copyrights and other proprietary rights, or that the Company will be able to successfully resolve these conflicts. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States or Canada.

Technological developments

New or alternative media technologies and business models such as digital radio services, satellite radio, direct-to-home satellite, wireless and wired cable television, Internet and video programming, and on-line publications have recently begun to compete, or may in the future compete, for programming, audiences and advertising revenues. These technologies and business models may increase audience fragmentation, reduce the Company's ratings or have an adverse effect on advertising revenues from local and national audiences. These or other technologies and business models may have a material adverse effect on our business, results of operations or financial conditions.

Interest rate and foreign exchange risk

The Company manages its exposure to floating interest rates and U.S. dollar foreign exchange fluctuation through the use of interest rate and cross-currency exchange agreements or "swaps." All such agreements are used for risk management purposes only. In order to minimize the risk of counterparty default under its swap agreements, Corus assesses the creditworthiness of its swap counterparties. Currently 100% of the Company's total swap portfolio is held by financial institutions with Standard & Poor's ratings [or the equivalent] ranging from A to AA–.

Corus has the following financial exposures to risk in its day-to-day operations:

Interest rates

The Company utilizes long-term financing extensively in its capital structure, which includes banking facilities, and U.S. dollar denominated Senior Subordinated Notes [the "Notes"] as more fully described in note 12 to the consolidated financial statements.

Interest on bank indebtedness is based on floating rates, while the Notes are fixed rate obligations. Corus utilizes its credit facility when appropriate to finance day-to-day operations.

As at August 31, 2005, 100% of the Company's consolidated long-term debt was fixed with respect to interest rates.

Foreign exchange

A significant portion of revenues and expenses for the Content business is in currencies other than Canadian dollars and, therefore, is subject to fluctuations in exchange rates. Approximately 9% of Corus' total revenues was in foreign currencies, the majority of which was U.S. dollars. The foreign exchange risk is mitigated as the net cash flow from operations acts as a natural hedge against interest on unhedged U.S. dollar denominated debt. As at August 31, 2005, 100% of the Company's long-term debt was fixed to exchange rates relative to Canadian dollars.

Contingencies

The Company and its subsidiaries are involved in litigation arising in the ordinary course and conduct of its business. The Company recognizes liabilities for contingencies when a loss is probable and capable of being estimated. As at August 31, 2005, there were no actions, suits or proceedings pending or against the Company or its subsidiaries that would, in management's estimation, likely be determined in such a manner as to have a material adverse effect on the business of the Company.

FINANCIAL POSITION

Total assets at August 31, 2005 were $1.93 billion compared to $1.87 billion at August 31, 2004. The following discussion describes the significant changes in the consolidated balance sheet since August 31, 2004.

Current assets increased by $49.5 million. Cash and cash equivalents increased by $42.9 million. Accounts receivable increased by $11.7 million as a result of increased revenues in Radio and Television.

Non-current assets increased by $6.9 million. Tax credits receivable increased by $1.5 million due to accruals made related to film production. Capital assets decreased by $6.1 million as capital expenditures of $19.2 million were offset by depreciation of $23.7 million and asset disposals of $2.1 million. Program and film rights [current and non-current] increased by $23.1 million, as accruals for acquired rights of $133.5 million were offset by amortization of $110.6 million. Film investments increased by $1.6 million, as net film spending of $49.4 million was offset by film amortization and accruals for tax credits. Deferred charges decreased by $3.7 million due primarily to amortization. Broadcast licenses increased by $5.5 million as a result of the Québec radio station swap with Astral and an impairment provision of $4.1 million, while goodwill decreased by $9.2 million as a result of the sale of Locomotion Channel's assets and the Québec radio station swap.

Current liabilities increased by $9.3 million. Accounts payable and accrued liabilities increased by $10.8 million and income taxes payable decreased by $1.5 million. Accounts payable and accrued liabilities related to working capital increased by $10.3 million, due to the timing of trade accounts payable and the impact of higher performing rights tariffs, while non-working capital accruals for program rights and film investments increased by $0.5 million.

Non-current liabilities decreased by $21.9 million. Long-term debt decreased by $84.0 million, resulting from repayments of $34.0 million and foreign exchange translation adjustments. Deferred credits increased by $49.6 million, as payments of $9.9 million for public benefits related to acquisitions were offset by $47.2 million in translation adjustments for cross-currency agreements and other working capital adjustments. Net future tax liability [including current asset] increased by $10.9 million primarily as a result of the utilization of tax loss carryforwards. Other long-term liabilities increased by $6.7 million as a result of an increase in the long-term portion of program rights accruals.

Share capital increased by $1.9 million primarily as a result of the exercising of employee stock options. Contributed surplus increased by $2.3 million as a result of expensing stock options for the period. Cumulative translation adjustment decreased by $3.0 million primarily due to the effect of exchange rate fluctuation on the translation of the net assets of self-sustaining foreign operations.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

Overall, the Company's cash and cash equivalents position increased by $42.9 million in the year ended August 31, 2005. Cash provided by operating activities for the year was $102.4 million, compared to $84.9 million in the prior year. An increase in net income adjusted for non-cash items of $5.8 million and reduced non-cash working capital use of $20.6 million were offset by an increase of $7.1 million in program rights expenditures. Cash used in investing activities for the year was $22.5 million, compared to $32.4 million in the prior year, as there were reduced requirements for cash for investments, as well as proceeds from the sale of non-core assets. Cash used in financing activities for the year was $37.1 million, compared to $1.1 million in the prior year, as the Company paid down its U.S. dollar denominated bank loan balance of $34.0 million in the first quarter of fiscal 2005. The Company paid $3.2 million in dividends to shareholders in fiscal 2005.

Liquidity

In fiscal 2002, Corus issued U.S.$375.0 million aggregate principal amount of 8.75% Notes due in 2012 at a price of 99.186% of their aggregate principal amount. Cross-currency interest rate agreements have fixed the effective interest rates on the Notes at 9.33% and the exchange rate applicable to the principal portion of the debt has been fixed at Cdn.$1.6107, translating to Cdn.$604.0 million.

In addition, the Company has available a $25.0 million one-year operating loan facility and a revolving term credit facility in the amount of $215.0 million that matures on January 31, 2009. As at August 31, 2005, neither the operating loan nor the term credit facility was being utilized. Interest rates on these facilities fluctuate with Canadian bankers' acceptances and LIBOR and averaged 2.7% for fiscal 2005 and 2.4% for fiscal 2004.

These borrowings, combined with cash generated from operations, have been the primary funding sources for operations over the last several years. The nature of the Company's business is such that significant expenditures are required to acquire program rights for the Television business and to produce and acquire film assets for the Content business. For the past three years, these expenditures have been financed from cash generated from operations. The Company has no significant commitments related to the acquisition of property, plant and equipment. Over the past three fiscal years, the Company has reduced its investment in non-cash working capital.

As at August 31, 2005, the Company had a cash balance of $138.1 million, and a working capital balance of $175.0 million. Management believes that cash flow from operations and existing credit facilities will provide the Company with sufficient financial resources to fund its operations for fiscal 2006.

Net debt and adjusted net debt

As at August 31, 2005, net debt was $307.1 million, down from $433.9 million at August 31, 2004. Adjusted net debt as at August 31, 2005 was $465.9 million, down from $545.5 million at August 31, 2004.

Off-balance sheet arrangements and derivative financial instruments

The Company has guarantees and general indemnification commitments to counterparties. Historically, the Company has not made any significant payments with respect to these guarantees and indemnification provisions, and management believes that the risk of loss is low.

The Company uses derivative financial instruments to manage risks from fluctuations in exchange and interest rates. These instruments include cross-currency and interest rate swap agreements. All such instruments are only used for risk management purposes. The net receipts or payments arising from financial instruments relating to the management of interest rate risks are recognized in interest expense over the term of the instrument. Foreign exchange gains or losses arising on cross-currency agreements used to hedge U.S. dollar denominated debt are offset against the corresponding exchange gains or losses on the hedged item. The carrying value of derivative financial instruments that do not qualify for hedge accounting is adjusted to reflect their current market value.

As at August 31, 2005, the consolidated balance sheet included a liability of $158.8 million [2004 – $111.6 million] related to a cross-currency agreement. The fair value of this liability was $242.0 million [2004 – $142.9 million].

As at August 31, 2004, the consolidated balance sheet included a fair value liability of $3.3 million related to an interest rate swap agreement. Corus terminated this agreement in the third quarter of fiscal 2005. Net derivative transaction gains of $4.4 million [2004 – $1.0 million] are included in other income, net in the consolidated statements of income (loss) and retained earnings (deficit) for the year ending August 31, 2005.

Contractual commitments

Corus has the following contractual obligations:

[thousands of Canadian dollars]	Total	Less than one year	One to three years	Four to five years	After five years
Long-term debt	604,000	–	–	–	604,000
Operating leases	97,012	22,139	34,045	13,902	26,926
Film and program rights purchase commitments	151,455	81,144	62,782	7,529	–
Other long-term obligations	21,185	2,862	5,225	4,925	8,174

TRANSACTIONS WITH RELATED PARTIES

The Company has transacted business in the normal course with entities that are subject to common voting control and with entities over which the Company exercises significant influence. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and having normal trade terms.

During the year, the Company received cable service subscriber, programming and advertising fees of $94.6 million [2004 – $92.3 million; 2003 – $89.3 million], production and distribution revenue of $2.5 million [2004 – $3.1 million; 2003 – $2.1 million] and administrative and other fees of $6.2 million [2004 – $5.5 million] from related parties. In addition, the Company paid cable and satellite system distribution access fees of $4.8 million [2004 – $4.5 million; 2003 – $3.6 million] and administrative and other fees of $2.0 million [2004 – $1.5 million; 2003 – $1.1 million] to related parties. As at August 31, 2005, the Company had $20.0 million [2004 – $9.9 million] receivable from related parties.

The Company provided related parties with radio and television spots in return for television advertising. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

In the first quarter of fiscal 2005, Corus acquired a cable advertising business for $0.9 million in cash from Shaw, a company subject to common voting control.

Certain officers of the Company are currently indebted to the Company in connection with the purchase of Class B Non-Voting Shares, Corus Senior Subordinated Notes and relocation housing loans. The loans granted by the Company do not bear interest. The aggregate amount of such indebtedness as at August 31, 2005 was $6.4 million.

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN 2005

Variable interest entities

Effective December 1, 2004, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants ["CICA"] Accounting Guideline-15, "Consolidation of Variable Interest Entities," which provides guidance on the consolidation and disclosure of variable interest entities. The adoption of this standard did not have a material impact on the Company's financial position or results of operations.

Asset retirement obligations

Effective September 1, 2004, the Company adopted the recommendations of CICA Handbook Section 3110, "Asset Retirement Obligations," which establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated asset retirement costs. The section requires that an entity recognize the fair value of a liability for an asset retirement obligation in the period in which it is incurred when a reasonable estimate of fair value can be made. The adoption of this standard did not have a material impact on the Company's financial position or results of operations.

RECENT ACCOUNTING PRONOUNCEMENTS

Financial instruments, comprehensive income and hedges

In April 2005, the CICA issued Handbook Section 1530, "Comprehensive Income," Handbook Section 3855, "Financial Instruments – Recognition and Measurement," and Handbook Section 3865, "Hedges." Section 3855 expands on CICA Handbook Section 3860, "Financial Instruments – Disclosure and Presentation," by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how instrument gains and losses are to be presented. Section 3865 is optional. It provides alternative treatments to Section 3855 for entities that choose to designate qualifying transactions as hedges for accounting purposes and specifies how hedge accounting is applied and what disclosures are necessary when it is applied. Section 1530 introduced a new requirement to present temporarily certain gains and losses outside net income in a new component of shareholders' equity entitled Comprehensive Income. These standards are substantially harmonized with U.S. GAAP and are effective for the Company beginning September 1, 2007. The Company is currently evaluating the impact of these standards on its consolidated financial position and results of operations.

CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of consolidated financial statements in conformity with Canadian GAAP 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 date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant assumptions made by management in the preparation of the Company's financial statements include future revenue projections for investment in film and television programs, provisions for doubtful debts to reflect credit exposures, valuation allowances and impairment assessments for various assets including investment in film and television programs; property, plant and equipment; long-term investments; current and future income taxes; broadcast licenses and goodwill. Actual results could differ from those estimates. The policies described below are considered to be critical accounting estimates, as they require significant estimation or judgment.

Film investments

The Company accounts for its production and distribution of film and television programs in accordance with the American Institute of Certified Public Accountants Statement of Position 00-2, "Accounting by Producers or Distributors of Films" ["SOP 00-2"]. SOP 00-2 requires that film and television costs of production and acquisition are amortized using the individual-film-forecast-computation method. Under this method, capitalized costs for an individual film or television program are amortized in the proportion that current period actual revenues bear to management's estimates of the total revenues expected to be received from such film or television program over a period not to exceed ten years from the date of delivery. As a result, if revenue estimates change with respect to a film or television program, the Company may be required to write down all or a portion of the unamortized costs of such film or television program, therefore impacting direct cost of sales, selling and administrative expense, and profitability.

The fiscal 2004 results include a writedown of $85.0 million resulting from lower estimates of future revenue projections. No assurance can be given that unfavourable changes to revenue estimates will not continue to occur, which may again result in significant writedowns affecting our results of operations and financial conditions.

Broadcast licenses and goodwill

The cost of acquiring media broadcasting, production/distribution and publishing businesses is allocated to the fair value of related net identifiable tangible and intangible assets acquired. Net identifiable intangible assets acquired consist primarily of broadcast licenses. The excess of the cost of acquiring these businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill.

Broadcast licenses are considered to have an indefinite life based on management's intent and ability to renew the licenses without substantial cost and without material modification of the existing terms and conditions of the license. No assurance can be given that the Company will be able to renew its licenses, or that substantial cost or material modification of the existing terms and conditions will not be incurred.

Broadcast licenses and goodwill are tested for impairment annually or more frequently if events or changes in circumstances indicate that they are impaired. The Company has selected August 31 as the date it performs its annual impairment test. The key assumptions used in the test include forecasted segment profit and industry multiples. The fair value of the Company's intangible assets is exposed to future adverse changes if the Company experiences declines in operating results, significant negative industry or economic trends, or if future performance is below historical trends.

Income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Certain assumptions are required in order to determine the provision for income taxes, including filing positions on certain items and the realization of future tax assets.

The Company is audited regularly by federal and provincial authorities in the areas of income taxes and the remittance of sales taxes. These audits consider the timing and amount of deductions and compliance with federal and provincial laws. To the extent that the Company's filing positions are challenged, the Company's effective tax rate in a given financial statement period could be materially affected.

The recognition of future tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. No assurance can be given that future earnings will be sufficient to realize the future benefit.

Investments

The Company's consolidated balance sheets contain balances related to investments carried at historical cost. In certain cases, quoted market value has been lower than cost for several years. In each case management believes that persuasive evidence exists to indicate that the financial condition and near-term prospects of the issuer are not impaired and that the Company has the intent and ability to retain its investment in the issuer until anticipated recovery in market value occurs. Therefore, management believes that the declines in market value are not other-than-temporary, and no writedown is required. No assurance can be given that a recovery will occur, and the prospect of a writedown sometime in the future remains present. At October 11, 2005, the carrying amount of investments held at cost exceeded their market value by $2.0 million [2004 – $3.9 million].

Production tax credits

The Company's consolidated balance sheets contain balances related to production tax credits received or receivable from federal and provincial government agencies. Tax credits are claimed based on the expectation of meeting eligibility requirements and amounts may be subject to estimation and interpretation. Claims are subject to audit by federal and provincial authorities, and no assurances can be given that amounts received or receivable will not be disallowed. Such a disallowance may have an impact on the net unamortized cost of completed film, and result in higher film amortization expense.

CONTROLS AND PROCEDURES

As required by Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, Corus' Chief Executive Officer and Chief Financial Officer will be making certifications related to the information in Corus' annual filings [as defined in Multilateral Instrument 52-109] with the provincial securities legislation. As part of such certification, the Chief Executive Officer and Chief Financial Officer must certify that they are responsible for establishing and maintaining disclosure controls and procedures and have designed such disclosure controls and procedures [or caused such disclosure controls and procedures to be designed under their supervision] to ensure that material information with respect to Corus, including its consolidated subsidiaries, is made known to them and that they have evaluated the effectiveness of Corus' disclosure controls and procedures as of the end of the period covered by these annual filings. Disclosure controls and procedures ensure that information required to be disclosed by Corus in the reports that it files or submits to the provincial securities legislation is recorded, processed, summarized and reported, within the time periods required. Corus has adopted or formalized such controls and procedures as it believes are necessary and consistent with its business and internal management and supervisory practices.

As Corus is a foreign private issuer listed on the New York Stock Exchange, similar certifications by Corus' Chief Executive Officer and Chief Financial Officer are required by Section 302[a] of the *Sarbanes-Oxley Act of 2002* related to information in Corus' Annual Report on Form 40-F.

Evaluation of disclosure controls and procedures

The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures [as defined in Multilateral Instrument 52-109 and in *Securities Exchange Act of 1934* Rules 13a-15[e] and 15d-15[e]] as at August 31, 2005, have concluded that, as at August 31, 2005, the Company's disclosure controls and procedures were effective.

Changes in internal control over financial reporting

As at August 31, 2005, there were no changes in the Company's internal control over financial reporting that occurred during the year that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

OUTSTANDING SHARE DATA

As at October 31, 2005, 1,724,929 Class A Voting Shares and 41,084,867 Class B Non-Voting Shares were issued and outstanding. Class A Voting Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. The Class B Non-Voting Shares are convertible into an equivalent number of Class A Voting Shares in limited circumstances.

Additional information relating to the Company, including the Annual Information Form, can be found on SEDAR at www.sedar.com.

The accompanying consolidated financial statements of Corus Entertainment Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the consolidated financial statements.

Corus Entertainment Inc. maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board, and the majority of its members are outside unrelated directors. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the consolidated financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

John M. Cassaday
President and Chief Executive Officer

Thomas C. Peddie, FCA
Senior Vice President and Chief Financial Officer

To the Shareholders of Corus Entertainment Inc.

We have audited the consolidated balance sheets of **Corus Entertainment Inc.** as at August 31, 2005 and 2004 and the consolidated statements of income (loss) and retained earnings (deficit) and cash flows for each of the years in the three-year period ended August 31, 2005. These financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2005 and 2004 and the results of its operations and its cash flows for each of the years in the three-year period ended August 31, 2005 in accordance with Canadian generally accepted accounting principles.

P.L. Aceholder

Toronto, Canada
October 21, 2005

Chartered Accountants signature to come

AS AT AUGUST 31 [in thousands of Canadian dollars]	**2005**	2004
		[revised – note 26[b]]
ASSETS *[note 12]*		
Current		
Cash and cash equivalents	**138,086**	95,231
Accounts receivable *[notes 5 and 24]*	**155,343**	143,641
Prepaid expenses and other	**10,948**	9,674
Program and film rights	**93,725**	92,786
Future tax asset *[note 15]*	**6,498**	13,719
Total current assets	**404,600**	355,051
Tax credits receivable	**12,292**	10,774
Investments and other assets *[note 6]*	**36,886**	41,683
Property, plant and equipment, net *[note 7]*	**76,041**	82,105
Program and film rights	**54,715**	32,523
Film investments *[note 8]*	**58,417**	56,867
Deferred charges *[note 9]*	**15,560**	19,305
Broadcast licenses *[note 10]*	**514,552**	509,040
Goodwill *[notes 10 and 16]*	**755,301**	764,518
	1,928,364	1,871,866
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities *[notes 11 and 24]*	**172,236**	161,397
Income taxes payable	**3,049**	4,567
Total current liabilities	**175,285**	165,964
Long-term debt *[note 12]*	**445,162**	529,139
Deferred credits *[note 13]*	**195,789**	146,164
Future tax liability *[note 15]*	**147,744**	144,085
Other long-term liabilities	**22,895**	16,203
Non-controlling interest	**11,227**	9,131
Total liabilities	**998,102**	1,010,686
Shareholders' equity		
Share capital *[note 14]*	**885,911**	884,053
Contributed surplus *[note 14]*	**3,558**	1,287
Retained earnings (deficit)	**50,802**	(17,122)
Cumulative translation adjustment *[note 20]*	**(10,009)**	(7,038)
Total shareholders' equity	**930,262**	861,180
	1,928,364	1,871,866

Commitments and contingencies *[notes 12 and 23]*

See accompanying notes

On behalf of the Board:

Director *Director*

YEARS ENDED AUGUST 31 [in thousands of Canadian dollars except per share amounts]	**2005**	2004	2003
Revenues *[notes 22 and 24]*	**683,069**	666,804	643,918
Direct cost of sales, general and administrative expenses *[notes 8, 14, 20, 23 and 24]*	**487,758**	576,406	478,606
Depreciation	**23,710**	25,682	24,708
Amortization	**4,577**	7,276	9,792
Interest on long-term debt *[note 12]*	**55,561**	55,276	61,030
Other income, net *[note 20]*	**(5,494)**	(4,937)	(6,024)
Restructuring charges	**–**	–	5,025
Income before income taxes and non-controlling interest	**116,957**	7,101	70,781
Income tax expense *[note 15]*	**42,810**	26,925	28,534
Non-controlling interest	**3,033**	3,313	2,226
Net income (loss) for the year	**71,114**	(23,137)	40,021
Retained earnings (deficit), beginning of year	**(17,122)**	8,135	(31,886)
Dividends paid *[note 14]*	**(3,190)**	(2,120)	–
Retained earnings (deficit), end of year	**50,802**	(17,122)	8,135
Earnings (loss) per share *[note 18]*			
Basic	**$1.66**	$(0.54)	$0.94
Diluted	**$1.65**	$(0.54)	$0.94
Weighted average number of shares outstanding *[in thousands]*			
Basic	**42,761**	42,719	42,641
Diluted	**43,095**	42,719	42,645

See accompanying notes

YEARS ENDED AUGUST 31 [in thousands of Canadian dollars]	**2005**	2004	2003
OPERATING ACTIVITIES			
Net income (loss) for the year	**71,114**	(23,137)	40,021
Add (deduct) non-cash items			
Depreciation	**23,710**	25,682	24,708
Amortization of program and film rights	**110,630**	105,549	94,016
Amortization of film investments	**43,693**	142,754	64,578
Other amortization	**4,577**	7,276	9,792
Future income taxes	**8,601**	600	3,257
Non-controlling interest	**3,033**	3,313	2,226
Foreign exchange gain	**(2,747)**	(2,057)	(7,259)
Stock-based compensation	**6,766**	2,984	1,250
Unrealized derivative losses (gains)	**(3,278)**	3,278	–
Broadcast license impairment	**4,108**	–	–
Other	**1,769**	(24)	3,475
Net change in non-cash working capital balances related to operations *[note 19]*	**2,235**	(18,395)	3,381
Payment of program and film rights	**(122,368)**	(115,314)	(108,626)
Net additions to film investments	**(49,427)**	(47,597)	(66,197)
Cash provided by operating activities	**102,416**	84,912	64,622
INVESTING ACTIVITIES			
Additions to property, plant and equipment	**(19,217)**	(17,421)	(14,908)
Decrease (increase) in investments, net	**665**	(3,685)	(5,312)
Decrease in public benefits associated with acquisitions	**(9,893)**	(11,455)	(12,198)
Proceeds from sale of assets	**6,822**	136	4,695
Additions to deferred charges	**(832)**	–	(80)
Cash used in investing activities	**(22,455)**	(32,425)	(27,803)
FINANCING ACTIVITIES			
Decrease in bank loans	**(34,017)**	–	(15,499)
Decrease in other long-term liabilities	**(820)**	(911)	(2,810)
Issuance of shares under stock option plan	**1,650**	2,212	–
Dividends paid	**(3,190)**	(2,120)	–
Dividends paid to minority shareholder	**(937)**	(521)	(1,496)
Other	**208**	210	216
Cash used in financing activities	**(37,106)**	(1,130)	(19,589)
Net increase in cash and cash equivalents during the year	**42,855**	51,357	17,230
Cash and cash equivalents, beginning of year	**95,231**	43,874	26,644
Cash and cash equivalents, end of year	**138,086**	95,231	43,874

Supplemental cash flow disclosures *[note 19]*

See accompanying notes

AUGUST 31, 2005, 2004 AND 2003
[in thousands of Canadian dollars except share information]

1. BASIS OF PRESENTATION

Corus Entertainment Inc. [“Corus” or the “Company”] is a diversified Canadian communications and entertainment company. The Company is incorporated under the *Canada Business Corporations Act* and its Class B Non-Voting Shares are listed on the Toronto and New York Stock Exchanges.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management on the historical cost basis in accordance with Canadian generally accepted accounting principles [“GAAP”]. The effects of differences between the application of Canadian and U.S. GAAP on the consolidated financial statements of the Company are described in note 21.

Basis of consolidation

The consolidated financial statements include the accounts of Corus and all of its subsidiaries, all of which are wholly owned except for Country Music Television Limited [80% interest], Telelatino Network Inc. [50.5% interest] and Discovery Kids [53.6% interest], as well as its proportionate share of the accounts of its joint ventures. Intercompany transactions and balances have been eliminated on consolidation. The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP 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 date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant assumptions made by management in the preparation of the Company’s consolidated financial statements include future revenue projections for investments in film and television programs, provisions for doubtful accounts to reflect credit exposures, valuation allowances and impairment assessments for various assets including investments in film and television programs, capital assets, long-term investments, current and future income taxes, broadcast licenses and goodwill. Actual results could differ from those estimates.

Revenue recognition

Advertising revenues are recognized in the period in which the advertising is aired under broadcast contracts.

Affiliate subscriber fee revenues are recognized monthly based on subscriber levels.

Product and distribution revenues from the distribution and licensing of film rights are recognized when all of the following conditions are met: [i] persuasive evidence of a sale or licensing arrangement with a customer exists; [ii] the film is complete and has been delivered or is available for immediate and unconditional delivery; [iii] the license period of the arrangement has begun; [iv] the arrangement fee is fixed or determinable; and [v] collection of the arrangement fee is reasonably assured. Non-refundable recoupable minimum guarantees received under licensing arrangements for home videos where film titles are cross-collateralized are deferred and recognized as revenue over the license term when the underlying home videos are sold as reported by third parties.

Customer advances on contracts are recorded as unearned revenue until all of the foregoing revenue recognition conditions have been met.

Non-refundable advances that are not cross-collateralized and royalties from merchandise licensing, publishing and music contracts are recognized when the license period has commenced and collection is reasonably assured. Advances that are cross-collateralized are deferred and recognized as revenue over the license term when the underlying royalties are reported as earned by third parties.

Revenues from the sale of books are recognized at the time of shipment, net of an estimated provision for returns. Revenues from the sale of subsidiary book rights, when determinable, are recorded on an accrual basis. When amounts are not determinable, amounts are recorded on receipt of funds. Grants for specific projects are recognized as revenue when the related expenses are incurred.

Cash and cash equivalents
Cash and cash equivalents include cash and short-term deposits with maturities of less than three months at the date of purchase.

Investments
Investments in entities over which the Company exercises significant influence are accounted for using the equity method. Investments in joint ventures and partnerships that the Company jointly controls are accounted for using the proportionate consolidation method of accounting. Other investments are recorded at cost and written down only when there is evidence that a decline in value that is other-than-temporary has occurred.

Acquisitions subject to Canadian Radio-television and Telecommunications Commission ["CRTC"] approval are recorded at cost until approval is received and then accounted for according to the nature of the investment made.

Property, plant and equipment
Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Broadcasting equipment	10 years
Production equipment	5 years
Leasehold improvements	lease term
Buildings	20–40 years
Computer equipment	3 years
Furniture and fixtures	7 years
Other	4–10 years

Program and film rights
Program and film rights represent contract rights acquired from third parties to broadcast television programs and feature films. The assets and liabilities related to these rights are recorded when the cost of the rights is known or reasonably determinable, the program material is accepted by the Company in accordance with the license agreement and the material is available to the Company for airing. Long-term liabilities related to these rights are recorded at the net present values of future cash flows, using a discount rate that is equivalent to the effective interest rate on similar term debt. These costs are amortized over the contracted exhibition period as the programs or feature films are aired. Program and film rights are carried at the lower of cost less accumulated amortization and net recoverable amount.

Amortization of program and film rights is included in direct cost of sales, general and administrative expenses and has been disclosed separately in the consolidated statements of cash flows.

Film investments

Film investments represent the costs of projects in development, projects in process, the unamortized costs of proprietary films and television programs that have been produced by the Company or for which the Company has acquired distribution rights, and investments in third-party-produced film projects. Such costs include development and production expenditures and attributable studio and other costs that are expected to benefit future periods.

The Company accounts for its film investments in accordance with the American Institute of Certified Public Accountants ["AICPA"] Statement of Position 00-2, "Accounting by Producers or Distributors of Films" ["SOP 00-2"].

The individual-film-forecast-computation method is used to determine amortization. The capitalized costs and the estimated total costs of participations and residuals, net of anticipated federal and provincial program contributions, production tax credits and co-producers' shares of production costs, are charged to amortization expense on a series or program basis in the ratio that current period revenue bears to management's estimate of total gross revenue ["ultimate revenue"] to be realized from the series or program. Ultimate revenue is projected for periods not exceeding ten years from the date of delivery or acquisition. For episodic television series, SOP 00-2 requires that 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. Estimates of gross revenue can change significantly due to the level of market acceptance of film and television products. Accordingly, revenue estimates are reviewed periodically and amortization is adjusted. Such adjustments could have a material effect on the results of operations in future periods.

The Company reviews the status of projects in development quarterly. If, in the opinion of management, any such projects will not progress toward production, the accumulated costs are charged to direct cost of sales. Projects are written off at the earlier of the date determined not to be recoverable or when projects under development are abandoned, and three years from the date of the initial investment.

Projects in process represent the accumulated costs of television series or feature films currently in production.

Completed project and distribution rights are stated at the lower of unamortized cost or estimated net realizable value as determined on a series or program basis. Revenue and cost forecasts for each production are evaluated quarterly in connection with a comprehensive review of the Company's film investments, on a title-by-title basis. When an event or change in circumstances indicates that the fair value of a film is less than its unamortized cost, the fair value of the film is determined using management's estimates of future revenues under a discounted cash flow approach. A writedown is recorded equivalent to the amount by which the unamortized costs exceed the estimated fair value of the film.

Investments in third-party-produced film projects are carried at the lower of cost and net realizable value.

Amortization of film investments is included in direct cost of sales, general and administrative expenses.

Deferred charges

Financing costs and credit facility arrangement fees are amortized to income on a straight-line basis over the term of the debt facility.

Start-up costs for the preparation of new applications to the CRTC are deferred prior to approval by the CRTC. The costs associated with unsuccessful applications are expensed. Start-up costs for licenses of successful applications that are awarded by the CRTC are capitalized from the date they are awarded to the date revenue is generated for the service. Start-up costs are amortized over a period that reflects their expected future benefit, not exceeding the term of the licenses.

Deferred charges are carried at the lower of cost less accumulated amortization and net recoverable amount.

Broadcast licenses and goodwill

The cost of acquiring media broadcasting, production/distribution and publishing businesses is allocated to the fair value of related net identifiable tangible and intangible assets acquired. Net identifiable intangible assets acquired consist primarily of broadcast licenses. The excess of the cost of acquiring these businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill.

Broadcast licenses are considered to have an indefinite life based on management's intent and ability to renew the licenses without substantial cost and without material modification of the existing terms and conditions of the license.

Broadcast licenses and goodwill are tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired. The Company has selected August 31 as the date it performs its annual impairment test.

Government financing and assistance

The Company has access to several government programs that are designed to assist film and television production in Canada. Funding from certain programs provides a supplement to a series' Canadian license fees and is recorded as revenue when cash has been received. Government assistance with respect to federal and provincial production tax credits is recorded as a reduction of film investments when eligible expenditures are made and there is reasonable assurance of realization. Assistance in connection with equity investments is recorded as a reduction in film investments.

Government grants approved for specific publishing projects are recorded as revenue when the related expenses are incurred.

Deferred credits

Deferred credits include [i] a provision for contributions to Canadian broadcasting initiatives that must be made by a purchaser of specialty television, pay television and radio undertakings in accordance with CRTC policies ["public benefits associated with acquisitions"] associated with acquiring radio and television businesses that will be drawn down when the Company makes eligible payments toward meeting the conditions of license; [ii] foreign exchange gains on translating hedged long-term debt; and [iii] unearned revenue from the distribution and licensing of rights for feature films and television programs.

Income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

Foreign currency translation

The assets and liabilities of the Company's self-sustaining operations having a functional currency that is not in Canadian dollars are translated into Canadian dollars using the exchange rate in effect at the consolidated balance sheet date, and revenues and expenses are translated at the average rate during the year. Exchange gains or losses on translation of the Company's net equity investment in these operations are deferred as a separate component of shareholders' equity.

For integrated foreign operations monetary items are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transaction. Foreign exchange gains and losses are included in net income (loss) for the year.

Long-term debt denominated in U.S. dollars is translated into Canadian dollars at the year-end rate of exchange. Exchange gains or losses on translating long-term debt that qualifies for hedge accounting are offset against the corresponding exchange gains or losses arising on the cross-currency agreements.

Other exchange gains and losses are included in net income (loss) for the year.

Financial instruments and hedging relationships

The Company uses derivative financial instruments to manage risks from fluctuations in exchange and interest rates. These instruments include cross-currency and interest rate swap agreements. All such instruments are only used for risk management purposes. The net receipts or payments arising from financial instruments relating to the management of interest rate risks are recognized in interest expense over the term of the instrument. Foreign exchange gains or losses arising on cross-currency agreements used to hedge U.S. dollar denominated debt are offset against the corresponding exchange gains or losses on the hedged item. The carrying values of derivative financial instruments that do not qualify for hedge accounting are adjusted to reflect their current market value.

Stock-based compensation and other stock-based payments

The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option pricing model and expensed over the option's vesting period. Compensation expense related to the Performance Share Units is accrued over the term of the restriction period based on the expected total compensation to be paid out at the end of the restriction period. Consideration paid by the Company under its Employee Share Purchase Plan is included in direct cost of sales, general and administrative expenses.

Earnings (loss) per share

Basic earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the year. The computation of diluted earnings (loss) per share assumes the basic weighted average number of common shares outstanding during the year is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. The dilutive effect of warrants and stock options is determined using the treasury stock method.

Impairment of long-lived assets

When events or circumstances indicate potential impairment, long-lived assets, other than broadcast licenses and goodwill, are written down to their fair value if the net carrying amount of the asset exceeds the net recoverable amount, calculated as the sum of undiscounted cash flows related to the asset.

Asset retirement obligations

Effective September 1, 2004, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 3110, "Asset Retirement Obligations," which establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated asset retirement costs. The section requires that an entity recognize the fair value of a liability for an asset retirement obligation in the period in which it is incurred when a reasonable estimate of fair value can be made. The adoption of this standard did not have a material impact on the Company's consolidated financial position or results of operations.

Consolidation of variable interest entities

Effective December 1, 2004, the Company adopted the recommendations of CICA Accounting Guideline-15, "Consolidation of Variable Interest Entities," which provides guidance on the consolidation and disclosure of variable interest entities. The adoption of this standard did not have a material impact on the Company's consolidated financial position or results of operations.

3. BUSINESS COMBINATIONS

Effective May 29, 2005, Corus completed an asset exchange with Astral Media Inc. ["Astral"]. This resulted in Corus acquiring eight Astral-owned radio stations in Québec and receiving other consideration including $2,500 in cash, in exchange for five Corus-owned radio stations in Québec. This transaction was accounted for using the purchase method. The results of operations of the eight stations previously owned by Astral are included in Corus' consolidated financial statements from the date of the transaction. Accrued liabilities include a severance accrual of approximately $1,676, which was substantially settled by year end, except for accruals relating to salary continuance. No gain or loss was recorded on this transaction.

Consideration given:	
Cash	(2,500)
Property, plant and equipment	1,958
Broadcast licenses	2,047
Goodwill	6,917
Transaction costs	908
	9,330
Assigned value of net assets acquired:	
Property, plant and equipment	2,750
Broadcast licenses	11,025
Accrued liabilities	(1,828)
Future tax liability	(2,617)
	9,330

4. JOINT VENTURES

The following amounts, included in these consolidated financial statements, represent the Company's proportionate share in joint ventures:

	2005	2004
Consolidated balance sheets		
Current assets	28,337	19,550
Long-term assets	14,263	16,926
Current liabilities	19,888	17,071
Consolidated statements of income		
Revenues	34,974	31,389
Expenses	26,945	28,002
Net income	8,029	3,387
Consolidated statements of cash flows		
Operating activities	9,560	4,757
Investing activities	(39)	(555)

5. ACCOUNTS RECEIVABLE

	2005	2004
Trade	151,053	146,156
Other	7,957	2,654
	159,010	148,810
Less allowance for doubtful accounts	3,667	5,169
	155,343	143,641

6. INVESTMENTS AND OTHER ASSETS

	2005	2004
Investments, at cost		
Astral Media Inc. [a]	13,861	13,861
Other [b]	23,025	27,822
	36,886	41,683

[a] Astral Media Inc.

The Company holds 54,600 Class A non-voting shares and 297,200 Class B subordinate voting shares of Astral with a market value of $11,366 [2004 – $9,598].

[b] Other investments

Other investments consist primarily of an interest in a privately owned Canadian media company, financing provided to the Company's digital channels, loans to executive officers and other investments accounted for on a cost and equity basis.

7. PROPERTY, PLANT AND EQUIPMENT

	2005		2004	
	Cost	**Accumulated depreciation**	Cost	Accumulated depreciation
Broadcasting equipment	**32,535**	**23,763**	31,883	22,501
Production equipment	**87,329**	**69,697**	91,417	72,112
Leasehold improvements	**31,328**	**21,520**	32,862	19,315
Buildings	**22,649**	**7,558**	23,917	8,719
Computer equipment	**52,124**	**41,265**	49,711	38,458
Furniture and fixtures	**21,124**	**17,068**	21,221	16,136
Other	**5,527**	**2,528**	3,432	2,666
	252,616	**183,399**	254,443	179,907
Land	**6,824**	**–**	7,569	–
	259,440	**183,399**	262,012	179,907
Net book value	**76,041**		82,105	

8. FILM INVESTMENTS

	2005	2004
Projects in development and in process, net of advances	**15,876**	15,990
Completed projects and distribution rights	**28,796**	31,843
Investments in third-party-produced film projects	**13,745**	9,034
	58,417	56,867

During fiscal 2005, the Company reduced its investments in film and television programs by anticipated federal and Ontario production tax credits amounting to $11,701 [2004 – $3,059].

During the third quarter of fiscal 2004, the Company reviewed, as required, future revenue projections or ultimates on a title-by-title basis, supporting the carrying value of its film investments in the Content division, and lowered its estimates of future revenues with reference to current and anticipated market conditions and foreign exchange rates, resulting in the recognition of an $85,000 writedown of film investments in the quarter. This writedown is included in direct cost of sales, general and administrative expenses for the year.

The Company expects that 43% and 79% of the net book value of completed projects and distribution rights will be amortized during the year ending August 31, 2006, and three years ending August 31, 2008, respectively.

The Company expects that $2,773 of accrued participation liabilities will be paid during the year ending August 31, 2006.

9. DEFERRED CHARGES

	2005		2004	
	Cost	**Accumulated depreciation**	Cost	Accumulated depreciation
Financing costs and credit facility arrangement fees	**28,233**	**13,676**	27,401	10,957
Start-up costs of new specialty programming networks	**9,857**	**8,854**	9,857	8,103
Advertising and promotion costs for reformatting radio, specialty and pay television stations	**–**	**–**	11,570	10,463
	38,090	**22,530**	48,828	29,523
Net book value	**15,560**		19,305	

10. BROADCAST LICENSES AND GOODWILL

At August 31, 2005, 2004 and 2003, the Company performed its annual impairment test of broadcast licenses and goodwill and determined that there was no impairment for the years ended August 31, 2004 and 2003. For the year ended August 31, 2005, the Company determined that there was an impairment of $4,108 in the broadcast licenses related to three radio stations. This impairment charge is included in other income, net.

To determine the amount of impairment, management uses a fair value methodology based on market transaction multiples for comparable businesses applied to forecasted operating income used to evaluate the reporting units' performance. Estimates of forecasted operating income involve measurement uncertainty and it is therefore possible that reductions in the carrying value of broadcast licenses and goodwill may be required as a result of changes in management's future revenue estimates. Actual results may differ from estimates and as a consequence a material impairment charge may be recorded.

During the second quarter of fiscal 2005, the Company sold its 50% share in the assets of the Locomotion Channel to a wholly owned subsidiary of Sony Pictures Inc. for an aggregate purchase price of $6,200. The purchase price is to be paid out over three years and a portion is subject to certain performance related holdbacks. There was a reduction of $2,300 in goodwill, and an immaterial loss was recorded on this disposition.

As discussed in note 3, during the third quarter of fiscal 2005, the Company completed the exchange of certain radio stations in Québec with Astral. This transaction resulted in an increase of $8,978 in broadcast licenses and a reduction of $6,917 in goodwill.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2005	2004
Trade	**69,996**	59,216
Program rights payable	**59,607**	54,887
Film investment accruals	**5,413**	9,591
Accrued interest	**28,654**	27,393
Third party participation payments	**6,813**	5,804
GST payable	**1,201**	1,620
Other	**552**	2,886
	172,236	161,397

12. LONG-TERM DEBT

	2005	2004
Senior Subordinated Notes [a]		
Principal amount translated into Canadian dollars at the hedged rate	**604,000**	604,000
Unrealized cumulative foreign exchange gains	**(158,838)**	(111,625)
Senior Subordinated Notes translated at the current rate	**445,162**	492,375
Bank loans [b]	**–**	36,764
	445,162	529,139

[a] Senior Subordinated Notes

On March 7, 2002, Corus issued U.S.$375,000 aggregate principal amount of 8.75% Senior Subordinated Notes [the "Notes"] due in 2012 at a price of 99.186% of their aggregate principal amount. The Notes are redeemable at the option of the Company, in whole or in part, at any time on or after March 1, 2007, at specified redemption prices plus accrued interest to the date of redemption.

The Company has entered into cross-currency agreements to fix the liability for interest and principal payments on the Notes. The agreements have resulted in an effective interest rate of 9.33% on the Canadian dollar equivalent of the U.S. debt. The exchange rate applicable to the principal portion of the debt has been fixed at Cdn.$1.6107, translating to approximately Cdn.$604,000.

[b] Bank loans

The Company has a $25,000 revolving operating loan facility with interest rates and borrowing options, the same as those contained in the credit facilities described below. As at August 31, 2005, the Company had not drawn on this facility. If the Company were to draw on this facility, it would be classified as current on the consolidated balance sheets.

Effective January 31, 2005, the Company's credit facility, including bank loans, with a syndicate of banks was amended. The amendment resulted in an extension of the maturity of the facility to January 31, 2009. The amount committed is $215,000, which is available on a revolving basis and repayable at maturity. Other terms of the amended credit facility are substantially similar to the prior credit facility. As at August 31, 2005, no amount of the facility was utilized. Funds are available to the Company in both Canadian and U.S. dollars. As at August 31, 2005, the U.S. dollar portion of the bank loans was nil [2004 – U.S.$28,000 [Cdn.$36,764]].

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and LIBOR and averaged 2.7% for the year ended August 31, 2005 [2004 – 2.4%].

The banks hold as collateral a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the credit agreements. As well, unlimited guarantees are provided by certain subsidiaries. Under the facility, the Company has undertaken to maintain certain financial covenants. Management has determined that the Company was in compliance with the covenants provided under the bank loans as at August 31, 2005.

13. DEFERRED CREDITS

	2005	2004
Public benefits associated with acquisitions	**21,209**	31,102
Cross-currency agreements translated into Canadian dollars at the current rate	**158,838**	111,625
Unearned revenue from distribution and licensing of film rights	**12,320**	2,800
Other	**3,422**	637
	195,789	146,164

14. SHARE CAPITAL

Authorized

The Company is authorized to issue, upon approval of holders of no less than two-thirds of the existing Class A shares, an unlimited number of Class A participating shares ["Class A Voting Shares"], as well as an unlimited number of Class B non-voting participating shares ["Class B Non-Voting Shares"], Class A Preferred Shares, and Class 1 and Class 2 Preferred Shares.

Class A Voting Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. The Class B Non-Voting Shares are convertible into an equivalent number of Class A Voting Shares in limited circumstances.

The Class A Preferred Shares are redeemable at any time at the demand of Corus and retractable at any time at the demand of a holder of a Class A Preferred Share for an amount equal to the consideration received by Corus at the time of issuance of such Class A Preferred Shares. Holders of Class A Preferred Shares are entitled to receive a non-cumulative dividend at such rate as Corus' Board of Directors may determine on the redemption amount of the Class A Preferred Shares. Each of the Class 1 Preferred Shares, the Class 2 Preferred Shares, the Class A Voting Shares and the Class B Non-Voting Shares rank junior to and are subject in all respects to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Class A Preferred Shares in connection with the payment of dividends.

The Class 1 and Class 2 Preferred Shares are issuable in one or more series with attributes designated by the Board of Directors. The Class 1 Preferred Shares rank senior to the Class 2 Preferred Shares.

In the event of liquidation, dissolution or winding up of Corus or other distribution of assets of Corus for the purpose of winding up its affairs, the holders of Class A Preferred Shares are entitled to a payment in priority to all other classes of shares of Corus to the extent of the redemption amount of the Class A Preferred Shares, but will not be entitled to any surplus in excess of that amount. The remaining property and assets will be available for distribution to the holders of the Class A Voting Shares and Class B Non-Voting Shares, which shall be paid or distributed equally, share for share, between the holders of the Class A Voting Shares and the Class B Non-Voting Shares, without preference or distinction.

Issued and outstanding

The changes in the Class A Voting Shares and Class B Non-Voting Shares since August 31, 2003 are summarized as follows:

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	$	#	$	$
Balance, August 31, 2003	1,726,712	26,743	40,914,588	854,888	881,631
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(1,783)	(28)	1,783	28	–
Issuance of shares under Stock Option Plan	–	–	97,728	2,212	2,212
Repayment of executive stock purchase loans	–	–	–	210	210
Balance, August 31, 2004	1,724,929	26,715	41,014,099	857,338	884,053
Issuance of shares under Stock Option Plan	–	–	64,020	1,650	1,650
Repayment of executive stock purchase loans	–	–	–	208	208
Balance, August 31, 2005	**1,724,929**	**26,715**	**41,078,119**	**859,196**	**885,911**

Stock Option Plan

Under the Company's Stock Option Plan [the "Plan"], the Company may grant options to purchase Class B Non-Voting Shares to eligible officers, directors and employees of or consultants to the Company. The maximum number of shares that can be reserved for issuance under the Plan is 4,084,642. All options granted are for terms not to exceed ten years from the grant date. The exercise price of each option equals the market price of the Company's stock on the date of grant. Options vest 25% on each of the first, second, third and fourth anniversary dates of the date of grant.

A summary of the options outstanding as at August 31, 2005, and the changes since August 31, 2003, is presented as follows:

	Number of options *[#]*	Weighted average exercise price *[$]*
Outstanding, August 31, 2003	3,105,114	29.74
Granted	537,700	24.02
Forfeited	(395,511)	36.77
Exercised	(97,728)	22.62
Outstanding, August 31, 2004	3,149,575	28.10
Granted	443,600	23.80
Forfeited	(90,666)	31.66
Exercised	(64,020)	25.77
Outstanding, August 31, 2005	**3,438,489**	**27.49**

The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Fiscal 2005	Fiscal 2004
Expected life	**5 years**	5 years
Risk-free interest rates	**4.31%**	4.08% to 4.67%
Dividend yield	**0.21%**	0.19%
Volatility	**35.98%**	37.21% to 39.52%

The weighted average fair value of the stock options granted during 2005 was $9.02 per option. The estimated value of the options is amortized to income over the options vesting period on a straight-line basis. The Company has recorded stock-based compensation expense for the year ended August 31, 2005 of $2,271 [2004 – $1,287], which has been credited to contributed surplus.

As at August 31, 2005, the options outstanding and exercisable consisted of the following:

	Options outstanding			Options exercisable	
Range of exercise prices *[$]*	Number outstanding *[#]*	Weighted average remaining contractual life *[in years]*	Weighted average exercise price *[$]*	Number outstanding *[#]*	Weighted average exercise price *[$]*
19.05–24.95	1,516,592	5.5	22.80	630,690	22.07
25.25–35.83	1,417,402	2.7	28.10	1,395,577	28.06
37.00–44.00	504,495	2.6	39.91	503,064	39.92
19.05–44.00	**3,438,489**	**3.9**	**27.49**	**2,529,331**	**28.93**

On September 1, 2005, the Company granted a further 262,000 options for Class B Non-Voting Shares to eligible officers and employees of the Company. These options are exercisable at $32.25 per share.

Dividends

The holders of Class A Voting Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors determines to declare on a share-for-share basis, as and when any such dividends are declared or paid. The holders of Class B Non-Voting Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Voting Shares, an additional dividend at a rate of $0.01 per share per annum. This additional dividend is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After payment or setting aside for payment of the additional non-cumulative dividends on the Class B Non-Voting Shares, holders of Class A Voting Shares and Class B Non-Voting Shares participate equally, on a share-for-share basis, on all subsequent dividends declared.

On December 9, 2003, the Board of Directors of Corus approved a semi-annual dividend for holders of Class A Voting Shares and Class B Non-Voting Shares of $0.02 and $0.025, respectively. On April 14, 2005, the Board of Directors of Corus approved an increase in its semi-annual dividend to holders of Class A Voting Shares and Class B Non-Voting Shares to $0.045 and $0.05, respectively. In fiscal 2005, the Company paid two semi-annual dividends on December 31, 2004 and June 30, 2005 to shareholders of record at the close of business on December 15, 2004 and June 15, 2005, respectively. The total amount of dividends paid was $3,190.

Executive stock purchase loans

In October 2001, the Board of Directors of the Company authorized the granting of loans to certain of its executive officers in order to finance the acquisition of Class B Non-Voting Shares of the Company on the open market. These loans are non-interest bearing and are secured by a promissory note and the relevant Class B Non-Voting Shares. Each loan has a ten-year term from December 1, 2001, with annual instalments at the greater of 10% of the original principal or 10% of the employee's pre-tax bonus for the most recently completed financial year of the Company. As at August 31, 2005, the Company had loans receivable of $1,410 [2004 – $1,619] from certain qualifying executive officers. As at August 31, 2005, the market value of the shares held as collateral for the loans was $1,762 [2004 – $1,300].

Performance Share Units

The Company has granted Performance Share Units ["PSUs"] to certain employees. Each PSU entitles the participant to receive a cash payment in an amount equal to the closing price of Class B Non-Voting Shares traded on the Toronto Stock Exchange at the end of the restrictions period, multiplied by the number of vested units determined by achievement of specific performance-based criteria. The restriction period for PSUs granted in fiscal 2003 ends August 31, 2005; the restriction period for PSUs granted in fiscal 2004 ends August 31, 2006; and the restriction period for PSUs granted in fiscal 2005 ends August 31, 2007. The employee must be actively employed by Corus as of the end of the restriction period to receive a payment of the vested units. Compensation expense related to the PSUs is accrued over the term of the restriction period based on the expected total compensation to be paid out at the end of the restriction period, factoring in the probability of any performance-based criteria being met during the period. The compensation expense recorded for the year ended August 31, 2005, in respect of this plan was $4,495 [2004 – $1,697] and has been recorded in direct cost of sales, general and administrative expenses.

Pro forma impact of stock-based compensation

For options granted to employees up to August 31, 2003, had compensation costs for the Plan been determined based on the fair value based method of accounting for stock-based compensation, the Company's net income (loss) and earnings (loss) per share would have been reduced to the pro forma amounts indicated below:

	2005	2004
Net income (loss)	**71,114**	(23,137)
Pro forma net income (loss)	**69,598**	(25,123)
Pro forma basic earnings (loss) per share	**$1.63**	$(0.59)
Pro forma diluted earnings (loss) per share	**$1.62**	$(0.59)

15. INCOME TAXES

[a] Future income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax liability and asset as at August 31 are as follows:

	2005	2004
Future tax liability		*[revised – note 26[b]]*
Deferred charges deducted for tax purposes capitalized for accounting purposes	**1,350**	3,181
Capital cost allowance in excess of book depreciation	**118**	542
Deferred partnership income	**3,476**	2,637
Differences in tax and accounting cost bases for investments	**39,509**	38,959
Broadcast licenses	**150,757**	148,538
Other, net	**2,623**	4,881
Total future tax liability	**197,833**	198,738
Future tax asset		
Book depreciation in excess of capital cost allowance	**33,913**	35,795
Employment obligations recognized on purchase equation	**–**	361
Loss carryforwards, net of valuation allowances	**18,066**	24,242
Deferred charges deducted for accounting purposes in excess of tax purposes	**800**	1,583
Differences in tax and accounting cost bases for investments	**1,199**	1,159
Revenue recognition differences between tax and accounting purposes	**688**	4,134
Purchase price equation differences	**57**	57
Other, net	**1,864**	1,041
Total future tax asset	**56,587**	68,372
Net future tax liability	**141,246**	130,366
Less current portion of future tax asset	**6,498**	13,719
Future tax liability	**147,744**	144,085

[b] Significant components of the income tax expense attributable to operations are as follows:

	2005	2004	2003
Current tax expense	**34,209**	26,326	25,281
Future tax expense (recovery) relating to origination and reversal of temporary differences	**2,559**	(22,227)	7,115
Future tax expense (recovery) resulting from reversal (recognition) of losses	**9,035**	782	(4,460)
Future tax expense resulting from tax rate changes	**254**	16,810	–
Other	**(3,247)**	5,234	598
Income tax expense	**42,810**	26,925	28,534

[c] The reconciliation of income taxes attributable to operations computed at the statutory tax rates to income tax expense is as follows:

	2005		2004		2003	
	$	**%**	$	%	$	%
Tax at combined federal and provincial rates	**41,356**	**35.4**	1,375	36.3	25,706	37.5
Differences from statutory rates relating to amortization of goodwill	**166**	**0.1**	(84)	(2.2)	–	–
Non-deductible [non-taxable] portion of net capital losses (gains) on sale of investments	**(19)**	**–**	22	0.6	1,869	2.7
Increase in future taxes resulting from statutory rate change	**254**	**0.2**	16,810	443.7	–	–
Reversal in current year of temporary differences originally recorded using long-term tax rates	**–**	**–**	1,012	26.7	(102)	(0.1)
Large Corporations Tax and foreign withholding tax	**1,617**	**1.4**	1,084	28.6	1,170	1.7
Other	**(564)**	**(0.5)**	6,706	177.0	(109)	(0.2)
	42,810	**36.6**	26,925	710.7	28,534	41.6

[d] The Company recognizes as a future tax asset the benefit of capital and non-capital loss carryforwards to the extent it is more likely than not that the benefit will be realized. As at August 31, 2005, the Company had available loss carryforwards of approximately $77,500. A future tax asset of $26,800 [2004 – $34,200] has been recognized in respect of these carryforwards, net of a valuation allowance of $8,700 [2004 – $9,900].

The available loss carryforwards will expire as follows:

2008	2,700
2009	6,200
2010	33,800
2011	8,300
2015	6,700
2024	1,300
2025	1,000
No expiration – capital losses	17,500
	77,500

16. BUSINESS SEGMENT INFORMATION

The Company's business activities are conducted through three reportable operating segments:

Radio

The Radio segment is composed of 53 radio stations, situated primarily in high growth urban centres in Canada. Revenues are derived from advertising aired over these stations.

Television

The Television segment includes interests in several specialty television networks, pay television, conventional television stations, digital audio services and cable advertising services. Revenues are generated from subscriber fees and advertising.

Content

The Content segment includes the production and distribution of television programs and the sale and licensing of related products. Revenues are generated from licensing of proprietary films and television programs, merchandise licensing and publishing. Prior to fiscal 2005, the Content segment had been reported as two components: Content – production and distribution; and Content – branded consumer products. Corus has changed the structure of its internal organization such that the production and distribution of television products and the licensing of related products are managed as an integrated business process, and are not meaningful to view as separate business activities. Commencing with fiscal 2005, the results of the Content division have been disclosed in aggregate, and the corresponding items of segment information for earlier periods have been restated.

Except as noted above, the accounting policies of the segments are the same as those described in the summary of significant accounting policies. Management evaluates the business segments' performances based on revenues less direct cost of sales, general and administrative expenses. Transactions between reporting segments are recorded at fair value.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Management evaluates the business segments' performances based on revenues less direct cost of sales, general and administrative expenses. Transactions between reporting segments are recorded at fair market value.

[a] Revenues and segment profit (loss)

Year ended August 31, 2005	**Radio**	**Television**	**Content**	**Corporate**	**Eliminations**	**Consolidated**
Revenues	**252,685**	**354,201**	**82,318**	**–**	**(6,135)**	**683,069**
Direct cost of sales, general and administrative expenses	**183,680**	**213,419**	**78,750**	**18,611**	**(6,702)**	**487,758**
Segment profit (loss)	**69,005**	**140,782**	**3,568**	**(18,611)**	**567**	**195,311**
Depreciation	**6,979**	**9,060**	**3,926**	**3,745**	**–**	**23,710**
Amortization	**–**	**1,859**	**–**	**2,718**	**–**	**4,577**
Interest on long-term debt	**–**	**–**	**–**	**55,561**	**–**	**55,561**
Other income, net	**7,982**	**312**	**(3,641)**	**(10,147)**	**–**	**(5,494)**
Income before income taxes and non-controlling interest	**54,044**	**129,551**	**3,283**	**(70,488)**	**567**	**116,957**

Year ended August 31, 2004 [1]	Radio	Television	Content	Corporate	Eliminations	Consolidated
Revenues	227,868	332,349	112,639	–	(6,052)	666,804
Direct cost of sales, general and administrative expenses	167,826	207,294	196,360	10,970	(6,044)	576,406
Segment profit (loss)	60,042	125,055	(83,721)	(10,970)	(8)	90,398
Depreciation	8,776	8,759	2,800	5,347	–	25,682
Amortization	787	3,687	–	2,802	–	7,276
Interest on long-term debt	–	–	–	55,276	–	55,276
Other income, net	431	(1,047)	818	(5,139)	–	(4,937)
Income before income taxes and non-controlling interest	50,048	113,656	(87,339)	(69,256)	(8)	7,101

Year ended August 31, 2003 [1]	Radio	Television	Content	Corporate	Eliminations	Consolidated
Revenues	226,034	306,885	116,269	–	(5,270)	643,918
Direct cost of sales, general and administrative expenses	167,920	193,470	113,103	8,779	(4,666)	478,606
Segment profit (loss)	58,114	113,415	3,166	(8,779)	(604)	165,312
Depreciation	7,806	9,555	2,527	4,820	–	24,708
Amortization	1,367	4,507	–	3,918	–	9,792
Interest on long-term debt	–	–	–	61,030	–	61,030
Other income, net	(41)	488	1,345	(7,816)	–	(6,024)
Restructuring charges	1,198	249	3,578	–	–	5,025
Income before income taxes and non-controlling interest	47,784	98,616	(4,284)	(70,731)	(604)	70,781

The Corporate segment results represent the incremental cost of Corporate overhead in excess of the amount allocated to the other operating segments.

Gross revenues are derived from the following geographical sources by location of customer as follows:

	2005	2004	2003
Canada	**624,130**	577,402	545,694
United States	**25,754**	36,020	43,221
International	**33,185**	53,382	55,003
	683,069	666,804	643,918

Corus' revenue streams for fiscal 2005 are derived primarily from three areas: advertising [58%], subscriber fees [27%] and license fees [9%] [2004 – 55%, 27% and 14%, respectively].

[b] Segment assets

	2005	2004 [1]
		[revised – note 26[b]]
Radio	**713,427**	705,000
Television	**878,323**	855,186
Content	**145,947**	162,119
Corporate	**191,963**	151,782
Eliminations	**(1,296)**	(2,221)
	1,928,364	1,871,866

Assets are located primarily within Canada.

[c] Capital expenditures by segment

	2005	2004 [1]	2003 [1]
Radio	**4,733**	4,889	6,432
Television	**7,052**	6,843	3,461
Content	**2,622**	3,529	2,173
Corporate	**4,810**	2,160	2,842
	19,217	17,421	14,908

Capital assets are located primarily within Canada.

[d] Goodwill

	2005	2004 [1]
		[revised – note 26[b]]
Radio	**406,016**	412,933
Television	**326,947**	329,247
Content	**22,338**	22,338
	755,301	764,518

Goodwill is located primarily within Canada.

[1] Prior periods restated to conform to fiscal 2005 aggregation of Content division into a single reporting segment.

17. FINANCIAL INSTRUMENTS

Fair values

The fair values of financial instruments have been determined as follows:

[i] Current assets and current liabilities

The fair values of financial instruments included in current assets and current liabilities approximate their carrying values due to their short-term nature.

[ii] Investments and other assets

[a] The fair value of publicly traded shares included in this category is determined by the closing market values for those investments.

[b] The fair value of other investments in this category is not determinable.

[iii] Long-term debt

The carrying value of the Company's bank loans approximates their fair value because interest charges under the terms of the bank loans are based upon current Canadian bank prime and bankers' acceptance rates and on U.S. bank base and LIBOR rates.

As at August 31, 2005, the fair value of the Company's Notes was U.S.$403,125 [2004 – U.S.$407,344].

[iv] Derivative financial instruments

The fair values of cross-currency and interest rate swap agreements are based on quotations by the counterparties to the agreements.

The estimated fair values of these agreements are as follows:

	2005		2004	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
Cross-currency agreements	**(158,838)**	**(242,005)**	(111,625)	(142,875)
Interest rate swap agreements	**–**	**–**	(3,278)	(3,278)

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Credit risks and concentration

Credit risks associated with the cross-currency and interest rate swap agreements arise from the ability of counterparties to meet the terms of the contracts. In the event of non-performance by the counterparties, the Company's accounting loss would be limited to the net amount that it would be entitled to receive under the contracts and agreements. These risks are mitigated by dealing with major creditworthy financial institutions.

Accounts receivable resulting from advertising and affiliate subscriber fee revenues are not subject to any concentration of credit risk.

Accounts receivable from distribution and licensing of proprietary exploitation rights of feature films and television programs are subject to credit risk. The risk is mitigated because the Company enters into license and distribution contracts with many major international broadcasters and distributors.

18. EARNINGS (LOSS) PER SHARE

The following is a reconciliation of the numerators and denominators used for the computation of the basic and diluted earnings (loss) per share amounts:

	2005	2004	2003
Net income (loss) for the year [numerator]	**71,114**	(23,137)	40,021
Weighted average number of shares outstanding [denominator]			
Weighted average number of shares outstanding – basic	**42,761**	42,719	42,641
Effect of dilutive securities	**334**	–	4
Weighted average number of shares outstanding – diluted	**43,095**	42,719	42,645

In fiscal 2004, options issued under the Plan were not included in the computation of diluted earnings (loss) per share because the effect of exercising the options is anti-dilutive.

19. CONSOLIDATED STATEMENTS OF CASH FLOWS

Additional disclosures with respect to the consolidated statements of cash flows are as follows:

[a] Net change in non-cash working capital balances related to operations consists of the following:

	2005	2004	2003
Accounts receivable	**(13,055)**	13,268	8,246
Prepaid expenses and other	**(1,794)**	1,629	628
Accounts payable and accrued liabilities	**6,040**	(24,456)	(15,484)
Income taxes payable	**(1,497)**	(11,753)	10,064
Deferred credits	**12,354**	1,664	(406)
Other	**187**	1,253	333
	2,235	(18,395)	3,381

[b] Interest paid, interest received and income taxes paid and classified as operating activities are as follows:

	2005	2004	2003
Interest paid	**53,855**	55,800	60,467
Interest received	**2,995**	2,135	1,803
Income taxes paid	**36,279**	38,568	15,338

20. FOREIGN EXCHANGE GAINS AND LOSSES

The Company has reflected certain gains and losses in its consolidated statements of income (loss) and retained earnings (deficit) as a result of exposure to foreign currency exchange rate fluctuations. A portion of these gains and losses relate to operating activities while others are of a financing nature. Foreign exchange gains and losses are reflected in the consolidated financial statements as follows:

	2005	2004	2003
Consolidated statements of income (loss) and retained earnings (deficit)			
Direct cost of sales, general and administrative expenses	(825)	(1,222)	(772)
Other income, net	(3,338)	(2,245)	(6,638)
Total foreign exchange gain	(4,163)	(3,467)	(7,410)

An analysis of the cumulative translation adjustment shown separately in shareholders' equity is as follows:

Balance, August 31, 2003	(5,089)
Effect of exchange rate fluctuation on translation of net assets of self-sustaining foreign operations	(1,949)
Balance, August 31, 2004	(7,038)
Effect of exchange rate fluctuation on translation of net assets of self-sustaining foreign operations	(3,418)
Other	447
Balance, August 31, 2005	(10,009)

21. RECONCILIATION OF CANADIAN GAAP TO U.S. GAAP

The consolidated financial statements of the Company are prepared in Canadian dollars in accordance with Canadian GAAP. The following adjustments and disclosures would be required in order to present these consolidated financial statements in accordance with U.S. GAAP:

[a] Reconciliation to U.S. GAAP

	2005	2004	2003
Net income (loss) using Canadian GAAP	71,114	(23,137)	40,021
Add (deduct) adjustments for			
Deferred charges [i]	1,858	4,474	7,246
Income tax effect of adjustments	(764)	(1,789)	(2,898)
Net income (loss) using U.S. GAAP	72,208	(20,452)	44,369
Unrealized gains on investments classified as available for sale, net of tax [ii]	1,864	640	320
Unrealized loss on derivative contracts [iii]	(25,001)	(2,420)	(31,055)
Unrealized foreign exchange loss on translation of self-sustaining foreign operations	(3,418)	(1,949)	(6,276)
Comprehensive income (loss) using U.S. GAAP	45,653	(24,181)	7,358

	2005	2004	2003
Net income (loss) per share using U.S. GAAP			
Basic	**1.69**	(0.48)	1.04
Diluted	**1.68**	(0.48)	1.04
Comprehensive income (loss) per share using U.S. GAAP			
Basic	**1.07**	(0.57)	0.17
Diluted	**1.06**	(0.57)	0.17

Balance sheet items using U.S. GAAP

	2005		2004 *[revised – note 26[b]]*	
	Canadian GAAP	**U.S. GAAP**	Canadian GAAP	U.S. GAAP
Investments and other assets [ii]	**36,886**	**34,391**	41,683	37,419
Deferred charges [i]	**15,560**	**14,557**	19,305	16,444
Broadcast licenses and goodwill [iv]	**1,269,853**	**1,278,138**	1,273,558	1,281,843
Deferred credits [iii]	**195,789**	**278,956**	146,164	177,414
Future tax liability	**147,744**	**118,339**	144,085	140,927
Shareholders' equity	**930,262**	**881,287**	861,180	834,248

The cumulative effect of these adjustments on shareholders' equity is as follows:

	2005	2004
Deferred charges [i],[iii]	**(622)**	(1,716)
Equity in earnings of investees [iv]	**4,758**	4,758
Accumulated other comprehensive income (loss)		
Unrealized losses on investments [ii]	**(1,547)**	(3,411)
Unrealized loss on derivative contracts [iii]	**(51,564)**	(26,563)
Total cumulative effect of adjustments on shareholders' equity	**(48,975)**	(26,932)

Areas of material difference between Canadian GAAP and U.S. GAAP and their impact on the consolidated financial statements are as follows:

[i] Deferred charges

Start-up costs of new specialty programming networks and costs associated with reformatting radio stations are deferred and amortized under Canadian GAAP. Under U.S. GAAP, these costs are expensed as incurred.

[ii] Unrealized gains (losses) on investments

Under U.S. GAAP, equity securities having a readily determinable fair value and not classified as trading securities are classified as "available-for-sale securities" and reported at fair value, with unrealized gains and losses included in comprehensive income (loss) and reported as a separate component of shareholders' equity, net of related deferred income taxes. Under Canadian GAAP, these investments are carried at cost and written down only when there is evidence that a decline in value that is other-than-temporary has occurred. The Company has determined that the decline in fair value is not other-than-temporary, based on the financial condition of the issue and the fact that the Company has the intent and ability to retain its investment in the issuer for a period of time sufficient to allow for an anticipated recovery in market value. The Company has considered evidence, such as industry analyst reports, that supports this conclusion.

[iii] Derivative instruments and hedging activities

Under U.S. GAAP, all derivative instruments are to be recorded on the consolidated balance sheets at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through income (loss), or deferred in other comprehensive income (loss) until the hedged item is recognized in income (loss).

[iv] Equity in earnings of investees

The earnings of investees determined under Canadian GAAP have been adjusted to reflect U.S. GAAP. Under Canadian GAAP, the investments in Nelvana's 20% interest in TELETOON in fiscal 2001 and Western International Communications Ltd. ["WIC"] in fiscal 2000 were accounted for using the cost method of accounting until CRTC approval was received for the transactions. When the Company received CRTC approval, the amount in the accounts under the cost method became the basis for the purchase price allocation and equity accounting commenced. Under U.S. GAAP, equity accounting for the investments was done retroactively to the date the Company first acquired shares in Nelvana and WIC.

[b] Stock-based compensation

For stock options granted to employees after August 31, 2003, the Company has adopted the fair value method of accounting in accordance with Financial Accounting Standards Board ["FASB"] Statement No. 123, "Accounting for Stock-Based Compensation." The Company applies Accounting Principles Board Opinion No. 25 in accounting for common share options granted to employees and officers prior to September 1, 2003. Had compensation expense been determined on the basis of the estimated fair values of the options granted prior to September 1, 2003, net income for the year ended August 31, 2005 would have decreased by $4,198 to $66,916 or $1.56 per share [2004 – net loss would have increased by $10,160 to $30,612, or $0.72 per share; 2003 – net income would have decreased by $15,498 to $28,871, or $0.68 per share]. The assumptions used to determine fair value are consistent with those disclosed in note 14.

22. GOVERNMENT FINANCING AND ASSISTANCE

Revenues include $2,053 [2004 – $2,309; 2003 – $1,248] of production financing obtained from government programs. This financing provides a supplement to a production series' Canadian license fees and is not repayable. As well, revenues include $1,011 [2004 – $1,080; 2003 – $938] of government grants relating to the marketing of books in both Canada and international markets. The majority of the grants is repayable if the average profit margin for the three-year period following receipt of the funds equals or is greater than 10%.

23. COMMITMENTS, CONTINGENCIES AND GUARANTEES

The Company and its subsidiaries are involved in litigation matters arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be material to these consolidated financial statements.

The Company has various long-term operating lease agreements for the use of facilities and equipment in each of the next five years and thereafter as follows:

2006	22,139
2007	18,255
2008	15,790
2009	9,186
2010	4,716
Thereafter	26,926
	97,012

Rental expenses recognized in direct cost of sales, general and administrative expenses totalled approximately $13,411 [2004 – $11,549; 2003 – $10,637].

The Company has entered into various agreements for the right to broadcast or distribute certain film and television programs in the future. These agreements, which range in term from one to five years, generally commit the Company to acquire specific films and television programs or certain levels of future productions. The acquisition of these broadcast and distribution rights is contingent on the actual delivery of the productions. Management estimates that these agreements will result in future program and film expenditures of approximately $147,021.

Generally, it is not the Company's policy to issue guarantees to non-controlled affiliates or third parties, with limited exceptions.

Many of the Company's agreements, specifically those related to acquisitions and dispositions of business assets, included indemnification provisions where the Company may be required to make payments to a vendor or purchaser for breach of fundamental representation and warranty terms in the agreements with respect to matters such as corporate status, title of assets, environmental issues, consents to transfer, employment matters, litigation, taxes payable and other potential material liabilities. The maximum potential amount of future payments that the Company could be required to make under these indemnification provisions is not reasonably quantifiable as certain indemnifications are not subject to a monetary limitation. As at August 31, 2005, management believed there was only a remote possibility that the indemnification provisions would require any material cash payment.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for directors and officers of the Company and its subsidiaries.

24. RELATED PARTY TRANSACTIONS

The Company has transacted business in the normal course with entities that are subject to common voting control and with entities over which the Company exercises significant influence. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and having normal trade terms.

During the year, the Company received cable service subscriber, programming and advertising fees of $94,633 [2004 – $92,279; 2003 – $89,250], production and distribution revenue of $2,463 [2004 – $3,055; 2003 – $2,120], and administrative and other fees of $6,151 [2004 – $5,506] from related parties. In addition, the Company paid cable and satellite system distribution access fees of $4,800 [2004 – $4,546; 2003 – $3,636] and administrative and other fees of $2,007 [2004 – $1,486; 2003 – $1,051] to related parties. As at August 31, 2005, the Company had $20,077 [2004 – $9,868] receivable from related parties.

The Company provided related parties with radio and television spots in return for television advertising. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

In fiscal 2005, Corus acquired a cable advertising business for $931 in cash from Shaw Communications Inc., a company subject to common voting control.

Included in share capital [note 14] and other investments [note 6[b]] are loans of $6,438 [2004 – $6,780] made to certain executive officers of the Company for housing or investment purposes. The loans are collateralized by charges on the officers' personal residences and/or by related investment. The loans are non-interest bearing and are due between April 2, 2007 and October 31, 2012.

25. EMPLOYEE FUTURE BENEFITS

The Company has a defined contribution plan for qualifying full-time employees. Under the plan, the Company contributes 5% of an employee's earnings, not exceeding the limits set by the *Income Tax Act* [Canada]. The amount contributed in 2005 related to the defined contribution plan was $5,527 [2004 – $4,768; 2003 – $4,594]. The amount contributed is approximately the same as the expense included in the consolidated statements of income (loss) and retained earnings (deficit).

26. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

[a] The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2005 consolidated financial statements.

[b] The Company revised its balances for goodwill and future income taxes to reflect a correction in certain tax liabilities recorded in connection with acquisitions prior to fiscal 2003. The change was recorded as a reduction in goodwill and did not result in a change to net income for any previously reported periods. The future tax liability and goodwill balances were each reduced by $25,000.

CORUS ENTERTAINMENT INC.

Stock Listing
TSX: CJR.NV.B
NYSE: CJR

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Internet
Corus Entertainment's Annual Report, Annual Information Form, quarterly reports, press releases and other relevant investor relations information are available in the "Investor Information" section of the Corus Entertainment website, www.corusent.com.

Auditors
Ernst & Young LLP

Primary Bankers
The Toronto-Dominion Bank

Transfer Agent
CIBC Mellon Trust Company
Toronto, Ontario
Telephone: 1.800.387.0825
Facsimile: 416.643.5500
www.cibcmellon.com

Mellon Investor Services
Ridgefield, New Jersey
Telephone: 1.800.526.0801
www.cibcmellon.com

Corporate Governance
Information concerning Corus Entertainment's Corporate Governance Practices is contained in the Management Information Circular and is also available by contacting the Company, or by visiting the "Investor Information" section of the Company's website, www.corusent.com.

Further Information
Financial analysts, portfolio managers, other investors and interested parties may contact the Company at 416.642.3770 or may visit our website, www.corusent.com.

To receive additional copies of Corus Entertainment's Annual Report, please fax your request to the Vice President of Communications at 416.642.3779.

Vous pouvez obtenir la version française du present rapport en communiquant par telecopieur avec le vice-président des Communications, au 416.642.3779.

Annual Meeting
December 15, 2005
10:00am EST
The Hockey Hall of Fame
BCE Place
30 Yonge Street
Toronto, Ontario

Copyright and Sources

For specific copyright information on any images used in this Annual Report, or specific source information for any media research used in this Annual Report, please contact the Company or refer to www.corusent.com.

TELEVISION

Specialty Networks

YTV – 100%
W Network – 100%
Treehouse TV – 100%
Country Music Television [CMT] – 90%
Discovery Kids Canada – 54%
The Documentary Channel – 53%
SCREAM – 51%
Telelatino – 50.5%
TELETOON – 40%
Food Network – 22.6%

Premium Networks

Movie Central – 100%
Encore – 100%

Other

Corus Custom Networks – 100%
Max Trax – 100%
CHEX TV – Durham – 100%
CHEX Television – Peterborough – 100%
CKWS TV – Kingston – 100%

RADIO

British Columbia

Vancouver
CKNW 980 [CKNW] – AM
MOJO Sports Radio [CHMJ] – AM
99.3 The FOX [CFOX] – FM
Rock 101 [CFMI] – FM

Alberta

Calgary
AM 770 [CHQR] – AM
Q107 [CFGQ] – FM
Country 105 [CKRY] – FM

Edmonton
Cool 880 [CHQT] – AM
630 CHED [CHED] – AM
92.5 Joe FM [CKNG] – FM
103.9 CISN Country [CISN] – FM

Red Deer
ZED 99 [CIZZ] – FM
KG Country [CKGY] – FM

Manitoba

Winnipeg
CJOB 680 [CJOB] – AM
Power 97 [CJKR] – FM

Ontario

Barrie
B101 [CIQB] – FM
The New CHAY 93.1 [CHAY] – FM

Burlington
The New Country 95.3 [CING] – FM

Cambridge
107.5 Dave-FM [CJDV] – FM

Collingwood
95.1 The Peak [CKCB] – FM

Cornwall
Oldies 1220 The Jewel [CJUL] – AM
Variety 104.5 [CFLG] – FM
Rock 101.9 [CJSS] – FM

Guelph
1460 CJOY [CJOY] – AM
Magic 106.1 [CIMJ] – FM

Hamilton
AM900 [CHML] – AM
Y108 [CJXY] – FM

Kingston
Oldies 960 [CFFX] – AM
96.3 Joe FM [CFMK] – FM

London
AM980 [CFPL] – AM
1031 Fresh FM [CFHK] – FM
FM 96 [CFPL] – FM

Peterborough
980Kruz [CKRU] – AM
The Wolf 101.5 [CKWF] – FM

Toronto
AM 640, Toronto Radio [CFMJ] – AM
102.1 the Edge [CFNY] – FM
Q107 [CILQ] – FM

Woodstock
103.9 The Hawk [CKDK] – FM

Québec

Gatineau
CJRC 1150 [CJRC] – AM

Montmagny
CFEL 102,1 [CFEL] – FM

Montréal
Info690 [CINF] – AM
The New 940Montréal [CINW] – AM
CKOI FM [CKOI] – FM
CKAC 730AM [CKAC] – AM
Q92, Montréal's 92.5 FM [CFQR] – FM
98,5 FM [CHMP] – FM

Québec City
Info800 [CHRC] – AM
102,9 FM [CFOM] – FM

Saguenay
CKRS 590 [CKRS] – AM

Saint-Jérôme
CIME-FM [CIME] – FM

Sherbrooke
630AM CHLT [CHLT] – AM
900AM CKTS [CKTS] – AM

Trois-Rivières
550AM [CHLN] – AM

CONTENT

Branded Animation

Nelvana Limited

Publishing

Kids Can Press

Assets as of August 31, 2005.
Percentages reflect equity position.

Concept and design: **The Works Design Communications** www.worksdesign.com Printing: **Grafikom MIL**

Corus™
ENTERTAINMENT

98,5 fm
Le nouveau FM parlé de Montreal

Q107
Classic Rock

YTV

MOVIE CENTRAL

KIDS
CAN
PRESS

Country 105
CKRY FM

CKOI.com
96,9 FM

CKNW
NEWS TALK SPORTS
AM980

Treehouse™

W™
NETWORK

Classic Rock 101

102.1 the edge

CMT®

MANITOBA'S INFORMATION
CJOB 68
SUPERSTATION

AM 630
NEWS • TALK • SPORTS
CHED

NELVANA
A CORUS™ ENTERTAINMENT COMPANY

www.corusent.com

Corus Entertainment Inc. is a Canadian-based media and entertainment company. Corus is a market leader in both specialty TV and Radio. Corus also owns Nelvana Limited, a leading international producer and distributor of children's programming and products. The Company's other interests include publishing, television broadcasting and advertising services. A publicly traded company, Corus is listed on the Toronto [CJR.NV.B] and New York [CJR] Exchanges.

MEASURED VALUES

At Corus Entertainment, we draw on our Core Values every day. They guide our decisions about the future, and they are the benchmarks we use to measure our performance. Our commitment to these values is demonstrated in our commitment to our employees, our clients, our consumers, our communities and our shareholders, and is the true measure of our success.

Corus Entertainment Core Values:

Knowledge
We believe in continuous learning and the sharing of our insights and ideas

Initiative
We empower employees to make great things happen

Innovation
We are committed to creative thinking that leads to breakthrough ideas and superior results

Teamwork
We believe the greatest value is realized when we work together

Accountability
We do what we say we'll do – no excuses

Corus™

ENTERTAINMENT