CORUS CONNECTS

People + Partners + Brands + Platforms

ENTERTAINMENT

ANNUAL REPORT 2012

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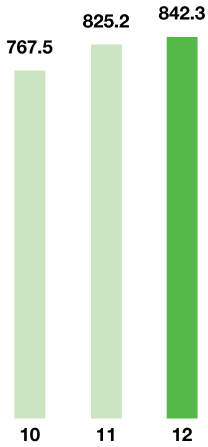
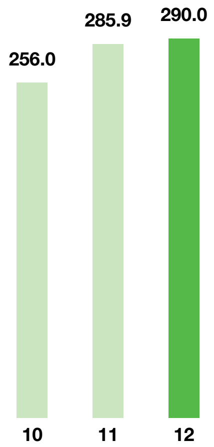
REVENUES[1]

(in millions of Canadian dollars)



SEGMENT PROFIT[1] [2]

(in millions of Canadian dollars)



FINANCIAL HIGHLIGHTS

(in millions of Canadian dollars except per share amounts)

	2012	2011	2010[3]
Revenues[1]	**842.3**	825.2	767.5
Segment profit[1] [2]	**290.0**	285.9	256.0
Net income attributable to shareholders from continuing operations	**148.7**	141.5	119.7
Net income attributable to shareholders from discontinued operations	**–**	5.0	7.0
Basic earnings per share attributable to shareholders			
From continuing operations	**$1.79**	$1.73	$1.48
From discontinued operations	**–**	$0.06	$0.09
	$1.79	$1.79	$1.57
Diluted earnings per share attributable to shareholders			
From continuing operations	**$1.78**	$1.72	$1.47
From discontinued operations	**–**	0.06	0.09
	$1.78	$1.78	$1.56
Total assets	**2,081.5**	2,113.6	2,059.3
Long-term debt	**518.3**	600.8	691.9
Cash dividends declared per share			
Class A Voting	**$0.9175**	$0.7300	$0.5950
Class B Non-Voting	**$0.9225**	$0.7350	$0.6000

[1] Restated to exclude results from discontinued operations for fiscal 2011 and 2010
[2] As defined in "Key performance indicators – Segment profit and segment profit margin"
[3] 2010 comparative figures have not been restated for IFRS transition on September 1, 2010

MESSAGE TO SHAREHOLDERS

We are pleased to report that in fiscal 2012, Corus delivered on its solid track record of revenues and earnings growth despite an uncertain global economy.

Challenging economic conditions resulted in a softer advertising climate which affected the performance of our Radio and Television businesses. We did not achieve our stated segment profit guidance primarily due to erosion in key children's advertising categories, but we considerably exceeded our free cash flow guidance and made significant gains on virtually every front.

What did we accomplish?

- We delivered revenue growth, increasing revenues to $842 million, up 2% from prior year.
- We strengthened our balance sheet, delivering record-breaking free cash flow of $155 million, up 15% from prior year.
- Our net income attributable to shareholders for the year was $149 million, up 5% compared to prior year. Basic earnings per share attributable to shareholders were $1.79 per share compared with $1.73 per share in the prior year. On an adjusted basis, basic earnings per share, which excluded the impact of a $6.8 million non-cash tax expense, were up 8% to $1.87 per share.
- We grew segment profit to $290 million, up 1% from prior year.
- We successfully managed our costs during the year, achieving margins of 40% and 30%, in our Television and Radio divisions, respectively.
- We returned to you, our shareholders record levels of cash, close to $103 million, up 53% versus prior year, with a dividend increase of 10% and the repurchase of more than one million Class B Shares.

All this despite an economy that has yet to turn the corner to a full recovery.

TELEVISION

Our Television business consists of a portfolio of television networks built on three verticals: Womens, Kids and Family, as well as Pay Television, conventional television stations, an animation studio, a merchandise licensing business, software animation and children's book publishing. While advertising revenues in our Womens portfolio were solid, led by the success of W Network, which was buoyed by high ratings from our original Canadian content investments, our Kids advertising revenues were under pressure from continued spending declines in three advertising categories: Home Entertainment, Food and Toys. However, subscriber revenues remained relatively consistent with prior year and our merchandising revenues were up significantly. The division as a whole increased its revenues by 3% for the year, demonstrating the value of Television's diversified portfolio.

In fiscal 2012, we continued to expand our portfolio of assets with the launch of ABC Spark, a network based on Disney's ABC Family channel, which targets the coveted millennial generation and is consistently one of the top 10 cable networks in the U.S. ABC Spark is off to a good start and with expanded distribution into more than 4 million homes, we expect great things from this service. In addition, TELETOON introduced Canadians to Cartoon Network and the early response has been very positive. These new services represent considerable upside opportunities for our business.

We made great strides on our international Kids business, with impressive growth in merchandising, distribution and other revenue of 21% for the year, driven primarily by the outstanding performance of our blockbuster brand Beyblade.

Corus also made several opportunistic investments, including the acquisition of the remaining 50% of world-leading and Emmy® award-winning animation software company Toon Boom Animation. In addition, we recently increased our equity position in international kids' broadcaster KidsCo to 49%, with our partner NBCUniversal increasing their equity ownership to 51%.

RADIO

Our Radio business, which represents 37 radio stations in most major Canadian markets, delivered significant ratings improvement this year. We repositioned one of our Winnipeg stations to a more contemporary format and rebranded the station as Fresh FM. Both of our country stations in Alberta, CISN-FM and CKRY-FM, have regained their leading positions. In Vancouver, classic rock station Rock 101 has shown steady growth since its music adjustments in fall 2011 and Q107 Calgary has seen strong growth on the strength of new morning and afternoon shows.

While advertising revenues in large Corus Radio markets generally weathered the uncertain economic climate, Ontario did experience slower radio spending. Revenues and segment profit were down 2% and 3%, respectively, over prior year. However, we identified cost reduction opportunities and realized cost efficiencies through process redesign that contributed to our goal of achieving 30% margins in Radio for a second year in a row. This has been, and will continue to be, an important objective for the Company.

Driving greater brand loyalty by investing in digital and interactive media that provides more contact points with our audiences is a key strategy for Radio. Corus is an investor in SoCast (formerly Supernova Interactive Inc.), and uses its social relationship management (SRM) tools to drive audience engagement and community interaction. This platform also provides powerful sales tools that enable us to make deeper connections with our listeners. Corus Radio plans to deploy the SoCast SRM platform across our radio stations in 2013.

On a company-wide basis for fiscal 2012, it was clear that the strength of Corus' brands and content, combined with a well-managed, diversified portfolio, proved to be a competitive advantage that enabled us to deliver growth in a tough economy.

FISCAL 2013

Corus is a business built on connecting our strong brands with people, partners and platforms both domestically and globally and we will continue to leverage these strengths in fiscal 2013. To accomplish our growth objectives, we will:

Drive performance through operational excellence

We believe that success in today's economic environment requires a disciplined, focused and strategically managed organization that values foresight and planning. This approach is ingrained in Corus' culture and enables us to refine and improve operating efficiencies as conditions and consumer expectations change.

Looking ahead, we will continue to leverage the benefits of our well-balanced asset mix, while focusing on generating strong cash flow and deploying our capital strategically to fund acquisitions and investment in new business opportunities.

Global economic conditions currently point to continued uncertainty and soft advertising markets in certain segments may persist into fiscal 2013. Our strategy is to maintain a rigorous approach to cost controls in this environment. All cost centres have been held at zero inflation and we have implemented a salary freeze for our senior managers. As we continue to rationalize costs, these moves will enable us to successfully leverage our lower cost base as the advertising markets recover.

Drive performance through strongly defined brands

We will continue to pursue a growth strategy by optimizing our strong brands, leveraging our partnerships and expanding our Kids content internationally.

In Television, our Womens portfolio will benefit from the growing advertiser demand for the female-targeted demo and a successful programming strategy of original productions that drive viewers and advertisers to our networks. Our newest Womens service, OWN: Oprah Winfrey Network (Canada), has made excellent progress, and with Oprah's increased screen time on the network, the channel will continue to gain traction and grow audiences. Our Kids and Family portfolio will build on the value of co-view audiences with a roster of top-rated original series and celebrity interview programs.

With the launch of ABC Spark we are confident, based on the experience of ABC Family in the U.S., this channel will be a strong audience driver for us. The launch of Cartoon Network also provides further growth potential for our business.

Our Pay TV business will drive growth by offering more exclusive premium content, from renowned studios including HBO and Showtime, delivered on more platforms through TV Everywhere initiatives, and we will support these new offerings with aggressive acquisition and retention campaigns.

Corus Radio will continue to generate strong free cash flow to enhance our balance sheet and provide operational leverage to further grow our Company. We have heritage brands in major markets and our focus on enhancing the programming and personalities within each of our brands will boost ratings growth.

With ratings gains, particularly in our western markets, and with key advertising categories such as Automotive, Media, Telecommunications, Professional Services and Entertainment growing at significant rates, we are excited about the year ahead.

Drive performance by harnessing technology

We believe new technologies and new modes of consumer access to content are additive to overall media consumption. Our state-of-the-art media broadcast centre, Corus Quay, has driven operational efficiencies and has accelerated the growth of new revenue streams with the introduction of new digital offerings ranging from HD services, mobile and on-demand content as well as branded gaming applications.

Currently, we are operating 21 broadcast channels, delivering 44 separate video signals, processing close to 7,000 hours of video-on-demand content per month and streaming nearly 6 million hours of radio each month. We have the capacity for much more, with minimal additional capital investment required.

Drive performance in international markets

With a rich portfolio of brand-name content and services in our international business, Corus is poised to grow globally.

Through Nelvana, Corus sells world-class kids content to broadcasters and distributors in more than 160 countries and 50 languages around the world. We will generate further gains as the increasingly important non-linear market for multi-language kids content continues to grow in both traditional and emerging markets.

We also see great potential to strengthen our presence in the massive preschool market with new licensing and merchandising opportunities for our robust pipeline of new brands, while maintaining our continued focus on strong boys' action hits.

In addition, we have launched an ambitious strategy to expand our content into new markets and have recently finalized a major content acquisition and representation deal with China's Ciwen Media Group that represents one of the largest kids' media deals for Western properties ever concluded in China.

Drive performance through strategic investments and emerging trends

Corus will capitalize on trends to grow our business organically, including opportunities that arise from demographic shifts in Canada's population base. For our Kids business, a recent Statistics Canada report points to another baby boom, suggesting a resurgence in kids audience and toy retail; ABC Spark attracts the millennial audience, one of the largest demographic segments since the Boomers; our Womens vertical appeals to advertisers looking to reach the valuable womens demographic; and Telelatino (TLN) will be deploying more offerings to serve the growing Hispanic market and the ongoing interest in Latino culture among Canadians.

In addition, we will continue to pursue opportunistic equity investments, such as our deals with KidsCo, Toon Boom, SoCast and Fingerprint, an emerging kids' educational platform. These complementary investments give us "early window" opportunities to access new technology and expand our audience share. Looking ahead, we plan to build our kids business globally with our content, through KidsCo, and by embarking on a new initiative to expand Toon Boom's technology to a consumer product in 2013. As well, we will participate selectively in venture funds that focus on media and technology to ensure we are tapped into emerging trends, particularly in the growing mobile space.

Corporate stewardship

While we are focused on growing our business, we remain committed to serving and connecting with our audiences, our industry and our communities in a sustainable and responsible way.

Corus is a major supporter of the media industry. Corus Radio has contributed more than $37 million to talent development initiatives. In Television, we have commissioned over 7,600 hours of Canadian production, spent in excess of $502 million in license fees and triggered over $1.3 billion in original independent Canadian production.

Corus remains dedicated to supporting environmentally sustainable efforts for the betterment of our employees and our communities. Corus Quay has achieved LEED® Gold certification under Commercial Interiors for tenant fit-out. We were also proud to be named one of Canada's Greenest Employers for 2012.

Corus values the importance of fostering a collaborative and inclusive culture in our workplace. In fiscal 2012, Corus was named one of Canada's Best Diversity Employers for the fourth year in a row, was honoured as one of Canada's Top 100 Employers for Young People and recently selected for the second time as one of Greater Toronto's Top Employers.

Fiscal 2012 saw the launch of our new philanthropic strategy, Corus Feeds Kids. Introduced under the Corus Cares umbrella, Corus Feeds Kids is dedicated to nourishing the bodies and minds of Canadian children with the goal to raise $3 million and provide 3,000 hours of volunteer time over three years.

Corus represents great value for investors and we are proud of our strong track record of delivering excellent returns to you, our shareholders. In 2012, the appreciation of our share price coupled with monthly dividends paid in the year delivered a total shareholder return of 18%. Corus was also honoured with two prestigious awards from IR Magazine Canada: Best Investor Relations by Sector – Leisure and Media; and Best Investor Relations by a CFO for a mid-cap company.

Looking ahead, we are well positioned for growth in both domestic and international markets. The explosion of new digital offerings and delivery systems for content, from on-demand, to apps and gaming, is breathtaking. Our sights remain focused on capitalizing on the extraordinary number of touch points we can tap into with our exceptional brands, as we continue to drive our performance and grow our business.

John M. Cassaday
President and
Chief Executive Officer

Heather A. Shaw
Executive Chair

ENTERTAINMENT

44 VIDEO signals,
37 RADIO signals
and **21 BROADCAST** channels

Almost **7,000 HOURS** of **VIDEO ON DEMAND** content per month in **30 DIFFERENT** versions

Corus Quay's **TECHNICAL SERVER ROOM** contains a **DIGITAL LIBRARY** of more than **25,000 HOURS** of content and over **928 TERABYTES** of storage

Corus Quay delivers **4.8 MILLION** video streams of Television content to **750,000 UNIQUE** website visitors each month

CORUS CONNECTS

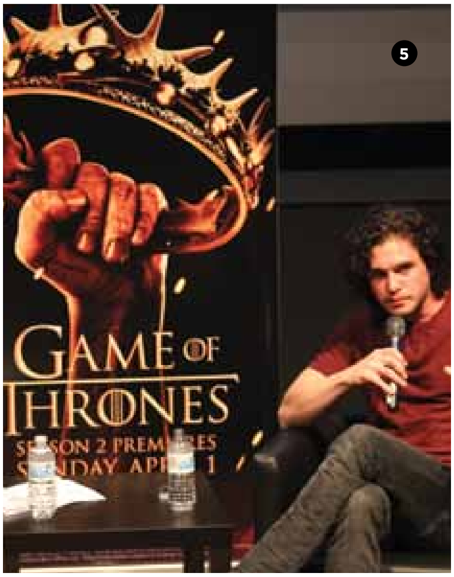
People + Partners + Brands + Platforms

With a strong, diversified portfolio of media properties that include television, radio, content, animation software and publishing assets, Corus connects with its audiences by offering compelling content delivered on multiple platforms to millions of people around the world.

Corus is leveraging the advanced capability of its state-of-the-art broadcast facility, Corus Quay, to deliver more content to more people on more devices than ever before.

Harnessing Corus Quay's technological strength also enables us to effectively collaborate with our partners and forge new relationships as we expand our offerings across multiple platforms and devices.

Corus is successfully connecting our brands with our audiences and partners to generate growth across our businesses locally, nationally and globally.



1. *Property Brothers*, W Network **2.** *Love It or List It*, W Network **3.** *Mike the Knight*, Nelvana Studio **4.** Kids Can Press has a growing library of over 50 eBooks **5.** HBO Canada's *Game of Thrones* media event featuring actor, Kit Harington **6.** Treehouse video app features over 100 hours of content

Corus Television

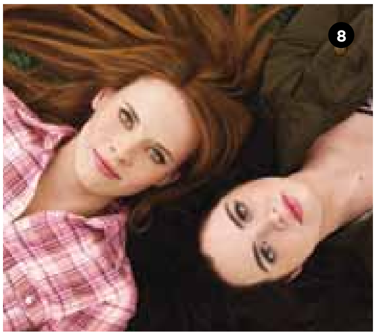
Our Television business consists of a portfolio of highly differentiated and powerful brands representing Womens, Kids and Family specialty television networks as well as Pay Television, conventional television stations, a world renowned animation studio, an animation software business, an international merchandise licensing business and Canada's largest children's book publisher. With this robust mix of assets, Corus Television connects with audiences domestically and internationally.

Our Womens portfolio made impressive gains in 2012, led by our flagship service W Network and strengthened by our complementary brands OWN: Oprah Winfrey Network (Canada), W Movies and CosmoTV.

Our Kids and Family portfolio leveraged its successful co-view strategy to drive audiences, offering a robust lineup of original Canadian series that appeal to kids and their families. In addition, Corus launched ABC Spark, built from Disney's highly successful ABC Family channel in the U.S. and targeted to young women and the millennial generation; and TELETOON introduced the Cartoon Network to Canadian television audiences.

On the Pay Television front, Corus featured exclusive, premium content such as *Game of Thrones*, *Boardwalk Empire*, *Girls* and *True Blood* on HBO Canada, with the best first run movies and Showtime series available on Movie Central. This year, we leveraged the strength of our distributors as they launched HD On Demand and TV Everywhere initiatives to improve the consumer value proposition of Pay Television. As part of our retention and subscriber acquisition efforts, Corus executed best-in-class marketing campaigns that communicated the exciting new developments in our Pay TV offerings.

Our television properties offer the kind of original programming and highly marketable talent that connect with both viewers and advertisers. With a commitment to expanding our program offerings and content delivery, the stage is set for future growth.



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7.ABC Spark launched March 2012 in Canada **8**.*Switched at Birth*, ABC Spark **9**.*One2One*, YTV special featuring popular boy band, One Direction
10.*Undercover Boss Canada*, W Network **11**.*The Next Star*, YTV **12**.Oprah in Toronto for OWN's *Lifeclass: the Tour*
13.Corus invests in KidsCo, Toon Boom and Fingerprint Digital

Corus enjoys a unique strategic and competitive advantage as an integrated producer, broadcaster and global distributor of children's content. Through our world renowned Nelvana Studio, new shows are produced, successfully launched on our Corus Kids networks and subsequently sold to broadcasters in more than 160 countries around the world.

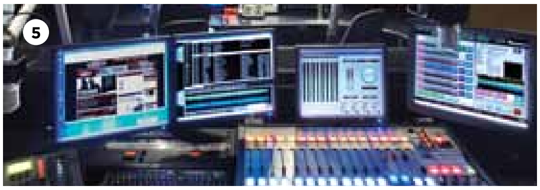
In addition to distributing our deep library of over 4,000 half hours of premium content – including classic and new brands such as Franklin, Babar and Scaredy Squirrel – to broadcasters around the world, we are driving new revenue streams by capitalizing on the growing demand for on-demand kids content as new non-linear services proliferate globally. Also, we are successfully optimizing our merchandising capabilities with blockbuster brands such as Beyblade, which has sold over 150 million toy units to date and emerging preschool hits including Mike the Knight, which is launching a full toy program through partner Fisher-Price in late 2013.

Building on our global capabilities and kids expertise, we have deepened our partnership with NBCUniversal on the international kids broadcast venture KidsCo, which is seen in approximately 100 countries around the world and will be broadcast from Corus Quay as of early 2013.

With the worldwide popularity of linear and non-linear kids offerings, combined with the scale potential of our content production and distribution capabilities, Corus' Kids business is driving growth for the Company.

Corus has made investments in complementary media companies to gain expertise, exposure and access to emerging businesses in the media space that will drive future growth opportunities. Toon Boom Animation Inc., an Emmy® Award-winning and worldwide leader in animation creation software is now 100% owned by Corus. Investments were also made in Fingerprint Digital, Inc., which creates educational gaming platforms for kids and their parents, as well as venture funds that focus on media and technology to further Corus' objectives as we look beyond our borders for growth.

4 SoCast
SRM for Entertainment



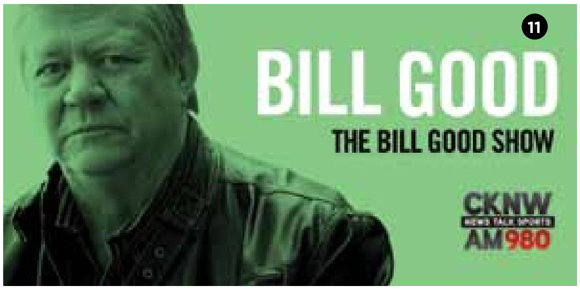
1.Calgary's Country 105 Facebook page **2**.Toronto's Q107 *Breakfast with Derringer* at Corus Quay **3**.Mumford & Sons' Marcus Mumford visits 102.1 the Edge
4.SoCast's social relationship management tools enhance Corus Radio listener engagement **5**.Corus Radio studio

Corus Radio

Corus Radio is fueling audience growth and interaction through its key touch points – on-air, online and on site – while maintaining strong local connections to the communities it serves. Streaming approximately six million hours each month and reaching over seven million listeners each week, Corus Radio stations remain a powerful medium for highly-connected, hyper-engaged audiences by delivering locally relevant and compelling content.

In fiscal 2012, our stations in the West experienced growth due to significant programming enhancements. Marquee radio talent and focused programming formats in our Vancouver and Calgary clusters have boosted listenership and ratings in those markets. Our Ontario markets continued to remain strong from both a performance and audience perspective.

On the digital and interactive media front, we released an innovative Corus Radio streaming application this past year, allowing listeners to access any Corus radio station for the latest content, news, information and social media feeds. We also deepened our foothold in social media technology and radio applications by partnering with SoCast on the development of a fully mobile platform which will provide fulsome content accessibility not only on desktops, but also on smartphones and tablets.



6.The Corus Radio app was downloaded by 500,000 listeners in fiscal 2012 **7**.Corus Radio Winnipeg launches The New 99.1 Fresh FM
8.Corus Radio voiceover session **9**.Live concert performance at Corus Quay **10**.Metric performs live at 102.1 the Edge's Sugar Beach Sessions
11.Vancouver's CKNW, *The Bill Good Show*

Corus Radio also conducted significant research in key western markets to measure listener expectations and enhance the on-air experience. We are the only radio company in Canada that regularly engages with a 9,500 member listener panel that provides ongoing station feedback. We continue to lead the industry by offering an unprecedented number of hours of live programming, bringing more local and relevant content to our listeners.

Connecting with audiences and delivering music experiences through high-energy concerts and live events brings Corus Radio's brands to life while providing exposure to Canadian and international artists for our listeners. Whether it's through the Sugar Beach Sessions at 102.1 the Edge, Hamilton's VINYL 95.3 Red White & Vinyl Festival or The Fox Vancouver Seeds competition, Corus Radio is connecting artists with audiences on all platforms, at home or on the go.

With its roster of 37 stations in most of Canada's key markets and a lineup of highly talented on-air personalities coupled with engaging content that resonates with listeners, Corus is putting the power of its Radio assets to work locally, regionally and nationally for both its advertisers and listeners.

1.Biowall at Corus Quay **2**.Corus Family & Friends event **3**.Corus Quay participates in Toronto's Doors Open event
4.Corus' Core Values **5**.Corus staff volunteer at Toronto's Daily Bread Food Bank **6**.Corus-hosted partner event, 8th Floor Theatre, Corus Quay

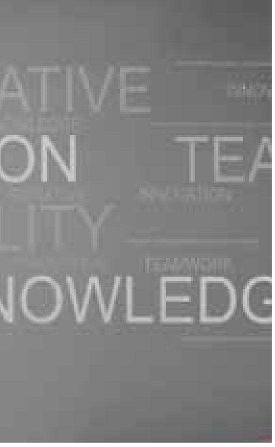
Corus Cares

Corus is a strategic partner on many initiatives in both the television and film industries. To date, Corus has commissioned over 7,600 hours of Canadian programming, spent more than $502 million in license fees and triggered more than $1.34 billion in original independent Canadian productions.

Corus believes in giving back to its local communities. In 2012, we launched Corus Feeds Kids, the Company's national philanthropic initiative that focuses on nourishing children's bodies and minds. Corus' goal is to raise $3 million and contribute 3,000 employee hours over three years. Earlier in 2012, Corus' Radio and Television brands combined their efforts for a two-week, multi-platform campaign to drive donations and heighten awareness for the program.

The Company is a longtime supporter of the United Way, and each year, we participate in an annual fundraising campaign to support many charitable organizations across the country.

Reflecting the positive impact of the amalgamation of 11 Corus locations and over 1,200 employees into our state-of-the-art facilities at Corus Quay, employees continue to feel connected and highly engaged in



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Corus Feeds Kids

7.Corus fosters a collaborative and open work environment **8**.Corus Feeds Kids staff fundraiser **9**.Corus Feeds Kids, the Company's national philanthropic initiative **10**.President and CEO, John Cassaday hosts employee Town Hall **11**.2011 Corus Employee Awards

their workplace. Corus' Employee Engagement Survey continued to have strong results in 2012, confirming that employees both support and practice the Company's Core Values.

Corus' unique in-house learning and development program, Corus U, provides ongoing training to employees, giving them an opportunity to improve their skills, advance their careers and achieve greater job satisfaction. Corus U offers an extensive curriculum to all staff, on site and online, to further develop management, financial literacy and other specialized skills. Courses range from formal training sessions to workshops that offer brief information sessions through our Corus U Minis series. In fiscal 2012, Corus U delivered over 7,000 hours of training to employees, an increase of over 190% from the previous year.

Corus was also recognized for our commitment to its employees with a number of awards including The Learning Partnership's 2011 Canada's Outstanding Employer Award, Canada's Top Employers for Young People for 2012 and Canada's Best Diversity Employers for 2012.

Corus Quay has achieved LEED® (Leadership in Energy and Environmental Design) Gold certification under Core and Shell for the base building, which confirms the Company's ongoing efforts to achieve a sustainable environment. In 2012, Corus was honoured as one of Canada's Greenest Employers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of the financial position and results of operations for the fiscal year ended August 31, 2012, is prepared at November 8, 2012. This should be read in conjunction with the Company's August 31, 2012 audited consolidated financial statements and notes therein.

The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS"). All dollar amounts are in Canadian dollars unless specified otherwise. Per share amounts are calculated using weighted average number of shares outstanding for the applicable period. Certain comparative figures have been reclassified to conform with the basis of presentation adopted in fiscal 2012. Specifically, Corus' 2011 consolidated financial results included in this MD&A have been restated to an IFRS basis.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

To the extent any statements made in this report contain information that is not historical, these statements are forward-looking statements and may be forward-looking information within the meaning of applicable securities laws (collectively, "forward-looking statements"). These forward-looking statements are related to, among other things, our objectives, goals, strategies, intentions, plans, estimates and outlook, including advertising, distribution, merchandising and subscription revenues, operating costs and tariffs, taxes and fees, and can generally be identified by the use of words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Although Corus believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, including without limitation, factors and assumptions regarding advertising, distribution, merchandise and subscription revenues, operating costs and tariffs, taxes and fees and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these 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; our ability to successfully defend ourselves against litigation matters arising out of the ordinary course of business; and changes in accounting standards. Additional information about these factors and about the material assumptions underlying such forward-looking statements may be found in our Annual Information Form. Corus cautions that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Corus, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. 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 operates through two lines of business: Radio and Television. The Corporate results represent the incremental cost of corporate overhead in excess of the amount allocated to the operating divisions. 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 animated programming and Corus' ability to continue to provide popular programming.

(A) TELEVISION

The Television division is comprised of specialty television networks, pay television services, three conventional television stations and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, publishing and animation software. The Company's multimedia entertainment brands include YTV; Treehouse; Nickelodeon (Canada); W Network; OWN: Oprah Winfrey Network (Canada); W Movies; Sundance Channel (Canada); Movie Central (including HBO Canada and Encore Avenue); Nelvana; Kids Can Press; and Toon Boom. The Company also has a majority interest in CMT (Canada); Telelatino (TLN, Euro World Sport, Mediaset Italia, SkyTG 24, Teleninos, TLN En Espanol); ABC Spark; and Cosmopolitan TV; and a 50% interest in TELETOON, TELETOON Retro (English and French) and Cartoon Network (Canada).

Revenues for the specialty television networks are generated from subscriber fees and advertising. Revenues for pay television are generated from subscriber fees. Revenues for the conventional television stations are derived from advertising. Revenues for the content business are generated from licensing of proprietary films and television programs, merchandise licensing, publishing and animation software sales.

(B) RADIO

The Radio division comprises 37 radio stations, situated primarily in high-growth urban centres in English Canada, with a concentration in the densely populated area of southern Ontario. Corus is one of Canada's leading radio operators in terms of audience reach. Revenues are derived from advertising aired over these stations. On February 1, 2011, the Company's Quebec operations were sold to Cogeco Inc. Subsequently, Corus Radio's Quebec operations were retroactively restated as a discontinued operation.

ANNUAL SELECTED FINANCIAL INFORMATION

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

(in millions of Canadian dollars, except percentages and per share amounts)				% Increase	
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Basic earnings per share attributable to shareholders					
From continuing operations	**$1.79**	$1.73	$1.48		
From discontinued operations	**–**	$0.06	$0.09		
	$1.79	$1.79	$1.57		
Diluted earnings per share attributable to shareholders					
From continuing operations	**$1.78**	$1.72	$1.47		
From discontinued operations	**–**	$0.06	$0.09		
	$1.78	$1.78	$1.56		
Total assets	**2,081.5**	2,113.6	2,059.3		
Long-term debt	**518.3**	600.8	691.9		
Cash dividends declared per share					
Class A Voting	**$0.9175**	$0.7300	$0.5950		
Class B Non-Voting	**$0.9225**	$0.7350	$0.6000		

Notes: [1] Restated to exclude results from discontinued operations for fiscal 2011 and 2010
[2] As defined in "Key performance indicators – Segment profit and segment profit margin"
[3] 2010 comparative figures have not been restated for IFRS transition on September 1, 2010

On February 1, 2011, the Company's Quebec radio operations were sold to Cogeco Inc. Subsequently, Corus Radio's Quebec segment was retroactively restated as discontinued operations for all periods presented.

RESULTS OF OPERATIONS

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

(in thousands of Canadian dollars, except percentages)	2012	2011	% Increase (Decrease) 2012 over 2011
Revenues			
Televison	**650,949**	629,556	3.4
Radio	**191,327**	195,657	(2.2)
	842,276	825,213	2.1
Direct cost of sales, general and administrative expenses			
Televison	**388,811**	368,432	5.5
Radio	**133,900**	136,572	(2.0)
Corporate	**29,586**	34,323	(13.8)
	552,297	539,327	2.4
Segment profit[1]			
Televison	**262,138**	261,124	0.4
Radio	**57,427**	59,085	(2.8)
Corporate	**(29,586)**	(34,323)	(13.8)
	289,979	285,886	1.4
Depreciation	**25,639**	24,922	
Interest expense	**52,269**	57,276	
Restructuring	**2,325**	3,694	
Other expense (income), net	**(3,646)**	(4,060)	
Income from continuing operations before income taxes	**213,392**	204,054	
Income tax expense	**57,241**	55,334	
Net income from continuing operations	**156,151**	148,720	
Net income from discontinued operations	**—**	5,023	
Net income for the year	**156,151**	153,743	

Notes: [1] As defined in "Key performance indicators".

Net income attributable to:			
Shareholders from continuing operations	**148,681**	141,511	5.1
Shareholders from discontinued operations	**—**	5,023	
Non-controlling interest	**7,470**	7,209	3.6
Net income for the year	**156,151**	153,743	1.6

FISCAL 2012 COMPARED TO FISCAL 2011

For a discussion on the Company's results of operations for the fourth quarter of fiscal 2012, we refer you to our Fourth Quarter 2012 Report to Shareholders filed on SEDAR on October 25, 2012.

The following discussion describes the significant changes in the consolidated results from continuing operations. The consolidated results for fiscal 2011 reflect the disposition of the

Company's Quebec Radio operations, which occurred on February 1, 2011, as discontinued operations in all periods presented.

REVENUES

For fiscal 2012, revenues of $842.3 million represented an increase of 2% from $825.2 million last year. Advertising and subscriber revenues were both down 1% for the fiscal year, while merchandising, distribution and other revenues increased 17%. Revenues increased for Television by 3%, while Radio revenues decreased by 2% compared to the prior year. Refer to the discussion of segmented results for additional analysis of revenues.

DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

For fiscal 2012, expenses of $552.3 million represented a 2% increase over the prior year and are attributable to higher cost of sales in the Television segment offset by lower costs in the Corporate and Radio segments. Refer to the discussion of segmented results for additional analysis of expenses.

DEPRECIATION

Depreciation expense of $25.6 million for fiscal 2012 represented a $0.7 million increase over the prior year. Spending on the Corus Quay build-out was completed in fiscal 2011 and accordingly, depreciation expense exceeded that of the prior year.

INTEREST EXPENSE

Interest expense of $52.3 million for fiscal 2012 was $5.0 million lower than prior year. This was a result of lower average floating rate debt balances throughout fiscal 2012 as well as lower interest margins which were a result of amendments to the credit facility in March 2011 and March 2012. The effective interest rate on bank loans and notes for the year ended August 31, 2012 was 7.0%, compared to 6.9% in the prior year. The increase in the effective interest rate primarily reflects a higher proportion of total debt comprised of fixed rate debt (the Notes at 7.25%) as floating debt has been paid down over the year.

On March 5, 2012, the Company's $500.0 million credit facility with a syndicate of banks was amended. The principal amendments were to reduce interest margins applicable to floating interest rates and to extend the maturity date to February 11, 2016.

RESTRUCTURING

Restructuring expense of $2.3 million was recognized in the third quarter 2012 and was comprised of employee-related expenses associated with organizational restructuring. The $3.7 million incurred in fiscal 2011 was comprised of employee-related expenses associated with organizational restructuring that commenced in the fourth quarter of fiscal 2010, with additional costs incurred in the first and fourth quarters of fiscal 2011. Included in this amount are redundant rents for facilities vacated subsequent to moving to the Corus Quay location.

OTHER EXPENSE (INCOME), NET

Other income for the fiscal year 2012 was $3.6 million, as compared to $4.1 million last year. Other income in fiscal 2012 includes an accounting gain of $2.4 million resulting from the remeasurement to fair value of the Company's original interest in Toon Boom Animation Inc. which was held prior to the acquisition of the remaining interest on March 1, 2012, and equity earnings of $2.1 million, offset by transaction costs related to business combinations, strategic investments and various other items.

INCOME TAX EXPENSE

On June 20, 2012, the Ontario government passed legislation cancelling planned future corporate tax rate reductions. Accordingly, the Company remeasured certain deferred tax assets and liabilities in the fourth quarter 2012, resulting in a non-cash tax expense of $6.8 million ($0.08 per share). The effective tax rate for the fiscal year was 26.8%, consistent with the Company's statutory rate.

NET INCOME AND EARNINGS PER SHARE

Net income attributable to shareholders for the fiscal year 2012 was $148.7 million, as compared to $141.5 million last year. Earnings per share attributable to shareholders for fiscal 2012 was $1.79 basic and $1.78 diluted, compared with $1.73 basic and $1.72 diluted in the prior year. Excluding the impact of the income tax rate changes that occurred in the fourth quarter 2012, adjusted basic earnings per share was $1.87 in the current year, up 8% from the prior year.

The weighted average number of shares outstanding (basic) for the year ended August 31, 2012 was 83,240,000, which has increased in the current year due to the exercise of stock options and the issuance of shares from treasury under the dividend reinvestment plan offset slightly by shares repurchased under the Company's Normal Course Issuer Bid.

OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX

Other comprehensive loss for fiscal 2012 was $2.7 million, compared to $1.0 million in the prior year. This loss results primarily from actuarial losses on defined benefit plans and a change in the unrealized foreign currency translation adjustment.

TELEVISION

The Television division is comprised of: YTV; Treehouse; Nickelodeon (Canada); W Network; OWN: Oprah Winfrey Network (Canada) (rebranded from VIVA March 1, 2011); W Movies; Sundance Channel (Canada); Corus' western Canadian pay television services (Movie Central, including HBO Canada and Encore Avenue); three conventional television stations serving Peterborough, Kingston and Durham; the Corus content business including Nelvana (production and distribution of films and television programs, and merchandise licensing), Kids Can Press (publishing) and Toon Boom (animation software); the Company's majority interest in CMT (Canada), Telelatino (TLN, Euro World Sport, Mediaset Italia, SkyTG 24, Teleninos, TLN En Espanol), DUSK (discontinued March 23, 2012), ABC Spark (launched March 26, 2012) and Cosmopolitan TV; and a 50% interest in TELETOON, TELETOON Retro (English and French) and Cartoon Network (Canada).

Television Financial Highlights

	Year ended August 31,	
(thousands of Canadian dollars)	**2012**	2011
Revenue	**650,949**	629,556
Expense	**388,811**	368,432
Segment profit	**262,138**	261,124

Revenues for fiscal 2012 increased 3% from the prior year. Specialty advertising revenues were consistent with the prior year while subscriber revenues were down 1%. Merchandising, distribution and other revenues increased 21%, driven primarily by the strong performance of Beyblade and the international distribution business. Movie Central (including HBO Canada) ended the year with 976,000 subscribers, down 1% from the prior year.

Direct cost of sales, general and administrative expenses increased 6% over the prior year driven by a 5% increase in the amortization of program rights and third party produced equity film investments, which reflects investment across all channels but particularly OWN; increased investment in new media and other initiatives; and higher variable costs associated with increased revenues, especially for the merchandising business.

Segment profit of $262.1 million was consistent with the prior year and segment profit margin was 40% compared to 41% in the prior year.

RADIO

The Radio division comprises 37 radio stations situated primarily in high-growth urban centres in English Canada, with a concentration in the densely populated area of southern Ontario. Corus is one of Canada's leading radio operators in terms of audience reach.

Radio Financial Highlights

	Year ended August 31,	
(thousands of Canadian dollars)	**2012**	2011
Revenue	**191,327**	195,657
Expense	**133,900**	136,572
Segment profit	**57,427**	59,085

Revenues for fiscal 2012 were $191.3 million, down 2% from the prior year. This decline was driven by the Manitoba and Ontario markets.

Direct cost of sales, general and administrative expenses decreased 2% from the prior year. Variable expense decreased 6% in the year, primarily from lower sales commissions driven by declining revenues and fewer bad debts. Fixed costs, which represent a much higher proportion of the cost structure, were consistent with the prior year.

Segment profit decreased 3% from the prior year and segment profit margin of 30% remained consistent with the prior year.

On February 1, 2011, the Company's Quebec radio operations were sold to Cogeco Inc. Subsequently, Corus Radio's Quebec segment was retroactively restated as discontinued operations for all periods presented.

CORPORATE

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

Corporate Financial Highlights

	Year ended August 31,	
(thousands of Canadian dollars)	**2012**	2011
Share-based compensation	**11,061**	12,940
Other general and administrative costs	**18,525**	21,383
	29,586	34,323

Share-based compensation includes expenses related to the Company's stock options and other long-term incentive plans (such as Performance Share Units - "PSUs", Deferred Share

Units -"DSUs" and Restricted Share Units -"RSUs"). The expense fluctuates with changes in assumptions, primarily regarding the Company's share price and number of units estimated to vest. The reduction in share-based compensation in the current year reflects fewer units estimated to vest in fiscal 2012 as compared to the prior year, offset by a higher share price at August 31, 2012.

Other general and administrative costs for fiscal 2012 were lower than the prior year as a result of a rebate on operating costs related to Corus Quay in the current year and an additional $1.7 million expense in the prior year related to unrecognized past service costs awarded to employees under post-employment benefit plans.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

SEASONAL FLUCTUATIONS

Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. In particular, the Company's businesses are dependent on general advertising and retail cycles associated with consumer spending activity and the first quarter results tend to be the strongest.

The following table sets forth certain unaudited data derived from the unaudited consolidated financial statements for each of the eight most recent quarters ended August 31, 2012. In management's opinion, these unaudited consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements for the year ended August 31, 2012.

(thousands of Canadian dollars, except per share amounts)	Revenues[2]	Segment profit[1][2]	Net income attributable to shareholders[2]	Earnings per share[2] Basic	Earnings per share[2] Diluted
2012					
4th quarter	**195,624**	**60,862**	**23,341**	**$ 0.28**	**$ 0.28**
3rd quarter	**204,078**	**75,656**	**43,221**	**$ 0.52**	**$ 0.51**
2nd quarter	**205,683**	**62,247**	**31,571**	**$ 0.38**	**$ 0.38**
1st quarter	**236,891**	**91,214**	**50,548**	**$ 0.61**	**$ 0.61**
2011					
4th quarter	200,193	56,479	27,670	$ 0.34	$ 0.33
3rd quarter	211,788	78,769	40,352	$ 0.49	$ 0.49
2nd quarter	191,076	59,978	27,291	$ 0.34	$ 0.34
1st quarter	222,156	90,660	46,198	$ 0.57	$ 0.56

Notes: [1] As defined in "Key performance indicators — Segment profit and segment profit margin".
[2] Reflects results for continuing operations.

SIGNIFICANT ITEMS CAUSING VARIATIONS IN QUARTERLY RESULTS

- Net income attributable to shareholders for the fourth quarter of fiscal 2012 was negatively impacted by a non-cash expense of $6.8 million ($0.08 per share) relating to an increase in the Ontario long-term income tax rate which was substantively enacted in the fourth quarter 2012.

FINANCIAL POSITION

Total assets at August 31, 2012 and August 31, 2011 were $2.1 billion. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2011:

Current assets at August 31, 2012 were $220.2 million, down $28.3 million from August 31, 2011. Cash and cash equivalents decreased by $31.3 million. Refer to the discussion of cash flows in the next section.

Accounts receivable decreased $5.1 million. The accounts receivable balance typically grows in the first and third quarters and decreases in the second quarter as a result of the broadcast revenue cycle. The Company carefully monitors the aging of its accounts receivable.

Income taxes recoverable increased $8.9 million as a result of timing of installment payments.

Tax credits receivable increased $0.8 million as a result of accruals related to film production net of tax credit receipts.

Intangibles, investments and other assets increased $2.4 million, primarily as a result of additional intangible assets related to the acquisition of the remaining interest in Toon Boom Animation Inc. and increases in equity investments offset by dividends from associates, amortization of intangibles and a reduction in intangibles resulting from the modification of certain digital rights.

Property, plant and equipment decreased $6.0 million as spending on the Corus Quay build-out was completed in fiscal 2011 and accordingly, depreciation expense exceeded additions in fiscal 2012.

Program and film rights increased $14.3 million as additions of acquired rights of $200.6 million were offset by amortization of $186.3 million during fiscal 2012.

Film investments decreased $15.2 million as film spending (net of tax credit accruals) of $16.8 million was offset by film amortization of $32.0 million during fiscal 2012.

Broadcast licenses remained consistent with the prior year while goodwill increased $2.6 million as a result of acquiring the remaining 50% interest in Toon Boom Animation Inc. in the third quarter fiscal 2012.

Accounts payable and accrued liabilities decreased $20.8 million primarily as a result of lower trade payables, lower program rights payable and lower accrued liabilities. The decrease in accrued liabilities is primarily related to lower stock-based compensation accruals and third party participation fees related to the merchandising business.

Provisions decreased $2.9 million as a result of payments made relating to work-force reduction initiatives taken in late fiscal 2010 and the third quarter of fiscal 2012.

Long-term debt at August 31, 2012 was $518.3 million, down $82.5 million from August 31, 2011 as a result of utilizing cash from operations to pay down bank debt.

Other long-term liabilities decreased by $16.7 million as a result of lower merchandising and intangible accruals, capital lease accruals and unearned revenues offset by increases in long-term employee obligations and deferred leasehold inducements.

Share capital increased $27.3 million as the exercise of stock options and issuance of shares from treasury under the Company's dividend reinvestment plan added $13.7 million and $26.0 million, respectively, to share capital, which was offset by $12.4 million in costs related to shares repurchased under the normal course issuer bid. Contributed surplus decreased $2.5 million as a result of the exercise of stock options.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Overall, the Company's cash and cash equivalents position decreased by $31.3 million during fiscal 2012. Free cash flow from continuing operations for fiscal 2012 was $155.1 million, an increase of $20.3 million from the prior year. This increase in free cash flow in fiscal 2012 results primarily from lower investment in capital assets of $26.7 million, offset by an $8.0 million decrease in proceeds from asset disposition. Refer to Key Performance Indicators for a reconciliation of free cash flow to consolidated statements of cash flows.

Cash provided by operating activities from continuing operations in fiscal 2012 was $170.3 million, compared to $175.1 million last year. The decrease of $4.8 million arises from increased net income from continuing operations, before non-cash items and discontinued operations of $24.5 million, and reduced additions to film investments of $20.7 million offset by increased spending on program rights of $19.4 million, and higher working capital usage of $30.7 million.

Cash used in investing activities from continuing operations in fiscal 2012 was $35.3 million, compared to cash used of $41.7 million last year. The decrease of $6.4 million in the current year is attributable to reduced capital asset expenditures of $26.7 million offset by a business acquisition of $4.1 million, a reduction in proceeds from asset disposition of $8.0 million and an increase in net cash flows for intangibles, investments and other assets of $8.2 million.

Cash used in financing activities in fiscal 2012 was $166.4 million, compared to $147.1 million in the prior year. In the current year, the Company incurred $25.3 million relating to the repurchase of shares under the normal course issuer bid, paid down $84.8 million of bank debt and paid $56.8 million in dividends. In the prior year, the Company used the proceeds from the sale of the Quebec Radio segment to repay $92.8 million of bank debt and paid $50.6 million in dividends.

LIQUIDITY

As at August 31, 2012, the Company has available approximately $470.0 million under a revolving term credit facility. On March 5, 2012, the Company's $500.0 million credit facility with a syndicate of banks was amended. The principal amendments were to reduce interest margins applicable to floating interest rates and a one year extension of the maturity date to February 11, 2016. Interest rates on the Company's facilities fluctuate with Canadian bankers' acceptances and LIBOR.

As at August 31, 2012, the Company had a cash balance of $24.6 million and a positive working capital balance. Management believes that cash flow from operations and existing credit facilities will provide the Company with sufficient financial resources to fund its operations for the next 12 months.

NET DEBT TO SEGMENT PROFIT

As at August 31, 2012, net debt was $493.7 million, down from $544.9 million at August 31, 2011. Net debt to segment profit at August 31, 2012 was 1.7 times compared to 1.9 times at August 31, 2011.

OFF-BALANCE SHEET ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Company has no derivative financial instruments outstanding as at August 31, 2012.

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	Beyond five years
Long-term debt	518,258	—	—	518,258	—
Interest on notes	161,188	36,250	72,500	52,438	—
Program rights payable	110,937	84,908	21,728	4,301	—
Program rights purchase commitments	509,488	123,012	186,629	107,797	92,050
Operating leases	409,540	24,350	45,730	40,828	298,632
Trademarks and other license commitments	57,193	19,040	28,226	4,707	5,220
Capital leases	9,091	7,252	1,839	—	—
Other obligations	2,364	591	1,182	591	—
Total contractual obligations	1,778,059	295,403	357,834	728,920	395,902

In addition to the contractual obligations in the table above, the Company will also pay interest on any bank debt outstanding in future periods. In fiscal 2012, the Company incurred interest on bank debt of $2.6 million (2011 - $8.3 million).

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 revenues, direct cost of sales, general and administrative expenses and segment profit, the following key performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS.

REVENUE

Revenue is a measurement defined by IFRS. Revenue is the gross inflow of economic benefits arising in the course of the ordinary activities of an entity that results in increases in equity, such as cash, receivables or other consideration arising from the sale of products and services and is net of items such as trade or volume discounts and certain excise and sales taxes. It is the base upon 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 indicating the level of growth in a competitive marketplace.

The primary sources of revenues for the Company are outlined in the “Overview” section.

Corus is well diversified by revenue source, with revenue streams for the year ended August 31, 2012, derived primarily from three areas: advertising (46%), subscriber fees (35%) and merchandising, distribution and other (19%) (2011 – 47%, 36% and 17%, respectively).

DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

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 affiliate 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, other cost of sales relating to merchandising, studio service work, publishing, marketing (research and advertising costs), selling, general administration and overhead costs. Approximately 27% and 40% respectively, of consolidated direct cost of sales, general and administrative expenses in fiscal 2012 (2011 – 29% and 40%, respectively) were comprised of employee remuneration and amortization of programming and film rights and film investments, 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 and comprehensive income. Segment profit may be calculated and presented for an individual operating segment, a line of business, or for the consolidated Company. 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) non-cash expenses such as depreciation and amortization; (ii) interest expense; and (iii) items not indicative of the Company's core operating results, and not used in management's evaluation of the business segment's performance, such as: goodwill and broadcast license impairment; debt refinancing; restructuring and certain other income and expenses (note 19 to the consolidated financial statements). Segment profit is also one of the measures used by the investing community to value the Company and is included in note 21 to the consolidated financial statements. Segment profit margin is calculated by dividing segment profit by revenues.

Certain key performance indicators are not measurements in accordance with IFRS or Canadian generally accepted accounting principles for publically accountable entities ("GAAP") and should not be considered as an alternative to net income or any other measure of performance under IFRS or Canadian GAAP. The following tables reconcile those key performance indicators that are not in accordance with IFRS or GAAP measures:

FREE CASH FLOW

Free cash flow is calculated as cash provided by operating activities less cash used in investing activities, as reported in the consolidated statements of cash flows, and then adding back cash used specifically for business combinations and strategic investments. Free cash flow measures the Company's ability to repay debt; finance strategic business acquisitions and investments; pay dividends; and repurchase shares.

(thousands of Canadian dollars)	**2012**	2011
Cash provided by (used in):		
Operating activities[1]	**170,310**	175,077
Investing activities[1]	**(35,272)**	(41,749)
	135,038	133,328
Add back: cash used for business combinations and strategic investments	**20,109**	1,533
Free cash flow[1]	**155,147**	134,861

[1] Reflects results from continuing operations

ADJUSTED NET INCOME AND ADJUSTED BASIC EARNINGS PER SHARE RECONCILIATION

(thousands of Canadian dollars except per share amounts)	**2012**	2011
Net income attributable to shareholders[1]	**148,681**	141,511
Add back: impact of charge related to an increase in the Ontario long-term tax rate substantively enacted in the fourth quarter 2012	**6,834**	–
Adjusted net income attributable to shareholders[1]	**155,515**	141,511
Basic earnings per share[1]	**$ 1.79**	$ 1.73
Add back: impact of charge related to an increase in the Ontario long-term tax rate substantively enacted in the fourth quarter 2012	**$ 0.08**	–
Adjusted basic earnings per share[1]	**$ 1.87**	$ 1.73

[1] Reflects results from continuing operations

NET DEBT

Net debt is calculated as long-term debt less cash and cash equivalents as reported in the consolidated statements of financial position. 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)	2012	2011
Long-term debt	**518,258**	600,796
Cash and cash equivalents	**(24,588)**	(55,922)
Net debt	**493,670**	544,874

NET DEBT TO SEGMENT PROFIT

Net debt to segment profit is calculated as net debt divided by segment profit. 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)	2012	2011
Net debt (numerator)	**493,670**	544,874
Segment profit (denominator) (1)	**289,979**	285,886
Net debt to segment profit	**1.7**	1.9

(1) Reflects aggregate amounts for the most recent four quarters from continuing operations, as detailed in the table in the "Quarterly Consolidated Financial Information" section of Management's Discussion and Analysis.

RISKS AND UNCERTAINTIES

IMPACT OF REGULATION ON CORUS' RESULTS OF OPERATIONS

Corus' Radio and Television business activities are regulated by the Canadian Radio-television and Telecommunications Commission ("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. Corus' radio stations must also meet technical operating requirements under the *Radiocommunications* Act and regulations promulgated under the *Broadcasting Act*.

The CRTC imposes a range of obligations upon licensees such as scheduling requirements for Canadian Content, Canadian Content spending levels, limits on content genres on certain channels, access obligations (i.e. closed captioning or descriptive video) and other obligations. Changes resulting from the CRTC's interpretations of existing policies and regulations could be materially adverse to Corus' business and financial results.

Canadian Content programming is also subject to certification by various agencies of the federal government. If programming fails to so qualify, Corus would not be able to use the programs to meet its Canadian Content programming obligations and Corus might not qualify for certain Canadian tax credits and industry incentives.

In addition, to maintain eligibility under the *Broadcasting Act* and the *Radiocommunications 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 and pay television undertakings rely upon blanket licenses held by rights-holding collectives to make use of the music component of the programming that is used. The royalties payable for these blanket licenses are determined by tariffs set by the Copyright Board under a regime established by the *Copyright Act*. 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 purposes. Any such amendments could result in Corus' broadcasting undertakings being required to pay additional royalties for these licenses or be subject to additional administrative costs associated with the tariffs.

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, television and radio broadcasting services have always involved a substantial degree of risk. There can be no assurance of the economic success of radio stations, music formats, talent, television programs or channels because the revenues derived depend upon audience acceptance of these or 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 rapidly change and many of which are beyond Corus' control. The lack of audience acceptance for Corus' radio stations, television programs, specialty and pay television channels would have an adverse impact on Corus' 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 revenues within its geographic market, it's promotional and other expenses incurred to obtain the revenues and the economic strength of its geographic market. Radio advertising revenues are highly dependent upon audience share. Audience share is derived from interest in on-air talent, music formats, and other intangible factors. This can be influenced by the competition. 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 stations could be negatively impacted, resulting in lower net revenues.

Radio broadcasting is also subject to competition from other broadcast, on-line and print media. Potential advertisers can substitute advertising through the broadcast television system (which can offer concurrent exposure on a number of networks to enlarge the potential audience), daily, weekly and free-distribution newspapers, other print media, direct mail and on-line computer services. 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 and pay television business depends on obtaining revenues from advertising as well as from subscription fees. Numerous broadcast and specialty television networks compete with Corus for advertising revenues, and a failure by Corus to obtain its necessary share of such revenues could materially adversely affect Corus' results of operations. Corus' services also compete with a number of foreign programming services which have been authorized for distribution in Canada by the CRTC. Corus' pay television services are providers of premium movies and series, and offer classic movies to western Canadian subscribers. These services compete with pay-per-view movie offerings as well as video-on-demand offerings. 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 personal video recorders, mobile television, Internet protocol television, over-the-top services ("OTT") and satellite radio (see "Technological Developments"). This competition takes the form of competition for the supply of programming and also for customers. This can affect both the costs and revenues of an operation. 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. Any failure by Corus to compete effectively in the area of specialty and pay television services could materially adversely affect Corus' results of operations.

The production and distribution of children's television, books and other media content is 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. 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 Corus 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 Corus. 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 penetration of broadcast schedules.

RISKS ASSOCIATED WITH PRODUCTION OF FILM AND TELEVISION PROGRAMS AND WEBSITES

Each production is an individual artistic work and its commercial success is determined primarily by the size of the market and audience acceptance. The latter 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 ephemeral and intangible factors, all of which can rapidly change 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, a significant number 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, 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.

Revenue from the film library can vary substantially from year to year, both by geographic territory and by year of production. The timing of the Company'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.

The production of websites related to Corus' Television and Radio brands generates hundreds of pages of content each day. This content is in many forms including text, graphics, databases, photographs, audio files, radio files and interactive content such as on-line games and third party posts of content and links. Corus takes steps to ensure that procedures are in place to clear rights and to vet third party content. There remains a risk, however, that some potentially defamatory or infringing content can be posted on a Corus website. Corus carries insurance coverage against this risk but there remains a limited risk of liability to third-party claims.

RISKS ASSOCIATED WITH MERCHANDISING

Success of merchandising brands depends on consumers' tastes and preferences that can change in unpredictable ways. The Company depends on the acceptance by consumers of its merchandising offerings, therefore, success depends on the ability to predict and take advantage of consumer tastes in Canada and around the world. In addition, the Company derives royalties from the sale of licensed merchandise by third parties. Corus is dependent on the success of those third parties. Factors that negatively impact those third parties could adversely affect the Company's operating results.

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 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 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 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 video-on-demand, subscription-video-on-demand, high definition television, personal video recorders, mobile television, Internet protocol television, OTT internet–based video-entertainment services, digital radio services, satellite radio and direct-to-home satellite have recently begun to compete, or may in the future compete, for programming, audiences and advertising revenues. As well, mobile devices like smart phones and tablets are allowing consumers to access content anywhere, anytime. 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 Corus' business, results of operations or financial condition.

ACQUISITIONS

In the future, the Company may make strategic acquisitions which involve significant risks and uncertainties. As such, the Company may experience difficulties in integrating these operations. Failure to effectively integrate an acquired business could materially adversely affect the Company.

DISTRIBUTION

Corus enters into long-term agreements with various cable and satellite providers for the distribution of its television services. As the contracts expire, there could be a negative impact on revenue if the Company is unable to renew them on acceptable terms.

ECONOMIC CONDITIONS

The Company's operating performance depends on Canadian and worldwide economic conditions. Economic uncertainty could impact demand for Corus' advertising airtime as companies reduce their advertising spending. There can be no assurance that an economic decline will not adversely affect the Company's operating results.

CAPITAL MARKETS

The Company may require continuing access to capital markets to sustain its operations. Disruptions in the capital markets, including changes in market interest rates or the availability of capital, could have a material adverse effect on the Company's ability to raise or refinance debt.

INTEREST RATE AND FOREIGN EXCHANGE RISK

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

Interest rates

The Company utilizes long-term financing extensively in its capital structure, which includes a banking facility, as more fully described in note 13 to the consolidated financial statements.

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR.

The Company manages its exposure to floating interest rates through maintaining a balance of fixed rate and floating rate debt. As at August 31, 2012, 96% (2011 – 83%) of the Company's consolidated long-term debt was fixed with respect to interest rates.

Foreign exchange

A portion of the Company's revenues and expenses is in currencies other than Canadian dollars and, therefore, is subject to fluctuations in exchange rates. Approximately 11% of Corus' total revenues in fiscal 2012 were in foreign currencies, the majority of which was U.S. dollars.

The impact of foreign exchange gains and losses are described in note 25 to the consolidated financial statements.

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, 2012, there were no actions, suits or proceedings pending or against the Company or its subsidiaries which 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.

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 have normal trade terms.

During the year, the Company received cable service subscriber, programming and advertising fees of $123,885 (2011 - $127,745), production and distribution revenue of $658 (2011 - $968) and administrative and other fees of $6,620 (2011 - $6,296) from related parties. In addition, the Company paid cable and satellite system distribution access fees of $4,313 (2011- $4,367) and administrative and other fees of $4,131 (2011 - $2,649) to related parties. As at August 31, 2012, the Company had $23,993 (August 31, 2011 - $28,697; September 1, 2010 - $29,534) receivable from related parties.

The Company provided related parties with interactive impressions, radio and television spots in return for television advertising. No monetary consideration was exchanged for these transactions.

Certain officers of the Company are currently indebted to the Company in connection with relocation housing loans. The loans granted by the Company do not bear interest. The aggregate amount of such indebtedness as of August 31, 2012 was $0.2 million.

OUTSTANDING SHARE DATA

As at October 31, 2012, 3,432,292 Class A Voting Shares and 80,071,996 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 as described in the Company's Annual Information Form.

IMPACT OF NEW ACCOUNTING POLICIES

ADOPTION OF IFRS

Corus is required to prepare annual consolidated financial statements in accordance with IFRS starting with the year ended August 31, 2012. These statements require the fiscal 2011 results to be restated in accordance with IFRS.

Detailed notes on the changes to the previously reported amounts are included in the notes to the consolidated financial statements for the year ended August 31, 2012, that have been filed on SEDAR and are also available on Corus' website www.Corusent.com.

RECENT ACCOUNTING PRONOUNCEMENTS

IAS 12 *Income Taxes*

In December 2010, the IASB amended IAS 12 for the recovery of underlying assets measured at fair value and the impact on deferred taxes. The amendments provide a solution to the problem of assessing whether recovery would be through use or through sale when the asset is measured at fair value under IAS 40 *Investment Property*, by adding the presumption that the recovery would normally be through sale. The amendment also incorporates the remaining guidance in SIC-21 *Income Taxes – Recovery of Revalued Non-depreciable Assets*, as SIC-21 has been withdrawn. The effective date of the amendment is for annual periods beginning on or after January 1, 2012. The Company will apply this amendment beginning in the first quarter of fiscal 2013. The Company currently has no investment property as defined by IAS 40 and, as such, does not expect the implementation of the amendment to have an impact on its consolidated financial statements.

IFRS 9 *Financial Instruments*

In November 2009, the IASB issued IFRS 9, which covers classification and measurement as the first part of its project to replace IAS 39. In October 2010, the IASB also incorporated new accounting requirements for liabilities. The standard introduces new requirements for measurement and eliminates the current classification of loans and receivables, available-for-sale and held-to-maturity, currently in IAS 39. There are new requirements for the accounting of financial liabilities as well as a carryover of requirements from IAS 39. The Company does not anticipate early adoption and will adopt the standard when it is mandated by the IASB, which is in fiscal 2016. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 10 *Consolidated Financial Statements*

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 supersedes SIC-12 *Consolidations – Special Purpose Entities* and replaces parts of IAS 27 *Consolidated and Separate Financial Statements*. The effective date of this amendment is for annual periods beginning on or after January 1, 2013. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 11 *Joint Arrangements*

IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint operation or a joint venture. The standard eliminates the use of the proportionate consolidation method to account for joint ventures. Joint ventures will be accounted for using the equity method of accounting while for a joint operation the venture will recognize its share of the assets, liabilities, revenues and expenses of the joint operation. IFRS 11 supersedes SIC-13 *Jointly Controlled Entities – Non-Monetary*

Contributions by Venturers and IAS 31 *Joint Ventures*. The effective date of this amendment is for annual periods beginning on or after January 1, 2013. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 establishes disclosure requirements for interests in other entities such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interest in other entities. IFRS 12 replaces the previous disclosure requirements included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Joint Ventures* and IAS 28 *Investment in Associates*. The effective date of this amendment is for annual periods beginning on or after January 1, 2013. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 13 *Fair Value Measurement*

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. IFRS 13 defines fair value and establishes disclosures about fair value measurement. The effective date of this amendment is for annual periods beginning on or after January 1, 2013. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IAS 28 *Investments in Associates and Joint Ventures*

The IASB also amended IAS 28, an existing standard, to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 12. The effective date of this amendment is for annual periods beginning on or after January 1, 2013. The Company is in the process of reviewing the impact of this change.

IAS 1 *Presentation of Financial Statements*

The IASB amended IAS 1 by revising how certain items are presented in other comprehensive income ("OCI"). Items within OCI that may be reclassified to profit and loss will be separated from items that will not. The standard is effective for financial years beginning on or after July 1, 2012 with early adoption permitted. The Company will apply this amendment beginning in the first quarter of fiscal 2013. The impact on the consolidated financial statements is that of requiring additional disclosures than currently presented.

IAS 32 *Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosure*

In December 2011, the IASB published *Offsetting Financial Assets and Financial Liabilities* and issued new disclosure requirement in IFRS 7, *Financial Instruments*: *Disclosures*. The effective date for the amendments to IAS 32, *Financial Instruments*: *Presentation* is for annual periods beginning on or after January 1, 2014. The effective date for the amendments to IFRS 7 is for annual periods beginning on or after January 1, 2013. The Company does not expect implementation of these amendments to have a significant impact on its disclosures or presentation.

CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are described in note 3 to the fiscal 2012 consolidated financial statements and notes thereto, which have been prepared in accordance with IFRS. The preparation of these fiscal 2012 consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related 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.

Management uses estimates when accounting for certain items such as revenues, allowance for doubtful accounts, amortization of film investments, useful lives of capital assets, asset impairments, provisions, share-based compensation plans, employee benefit plans, deferred income taxes and impairment of goodwill and intangible assets. Estimates are also made by management when recording the fair value of assets acquired and liabilities assumed in a business combination.

Estimates are based on a number of factors, including historical experience, current events and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The most significant estimates and judgments made by management are described below.

FILM INVESTMENTS

The individual-film-forecast-computation method is used to determine amortization. Under this method, 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' share of production costs for an individual film or television program, are charged to amortization expense on a series or program basis in the same ratio that current period actual revenues bear to management's estimates of the total future revenue expected to be received from such film or television program over a period not to exceed 10 years from the date of delivery. Future revenues are based on historical sales performance for the genre of series or program, the number of episodes produced and the availability of rights in each territory. Estimates of future revenues 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 prospectively. In addition, if revenue estimates change significantly 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, general and administrative expenses and profitability.

IMPAIRMENT OF LONG-LIVED ASSETS

At each reporting date, the Company assesses its long-lived assets, including property, plant and equipment, program and film rights, film investments, goodwill and intangible assets, for potential indicators of impairment, such as an adverse change in business climate that may indicate that these assets may be impaired. If any impairment indicator exists, the Company estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets, in which case the asset is assessed as part of the cash generating unit ("CGU") to which it belongs. An asset's or CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. The determination of the recoverable amount in the impairment assessment requires estimates based on quoted market prices, prices of comparable businesses, present value or other valuation techniques, or a combination thereof, necessitating management to make subjective judgments and assumptions.

Goodwill is allocated to a CGU or group of CGUs for the purposes of impairment testing based on the level at which management monitors it, which is not larger than an operating segment. The Company records an impairment loss if the recoverable amount of the CGU or the group of CGUs is less than the carrying amount. Indefinite-life assets, such as broadcast licenses, are not amortized but are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that an impairment may have occurred.

The Company completes its annual impairment testing process for broadcast licenses and goodwill during the fourth quarter each year.

The test for impairment of either an intangible asset or goodwill is to compare the recoverable amount of the asset or CGU to the carrying value. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets (such as broadcast licenses and goodwill) and the asset's value in use cannot be determined to equal its fair value less costs to sell. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

In calculating the recoverable amount, management is required to make several assumptions including but not limited to segment profit growth rates, future levels of capital expenditures, expected future cash flows and discount rates. The Company's assumptions are influenced by current market conditions and general outlook for the industry, both of which may affect expected segment profit growth rates and expected cash flows. The Company has made certain assumptions for the discount and terminal growth rates to reflect possible variations in the cash flows; however the risk premiums expected by market participants related to uncertainties about the industry, specific reporting units or specific intangible assets may differ or change quickly depending on economic conditions and other events. Changes in any of these assumptions could have a significant impact on the fair value of the reporting unit or the intangible asset and the results of the related impairment testing.

The Company has completed its annual impairment testing of goodwill and intangible assets for fiscal 2012. There was no impairment loss required to be recorded as a result of the testing. No reasonable possible changes in a key assumption would have resulted in an impairment. On September 1, 2010, on the transition to IFRS, the Company completed its impairment testing of goodwill and non-amortizable intangible assets. There was no impairment loss required to be recorded on the Transition Date. The Company also assessed for any indicators that previous impairment losses had decreased. As certain businesses had improved results and outlook, $9.0 million of previously recorded impairment losses on broadcast licenses were reversed.

INCOME TAXES

The Company is subject to income taxes in Canada and foreign jurisdictions. The calculation of income taxes in many cases, however, requires significant judgement in interpreting tax rules and regulations. The Company's tax filings are subject to audits, which could materially change the amount of current and deferred income tax assets and liabilities, and could, in certain circumstances, result in the assessment of interest and penalties.

Additionally, estimation of the income tax provision includes evaluating the recoverability of deferred tax assets based on the assessment of the Company's ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws, estimates of future profitability and tax planning strategies. If the future taxable results of the Company differ significantly from those expected, the Company would be required to increase or decrease the carrying value of the deferred tax assets with a potentially material impact on the Company's consolidated statement of financial position and consolidated statement of comprehensive income. The carrying amount of deferred tax assets is reassessed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to utilize all or part of the deferred tax assets. Unrecognized deferred tax assets are recognized to the extent that it is more likely than not that taxable profit will be available against which deferred tax assets can be utilized.

EMPLOYMENT BENEFIT PLANS

The Company has four defined benefit plans for certain unionized and non-unionized employees and two supplementary executive retirement plans which provide pension benefits to certain of its key senior executives. The amounts reported in the consolidated financial statements related to these plans are determined using actuarial valuations that are based on several assumptions. The assumptions and estimates include the discount rate, expected long-term rate of return on pension plan assets, rate of compensation increase, trend in healthcare costs and expected average remaining years of service of employees. Changes to these assumptions and estimates would impact on the pension plan of the Company as there is no assurance that the plan will be able to earn the assumed rate of return. As well, market-driven changes may result in changes in the discount rates and other variables which would result in the Company being required to make contributions in the future that differ significantly from the current contributions and assumptions incorporated into the actuarial valuation process.

The significant assumptions used on both the benefit obligation and benefit expense are disclosed in note 29 of the consolidated financial statements.

SHARE-BASED COMPENSATION

In the evaluation of the fair value of stock options granted to eligible officers, directors and employees, the Company makes estimates and assumptions. Critical estimates and assumptions include the expected life of stock options, the risk-free interest rate and the expected volatility of the market price of the shares. The Company believes that the assumptions used are reasonable based on information currently available, but changes to these assumptions could impact the fair value of stock options and therefore the share-based compensation costs recorded in direct cost of sales, general and administrative expenses.

CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer, together with management, are responsible for establishing and maintaining disclosure controls and procedures (as defined in National Instrument 52-109) and have designed such disclosure controls and procedures (or caused it to be designed under their supervision) to provide reasonable assurance that material information with respect to Corus, including its consolidated subsidiaries, is made known to them. Disclosure controls and procedures ensure that information required to be disclosed by Corus in the reports that it files or submits under 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.

The Company's Chief Executive Officer and Chief Financial Officer, supported by Corus' management, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by these annual filings, and have concluded that, as of August 31, 2012, the Company's disclosure controls and procedures were effective.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer together with management, are responsible for designing internal control over financial reporting (or cause it to be designed under their supervision) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting in accordance with Canadian GAAP.

The Chief Executive Officer and Chief Financial Officer, supported by Corus' management, evaluated the effectiveness of the Company's internal control over financial reporting, as of August 31, 2012, based on the framework set forth in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on its evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective as of that date.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting that occurred during fiscal 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

ADDITIONAL INFORMATION

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Corus Entertainment Inc. ("Corus") and all the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors (the "Board").

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. 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 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. During the past year, management has maintained the operating effectiveness of internal control over external financial reporting. As at August 31, 2012, our Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision of, the design and operation of our internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) and, based on that assessment, determined that our internal controls over financial reporting were appropriately designed and operating effectively.

The Board 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 "Committee").

The 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 with the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting items, 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 International Financial Reporting Standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Committee.

John M. Cassaday
President and
Chief Executive Officer

Thomas C. Peddie FCA
Executive Vice President
and Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CORUS ENTERTAINMENT INC.

We have audited the accompanying consolidated financial statements of Corus Entertainment Inc., which comprise the consolidated statements of financial position as at August 31, 2012 and 2011, and September 1, 2010, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years ended August 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Corus Entertainment Inc. as at August 31, 2012 and 2011, and September 1, 2010, and its financial performance and its cash flows for the years ended August 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada,
October 25, 2012.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)	**August 31, 2012**	August 31, 2011	September 1, 2010
Assets			
Current			
Cash and cash equivalents	**24,588**	55,922	7,969
Accounts receivable *(notes 4 and 25)*	**173,421**	178,531	175,134
Income taxes recoverable	**9,542**	603	1,781
Prepaid expenses and other	**12,664**	13,497	18,008
Total current assets	**220,215**	248,553	202,892
Tax credits receivable	**43,865**	43,108	39,597
Intangibles, investments and other assets *(note 5)*	**42,390**	39,980	22,699
Property, plant and equipment *(note 6)*	**163,563**	169,600	161,585
Program and film rights *(note 7)*	**271,244**	256,970	244,963
Film investments *(note 8)*	**67,983**	83,133	80,611
Broadcast licenses *(note 9)*	**569,505**	569,505	610,423
Goodwill *(note 9)*	**674,393**	671,827	695,029
Deferred tax assets *(note 20)*	**28,327**	30,915	32,130
	2,081,485	2,113,591	2,089,929
Liabilities and shareholders' equity			
Current			
Accounts payable and accrued liabilities *(note 11)*	**185,991**	206,773	192,839
Provisions *(note 12)*	**2,322**	5,267	13,048
Total current liabilities	**188,313**	212,040	205,887
Long-term debt *(note 13)*	**518,258**	600,796	691,891
Other long-term liabilities *(note 14)*	**87,853**	104,574	95,840
Deferred tax liabilities *(note 20)*	**150,971**	141,361	146,044
Total liabilities	**945,395**	1,058,771	1,139,662
Shareholders' equity			
Share capital *(note 15)*	**910,005**	882,679	856,655
Contributed surplus *(note 15)*	**7,835**	10,299	12,706
Retained earnings	**198,445**	143,717	62,509
Accumulated other comprehensive (loss) income *(note 16)*	**(812)**	(1,075)	342
Equity attributable to shareholders	**1,115,473**	1,035,620	932,212
Equity attributable to non-controlling interest	**20,617**	19,200	18,055
Total shareholders' equity	**1,136,090**	1,054,820	950,267
	2,081,485	2,113,591	2,089,929

Commitments, contingencies and guarantees *(notes 13 and 28)*

See accompanying notes

On behalf of the Board:

John M. Cassaday
Director

Heather A. Shaw
Director

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the years ended August 31, (in thousands of Canadian dollars, except per share amounts)	**2012**	2011
Revenues	**842,276**	825,213
Direct cost of sales, general and administrative expenses *(note 17)*	**552,297**	539,327
Depreciation and amortization *(notes 5 and 6)*	**25,639**	24,922
Interest expense *(note 18)*	**52,269**	57,276
Restructuring *(note 12)*	**2,325**	3,694
Other income, net *(note 19)*	**(3,646)**	(4,060)
Income before income taxes	**213,392**	204,054
Income tax expense *(note 20)*	**57,241**	55,334
Net income for the year from continuing operations	**156,151**	148,720
Net income for the year from discontinued operations *(note 22)*	**—**	5,023
Net income for the year	**156,151**	153,743
Net income attributable to:		
Shareholders from continuing operations	**148,681**	141,511
Shareholders from discontinued operations	**—**	5,023
Non-controlling interest	**7,470**	7,209
	156,151	153,743
Basic earnings per share:		
From continuing operations	**$1.79**	$1.73
From discontinued operations	**—**	$0.06
	$1.79	$1.79
Diluted earnings per share:		
From continuing operations	**$1.78**	$1.72
From discontinued operations	**—**	$0.06
	$1.78	$1.78
Net income for the year	**156,151**	153,743
Other comprehensive income (loss), net of tax		
Unrealized foreign currency translation adjustment	**486**	(1,551)
Unrealized change in fair value of available-for-sale investments	**(223)**	134
Actuarial (loss) gain on employee future benefits	**(2,950)**	433
	(2,687)	(984)
Comprehensive income for the year	**153,464**	152,759
Comprehensive income attributable to:		
Shareholders	**145,994**	145,550
Non-controlling interest	**7,470**	7,209
	153,464	152,759

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)	Share capital *(note 15)*	Contributed surplus *(note 15)*	Retained earnings	Accumulated other comprehensive income (loss) *(note 16)*	Total attributable to shareholders	Non-controlling interest	Total equity
At August 31, 2011	882,679	10,299	143,717	(1,075)	1,035,620	19,200	1,054,820
Comprehensive income (loss)	—	—	148,681	(2,687)	145,994	7,470	153,464
Actuarial loss transfer	—	—	(2,950)	2,950	—	—	—
Dividends declared	—	—	(78,143)	—	(78,143)	(6,053)	(84,196)
Issuance of shares under stock option plan	13,668	(3,622)	—	—	10,046	—	10,046
Issuance of shares under dividend reinvestment plan	25,982	—	—	—	25,982	—	25,982
Shares repurchased	(12,435)	—	(12,860)	—	(25,295)	—	(25,295)
Share-based compensation expense	—	1,158	—	—	1,158	—	1,158
Repayment of executive stock purchase loans	111	—	—	—	111	—	111
At August 31, 2012	**910,005**	**7,835**	**198,445**	**(812)**	**1,115,473**	**20,617**	**1,136,090**
At September 1, 2010	856,655	12,706	62,509	342	932,212	18,055	950,267
Comprehensive income (loss)	—	—	146,534	(984)	145,550	7,209	152,759
Actuarial gain transfer	—	—	433	(433)	—	—	—
Dividends declared	—	—	(64,030)	—	(64,030)	(5,107)	(69,137)
Issuance of shares under stock option plan	13,232	(3,521)	—	—	9,711	—	9,711
Issuance of shares under dividend reinvestment plan	14,657	—	—	—	14,657	—	14,657
Shares repurchased	(1,976)	—	(1,729)	—	(3,705)	—	(3,705)
Share-based compensation expense	—	1,114	—	—	1,114	—	1,114
Repayment of executive stock purchase loans	111	—	—	—	111	—	111
Other	—	—	—	—	—	(957)	(957)
At August 31, 2011	882,679	10,299	143,717	(1,075)	1,035,620	19,200	1,054,820

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended August 31 (in thousands of Canadian dollars)	**2012**	2011
Operating activities		
Net income for the year	**156,151**	153,743
Deduct earnings from discontinued operations	**—**	(5,023)
Add (deduct) non-cash items:		
Depreciation and amortization *(notes 5 and 6)*	**25,639**	24,922
Amortization of program rights *(notes 7 and 17)*	**186,348**	173,521
Amortization of film investments *(notes 8 and 17)*	**32,001**	40,316
Deferred income taxes *(note 20)*	**12,921**	4,110
Share-based compensation expense *(note 15)*	**1,158**	1,114
Imputed interest *(note 18)*	**11,348**	10,770
Gain from asset disposition *(note 19)*	**—**	(3,422)
Gain on acquisition *(notes 19 and 22)*	**(2,383)**	—
Other	**(2,052)**	(2,860)
Net change in non-cash working capital balances related to operations *(note 26)*	**(13,199)**	16,881
Payment of program and film rights	**(196,689)**	(177,325)
Net additions to film investments	**(40,933)**	(61,670)
Cash provided by operating activities from continuing operations	**170,310**	175,077
Cash used in operating activities from discontinued operations *(note 22)*	**—**	(13,262)
Cash provided by operating activities	**170,310**	161,815
Investing activities		
Additions to property, plant and equipment *(note 6)*	**(19,243)**	(45,991)
Business combination *(note 22)*	**(4,104)**	—
Proceeds from asset disposition	**—**	7,971
Net cash flows for intangibles, investments and other assets	**(11,290)**	(2,456)
Other	**(635)**	(1,273)
Cash used in investing activities from continuing operations	**(35,272)**	(41,749)
Cash provided by investing activities from discontinued operations *(note 22)*	**—**	74,996
Cash provided by (used in) investing activities	**(35,272)**	33,247
Financing activities		
Decrease in bank loans	**(84,750)**	(92,838)
Issuance of shares under stock option plan	**10,046**	9,711
Shares repurchased *(note 15)*	**(25,295)**	(3,705)
Dividends paid	**(50,783)**	(45,528)
Dividends paid to non-controlling interest	**(6,053)**	(5,107)
Other	**(9,537)**	(9,642)
Cash used in financing activities from continuing operations	**(166,372)**	(147,109)
Net decrease in cash and cash equivalents during the year from continuing operations	**(31,334)**	(13,781)
Net increase in cash and cash equivalents during the year from discontinued operations	**—**	61,734
Net increase (decrease) in cash and cash equivalents during the year	**(31,334)**	47,953
Cash and cash equivalents, beginning of year	**55,922**	7,969
Cash and cash equivalents, end of year	**24,588**	55,922

Supplemental cash flow disclosures *(note 26)*
See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Corus Entertainment Inc. (the "Company" or "Corus") 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 Stock Exchange (the "TSX").

The Company's registered office is at 1500, 850 – 2nd Street SW, Calgary, Alberta, T2P 0R8. The Company's executive office is at Corus Quay, 25 Dockside Drive, Toronto, Ontario, M5A 0B5.

These consolidated financial statements include the accounts of the Company and all its subsidiaries and joint ventures. The Company's principal business activities are: the operation of radio stations; the operation of specialty, pay and conventional television networks; and the Corus content business which consists of the production and distribution of television programs, merchandise licensing, publishing and the production and distribution of animation software.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with *International Financial Reporting Standards* ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have been prepared using the accounting policies in Note 3. These are the first annual consolidated financial statements the Company has prepared under IFRS and include a Transition to IFRS section which describes differences in certain accounting policies and methods between previously applied Canadian generally accepted accounting principles ("Canadian GAAP") and IFRS, and the changes from reported to restated results for the year ended August 31, 2011 and as at September 1, 2010.

These consolidated financial statements have been authorized for issue in accordance with a resolution from the Board of Directors on October 25, 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements have been prepared on a cost basis, except for derivative financial instruments and available-for-sale financial assets, which have been measured at fair value. The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency, and all values are rounded to the nearest thousand ($000), except where otherwise noted. Each entity consolidated by the Company determines its own functional currency based on the primary economic environment in which the entity operates.

BASIS OF CONSOLIDATION

Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, which are the entities over which the Company has control. Control exists when the entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The non-controlling interest component of the Company's subsidiaries is included in equity.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the Company's subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-company balances, transactions, unrealized gains and losses resulting from intra-company transactions and dividends are eliminated in full.

Associates

Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The Company accounts for investments over which it has significant influence using the equity method.

Interests in investments accounted for using the equity method are originally recognized at cost. Under the equity method, the investment in the associate is carried on the consolidated statement of financial position at cost plus post-acquisition changes in the Company's share of income and other comprehensive income ("OCI"), less distributions of the investee. Goodwill on the acquisition of the associates is included in the cost of the investments and is neither amortized nor assessed for impairment separately.

The financial statements of the Company's equity-accounted-for investments are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company. All intra-company unrealized gains resulting from intra-company transactions and dividends are eliminated against the investment to the extent of the Company's interest in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

After the application of the equity method, the Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired and consequently, whether it is necessary to recognize an additional impairment loss on the Company's investment in its associate. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statements of income and comprehensive income.

Joint arrangements

The Company enters into joint arrangements with others whereby economic activity and decision-making are shared between two or more parties. These arrangements take the form of jointly controlled entities.

A jointly controlled entity involves the establishment of a corporation, partnership or other entity whereby the participants have a contractual arrangement that establishes joint control over the economic activities of the entity. The Company recognizes its interest in jointly controlled entities using the proportionate consolidation method. The Company combines its proportionate share of each of the assets, liabilities, income and expenses of jointly controlled entities with similar items, line by line, in its consolidated financial statements.

The financial statements of the Company's jointly controlled entities are prepared for the same reporting period as the Company. Adjustments are made where necessary to bring the accounting policies in line with those of the Company.

Unrealized gains and losses resulting from transactions between the Company and the joint arrangements are eliminated to the extent of the interest in the joint arrangements.

Transactions eliminated on consolidation

Intra-group balances and transactions are eliminated on consolidation. Unrealized gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Company's interest in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method of accounting, which requires the Company to identify and attribute values and estimated lives to the intangible assets acquired based on their estimated fair value. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk and weighted average cost of capital. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in other expense (income), net.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be a financial asset or liability will be recognized in accordance with International Accounting Standard ("IAS") 39 *Financial Instruments*: *Recognition and Measurement* either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

REVENUE RECOGNITION

Advertising revenues are recognized in the period in which the advertising is aired under broadcast contracts and collection is reasonably assured.

Subscriber fee revenues are recognized monthly based on estimated subscriber levels for the period end, which are based on the preceding month's actual subscribers as submitted by the broadcast distribution undertakings.

The Company's revenues related to product and distribution revenues from the distribution and licensing of film rights; royalties from merchandise licensing, publishing and music contracts; sale of licenses, customer support, training and consulting related to the animation software business; and revenues from customer support are recognized when the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; the stage of completion of the transaction at the end of the reporting period can be measured reliably; and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

The Company's revenues related to the sale of books is recorded when the significant risks and rewards of ownership have transferred to the buyer; the Company does not retain either continuing managerial involvement or effective control; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred or to be incurred can be measured reliably.

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

Non-refundable advances, whether recoupable or non-recoupable, on royalties is recognized when the license period has commenced and collection is reasonably assured, unless there are future performance obligations associated with the royalty advance for which, in that case, revenue recognition is deferred and recognized when the performance obligations are discharged. Refundable advances are deferred and recognized as revenue as the performance obligations are discharged.

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. Cash that is held in escrow, or otherwise restricted from use, is excluded from current assets and is reported separately from cash and cash equivalents.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment, and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Repair and maintenance costs are recognized in the consolidated statements of income and comprehensive income as incurred.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Land and assets not available for use	Not depreciated
Equipment	
Broadcasting	5 - 10 years
Computer	3 - 5 years
Leasehold improvements	Lease term
Buildings	
Structure	20 - 30 years
Components	10 - 20 years
Furniture and fixtures	7 years
Other	4 - 10 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of income and comprehensive income when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at least annually and the depreciation charge is adjusted prospectively, if appropriate.

BORROWING COSTS

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they are incurred.

PROGRAM RIGHTS

Program rights represent contract rights acquired from third parties to broadcast television programs, feature films and radio programs. The assets and liabilities related to these rights are recorded when the Company controls the asset, the expected future economic benefits are probable and the cost is reliably measurable. The Company generally considers these criteria to be met and records the assets and liabilities when the license period has begun, the program material is accepted by the Company and the material is available for airing. Long-term liabilities related to these rights are recorded at the net present values of future cash flows, using an appropriate discount rate. These costs are amortized over the contracted exhibition period as the programs or feature films are aired. Program and film rights are carried at cost less accumulated amortization. At each reporting date, the Company assesses its program rights for indicators of impairment and, if any exist, the Company estimates the asset's or cash generating unit's ("CGU's") recoverable amount. When the recoverable amount is determined for the asset, the recoverable amount of program rights is based on management's expected future usage of the programs.

Amortization of program 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 third-party-produced equity film investments. Such costs include development and production expenditures and attributed studio and other costs that are expected to benefit future periods. Costs are capitalized upon project greenlight for produced and acquired films and television programs.

The individual-film-forecast-computation method is used to determine amortization. Under this method, 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' share of production costs, are charged to amortization expense on a series or program basis in the same ratio that current-period actual revenues (numerator) bears to estimated remaining unrecognized future revenues as of the beginning of the current fiscal year (denominator). Future revenues are projected for periods generally not exceeding 10 years from the date of delivery or acquisition. For episodic television series, future revenues include estimates of revenues over a period generally not exceeding 10 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. Future revenues are based on historical sales performance for the genre of series or program, the number of episodes produced and the availability of rights in each territory. Estimates of future revenues 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 prospectively. In addition, if revenue estimates change significantly 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, general and administrative expenses and profitability.

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 and recoverable amount as determined on a series or program basis. Revenue and cost forecasts for each production are evaluated at each reporting date 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 recoverable amount of a film is less than its unamortized cost, the carrying value is compared to the recoverable amount and if the carrying value is higher, the carrying value is written down to the recoverable amount. The recoverable amount of the film is determined using management's estimates of future revenues under a discounted cash flow approach.

Third-party-produced equity film investments are carried at fair value. Cash received from an investment is recorded as a reduction of such investment on the consolidated statements of financial position and the Company records revenue on the consolidated statements of income and comprehensive income only when the investment is fully recouped.

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

GOODWILL AND INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in a business combination are measured at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets such as goodwill, brands and customer lists, excluding capitalized program and film development costs, are not capitalized and expenditures are reflected in the consolidated statements of income and comprehensive income in the year in which the expenditure is incurred.

Intangible assets are recognized separately from goodwill when they are separable or arise from contractual or other legal rights and their fair value can be measured reliably. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income and comprehensive income in the expense category, consistent with the function of the intangible assets.

Amortization is recorded on a straight-line basis over the estimated useful life of the asset as follows:

Brand names, trade marks and digital rights	Agreement term
Software, patents and customer lists	3 - 5 years

Intangible assets with indefinite useful lives are not amortized. Broadcast licenses are considered to have an indefinite life based on management's intent and ability to renew the licenses without significant cost and without material modification of the existing terms and conditions of the license. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to a CGU or group of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The group of CGUs is not larger than the level at which management monitors goodwill or the Company's operating segments.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair value of the operation disposed of and the portion of the CGU retained.

Broadcast licenses and goodwill are tested for impairment annually or more frequently if events or circumstances indicate that they may be impaired. The Company completes its annual testing during the fourth quarter each year.

Broadcast licenses by themselves do not generate cash inflows and therefore, when assessing these assets for impairment, the Company looks to the CGU to which the asset belongs. The identification of CGUs involves judgment and is based on how senior management monitors operations; however, the lowest aggregations of assets that generate largely independent cash inflows represent CGUs for broadcast license impairment testing.

CGUs for broadcast license impairment testing

For the Radio segment, the Company has determined that the CGU is a radio cluster whereby a cluster represents a geographic area, generally a city, where radio stations are combined for the purpose of managing performance. These clusters are managed as a single asset by a general manager and overhead costs are allocated amongst the cluster and have independent cash inflows at the cluster level.

For the Television segment, the Company has determined that there are three CGUs: (1) specialty and pay television networks that are operated and managed directly by the Company; (2) Teletoon (a jointly controlled entity); and (3) Telelatino (a non-wholly owned subsidiary), as these are the levels at which independent cash inflows have been identified.

Groups of CGUs for goodwill impairment testing

For purposes of impairment testing of goodwill, the Company has grouped the CGUs within the Radio and Television operating segments and is performing the test at the operating segment level. This is the lowest level at which management monitors goodwill for internal management purposes.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of income and comprehensive income when the asset is derecognized.

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 fee 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 internally produced film investments is recorded as a reduction in film investments. The accrual of production tax credits on a contemporaneous basis with production expenditures are based on a five-year historical trending of the ratio of actual production tax credits received to total production tax credits applied for.

Government assistance with respect to digital activities is recorded as a reduction in the related expenses when management has reasonable assurance that the conditions of the government programs are met.

Government grants approved for specific publishing projects are recorded as revenue when the related expenses are incurred and there is reasonable assurance of realization.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities of operations having a functional currency other than Canadian dollars are translated at the rate of exchange at the consolidated statements of financial position date. Revenues and expenses are translated at average rates for the year. The resulting foreign currency translation adjustments are recognized in OCI.

Foreign currency transactions are translated into the functional currency at the rate of exchange at the transaction date. Foreign currency denominated monetary assets and liabilities are translated to the functional currency at the rate of exchange at the consolidated statements of financial position date. Gains and losses on translation of monetary items are recognized in the consolidated statements of income and comprehensive income.

INCOME TAXES

Tax expense comprises current and deferred income taxes. Tax expense is recognized in the consolidated statements of income and comprehensive income, unless it relates to items recognized outside the consolidated statements of income and comprehensive income. Tax expense relating to items recognized outside of the consolidated statements of income and comprehensive income is recognized in correlation to the underlying transaction in either OCI or equity.

Current income tax

The Company records current income tax expense or recovery based on taxable income earned or loss incurred for the period in each tax jurisdiction where it operates, and for any adjustment to taxes payable in respect of previous years, using tax laws that are enacted or substantively enacted at the consolidated statements of financial position date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation. The Company establishes provisions related to tax uncertainties where appropriate based on its best estimate of the amount that will ultimately be paid to or received from taxation authorities.

Deferred tax

The Company uses the liability method of accounting for deferred income taxes. Under this method, the Company recognizes deferred income tax assets and liabilities for future income tax consequences attributable to temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases, and on unused tax losses and tax credit carryforwards. The deferred tax assets and liabilities related to intangible assets with indefinite useful lives have been measured based on the Company's expectation that these assets will be recovered through use. The Company measures deferred income taxes using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The Company recognizes deferred income tax assets only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences as well as unused tax losses and tax credit carryforwards can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. The Company recognizes the effect of a change in income tax rates in the period of enactment or substantive enactment.

Deferred income taxes are not recognized if they arise from the initial recognition of goodwill, nor are they recognized on temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred income taxes are also not recognized on temporary differences relating to investments in subsidiaries to the extent that it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

To determine the provision for income taxes, certain assumptions are made, including filing positions on certain items and the ability to realize deferred tax assets. In the event the outcome differs from management's assumptions and estimates, the effective tax rate in future periods could be affected.

PROVISIONS

Provisions are recognized if the Company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation as of the date of the consolidated statements of financial position, taking into account the risks and uncertainties surrounding the obligation. In some situations, external advice may be obtained to assist with the estimates.

Provisions are discounted and measured at the present value of the expenditure expected to be required to settle the obligation, using an after-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense. Future information could change the estimates and thus impact the Company's financial position and results of operations.

FINANCIAL INSTRUMENTS

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale ("AFS"), as appropriate. The Company determines the classification of its financial assets at initial recognition.

Financial instruments classified as at fair value through profit or loss and financial assets classified as AFS are recognized on trade date, which is the date that the Company commits to purchase or sell the asset.

The Company has classified its financial instruments as follows:

Fair value through profit or loss	Loans and receivables	Available-for-sale	Other financial liabilities
• Cash and cash equivalents	• Accounts receivable • Loans and other receivables included in “Investments and other assets”	• Other portfolio investments included in “Investments and other assets” • Third-party-produced equity film investments	• Accounts payable and accrued liabilities • Provisions • Long-term debt • Other long-term financial liabilities included in “Other long-term liabilities”

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried at fair value. Changes in fair value are recognized in other income (expense) in the consolidated statements of income and comprehensive income. Cash and cash equivalents consist of cash in the bank and short-term investments with maturities on acquisition of three months or less.

Loans and receivables

Loans and receivables are initially recognized at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment. Receivables are reduced by provisions for estimated bad debts which are determined by reference to past experience and expectations.

Financial assets classified as AFS

Financial assets that are not classified as at fair value through profit or loss or as loans and receivables are classified as AFS. A financial asset classified as AFS is initially recognized at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. AFS financial instruments are subsequently measured at fair value with unrealized gains and losses recognized in OCI and accumulated in accumulated other comprehensive income (“AOCI”) until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss is reclassified to the consolidated statements of income and comprehensive income and removed from AOCI. AFS equity instruments not quoted in an active market where fair value is not reliably determinable are recorded at cost less impairment, if any, determined based on the present values of expected future cash flows.

Other financial liabilities

Financial liabilities within the scope of IAS 39 are classified as other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition.

Other financial liabilities are measured at amortized cost using the effective interest rate method. Long-term debt instruments are initially measured at fair value, which is the consideration received, net of transaction costs incurred. Transaction costs related to the long-term debt instruments are included in the value of the instruments and amortized using the effective interest rate method.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, or when the Company transfers its rights to receive cash flows from the asset and the associated risks and rewards to a third party. The unrealized gains and losses recorded in AOCI are transferred to the consolidated statements of income and comprehensive income on disposal of an AFS asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Determination of fair value

Fair value is defined as the price at which an asset or liability could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale. The fair value of instruments that are quoted in active markets is determined using the quoted prices where they represent those at which regularly and recently occurring transactions take place. The Company uses valuation techniques to establish the fair value of instruments where prices quoted in active markets are not available. Therefore, where possible, parameter inputs to the valuation techniques are based on observable data derived from prices of relevant instruments traded in an active market. These valuation techniques involve some level of management estimation and judgment, the degree of which will depend on the price transparency for the instrument or market and the instrument's complexity.

The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair values of cash and cash equivalents and bank overdraft are classified within Level 1 because they are based on quoted prices for identical assets in active markets.

The fair value of portfolio investments measured at fair value is classified within Level 2 because even though the security is listed, it is not actively traded.

The fair value of third-party-produced equity film investments and the related forward purchase obligations are classified within Level 3 as there is little to no market activity, and are based on a discounted cash flow model and expected cash flows.

SHARE-BASED COMPENSATION

The Company has a stock option plan, two Deferred Share Units ("DSUs") plans, two Performance Share Units ("PSUs") plans and a Restricted Share Units ("RSUs") plan, with units under such plans awarded to certain employees and directors.

The fair value of the stock options granted which represent equity awards are measured using the Black-Scholes option pricing model. For stock options, the model considers each tranche with graded vesting features as a separate share option grant. Forfeitures for the stock options are estimated on the grant date and revised if the actual forfeitures differ from previous estimates.

This fair value is recognized as share-based compensation expense over the vesting periods with a related credit to contributed surplus. The contributed surplus balance is reduced as options are exercised through a credit to share capital. The consideration paid by option holders is credited to share capital when the options are exercised.

Eligible executives and non-employee directors may elect to receive DSUs equivalent in value to Class B Non-Voting Shares of the Company in lieu of certain cash payments. Share-based compensation expense is recorded in the year of receipt of the DSUs and changes in the fair value of outstanding DSUs, including deemed dividend equivalents, are recorded as an expense in the period that they occur. These DSUs can only be redeemed once the executive or director is no longer employed with the Company. Outstanding DSUs are recorded as long-term liabilities.

Eligible executives may be granted awards of DSUs, PSUs and RSUs equivalent in value to Class B Non-Voting Shares of the Company. PSUs, DSUs and RSUs vest after three to five years and are settled in cash at the end of the restriction period. DSUs, PSUs and RSUs are accrued over the three to five-year vesting period as share-based compensation expense and a related liability.

Forfeitures are estimated on the grant date and revised if the actual forfeitures differ from the estimates. The liability is recorded at fair value, which includes deemed dividend equivalents in the case of PSUs and DSUs, at each reporting date. Accrued DSUs, PSUs and RSUs are recorded as long-term liabilities, except for the portion that will vest within 12 months which is recorded as a current liability.

Each DSU and RSU entitles the participant to receive a cash payment in an amount equal to the 20-day volume weighted average price ("VWAP") of Class B Non-Voting Shares traded on the TSX at the end of the restriction period.

For PSUs granted in fiscal 2010, 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 TSX at the end of the restriction period, multiplied by the number of vested units determined by achievement of specific performance-based criteria. For PSUs granted in fiscal 2011 and thereafter, participants are entitled to receive a cash payment in an amount equal to the 20-day VWAP of Class B Non-Voting Shares traded on the TSX at the end of the restriction period, multiplied by the number of vested units determined by achievement of specific performance-based criteria.

The cost of share-based compensation is included in direct cost of sales, general and administrative expenses.

EMPLOYEE BENEFITS

The Company has early adopted the revised version of IAS 19 *Employee Future Benefits* fully and retrospectively.

The Company maintains capital accumulation (defined contribution) and defined benefit employee benefit plans. Company contributions to capital accumulation plans are expensed as incurred.

The defined benefit plans are unfunded plans for members of senior management and funded plans for certain other employees. The costs of providing benefits under the defined benefit plans are calculated by independent actuaries separately for each plan using the projected unit credit method prorated on service and management's best estimate of assumptions of future investment returns for funded plans, salary increases and retirement ages of employees. On an interim basis, management estimates the changes in the actuarial gains and losses. These estimates are adjusted when the annual valuation or estimate is completed by the independent actuaries. The present value of the defined benefit obligations are determined by discounting estimated future cash flows using a discount rate based on high-quality corporate bonds with maturities that match the expected maturity of the obligations. A lower discount rate would result in a higher employee benefit obligation.

Current service, interest and past service costs and gains or losses on settlement are recognized in the consolidated statements of income and comprehensive income. Actuarial gains and losses for the plan are recognized in full in the period in which they occur in OCI. Such actuarial gains and losses are also immediately recognized in retained earnings and are not reclassified to profit or loss in subsequent periods. The asset or liability that is recognized on the consolidated statements of financial position is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets and unrecognized past service costs. For the funded plans, the value of any minimum funding requirements (as determined by the applicable pension legislation) is recognized to the extent that the amounts are considered recoverable. Recoverability is primarily based on the extent to which the Company can reduce the future contributions to the plan.

Past service costs are recognized immediately upon the introduction of, or changes to, the defined benefit plan.

IMPAIRMENT OF LONG-LIVED ASSETS

At each reporting date, the Company assesses its long-lived assets, including property, plant and equipment, program and film rights, film investments, goodwill and intangible assets, for potential indicators of impairment, such as an adverse change in business climate that may indicate that these assets may be impaired. If any impairment indicator exists, the Company estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets, in which case the asset is assessed as part of the CGU to which it belongs. An asset's or CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. The determination of the recoverable amount in the impairment assessment requires estimates based on quoted market prices, prices of comparable businesses, present value or other valuation techniques, or a combination thereof, necessitating management to make subjective judgments and assumptions.

The Company records impairment losses on its long-lived assets when the Company believes that their carrying value may not be recoverable. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If the reasons for impairment no longer apply, impairment losses may be reversed up to a maximum of the carrying amount of the respective asset if the impairment loss had not been recognized.

Goodwill

Goodwill is reviewed for impairment annually or more frequently if there are indications that impairment may have occurred.

Goodwill is allocated to a CGU or group of CGUs for the purposes of impairment testing based on the level at which management monitors it, which is not larger than an operating segment. The Company records an impairment loss if the recoverable amount of the CGU or the group of CGUs is less than the carrying amount.

Refer to note 10 for further details on the Company's annual impairment testing process for goodwill.

Broadcast licenses

Broadcast licenses are reviewed for impairment annually or more frequently if there are indications that impairment may have occurred.

Broadcast licenses are allocated to a CGU for the purposes of impairment testing. The Company records an impairment loss if the recoverable amount of the CGU is less than the carrying amount.

Refer to note 10 for further details on the Company's annual impairment testing process for broadcast licenses.

Intangible assets
The useful lives of the intangible assets with definite lives (which are amortized) are confirmed at least annually and only tested for impairment if events or changes in circumstances indicate that an impairment may have occurred.

LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. Where the Company is the lessee, asset values recorded under finance leases are amortized on a straight-line basis over the period of expected use. Obligations recorded under finance leases are reduced by lease payments net of imputed interest. Operating lease commitments, for which lease payments are recognized as an expense in the consolidated statements of income and comprehensive income, are recognized on a straight-line basis over the lease term.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statements of income and comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Company retains a non-controlling interest in the subsidiary after the sale.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

EARNINGS PER SHARE

Basic earnings per share are calculated using the weighted average number of common shares outstanding during the year. The computation of diluted earnings 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 stock options is determined using the treasury stock method.

USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, 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. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results.

The most significant estimates made by management in the preparation of the Company's consolidated financial statements include estimates related to:

- future revenue projections used in determining amortization of film investments;
- impairment of long-lived assets including property, plant and equipment, program and film rights, film investments, goodwill and intangible assets;
- determining fair value of share-based compensation;
- employment benefit plans; and
- tax provisions and uncertain tax positions in each of the jurisdictions in which the Company operates.

The most significant judgments made by management in the preparation of the Company's consolidated financial statements include judgments related to:

- identifying CGUs;
- determining indefinite lived intangibles and broadcast licenses; and
- determining tax rate for recognition of deferred tax on broadcast licenses.

The significant assumptions that affect these estimates and judgements in the application of accounting policies are noted throughout these consolidated financial statements.

PENDING ACCOUNTING CHANGES

IAS 12 *Income Taxes*

In December 2010, the IASB amended IAS 12 for the recovery of underlying assets measured at fair value and the impact on deferred taxes. The amendments provide a solution to the problem of assessing whether recovery would be through use or through sale when the asset is measured at fair value under IAS 40 *Investment Property*, by adding the presumption that the recovery would normally be through sale. The amendment also incorporates the remaining guidance in SIC-21 *Income Taxes – Recovery of Revalued Non-depreciable Assets*, as SIC-21 has been withdrawn. The effective date of the amendment is for annual periods beginning on or after January 1, 2012. The Company will apply this amendment beginning in the first quarter of fiscal 2013.

The Company currently has no investment property as defined by IAS 40 and, as such, does not expect the implementation of the amendment to have an impact on its consolidated financial statements.

IFRS 9 *Financial Instruments*

In November 2009, the IASB issued IFRS 9, which covers classification and measurement as the first part of its project to replace IAS 39. In October 2010, the IASB also incorporated new accounting requirements for liabilities. The standard introduces new requirements for measurement and eliminates the current classification of loans and receivables, AFS and held-to-maturity, currently in IAS 39. There are new requirements for the accounting of financial liabilities as well as a carryover of requirements from IAS 39. The Company does not anticipate early adoption and will adopt the standard when it is mandated by the IASB, which is in fiscal 2016. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 10 *Consolidated Financial Statements*

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 supersedes SIC-12 *Consolidations – Special Purpose Entities* and replaces parts of IAS 27 *Consolidated and Separate Financial Statements*. The effective date of this amendment is for annual periods beginning on or after January 1, 2013. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 11 *Joint Arrangements*

IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint operation or a joint venture. The standard eliminates the use of the proportionate consolidation method to account for joint ventures. Joint ventures will be accounted for using the equity method of accounting while, for a joint operation, the venture will recognize its share of the assets, liabilities, revenues and expenses of the joint operation. IFRS 11 supersedes SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers* and IAS 31 *Joint Ventures*. The effective date of this amendment is for annual periods beginning on or after January 1, 2013. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 establishes disclosure requirements for interests in other entities such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interest in other entities. IFRS 12 replaces the previous disclosure requirements included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Joint Ventures* and IAS 28 *Investment in Associates*. The effective date of this amendment is for annual periods beginning on or after January 1, 2013. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 13 *Fair Value Measurement*

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. IFRS 13 defines fair value and establishes disclosures about fair value measurement. The effective date of this amendment is for annual periods beginning on or after January 1, 2013. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IAS 28 *Investments in Associates and Joint Ventures*

The IASB also amended IAS 28, an existing standard, to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 12. The effective date of this amendment is for annual periods beginning on or after January 1, 2013. The Company is in the process of reviewing the impact of this change.

IAS 1 *Presentation of Financial Statements*

The IASB amended IAS 1 by revising how certain items are presented in OCI. Items within OCI that may be reclassified to profit and loss will be separated from items that will not. The standard is effective for financial years beginning on or after July 1, 2012, with early adoption permitted. The Company will apply this amendment beginning in the first quarter of fiscal 2013. The impact on the consolidated financial statements is that of requiring additional disclosures than currently presented.

IAS 32 *Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures*

In December 2011, the IASB published *Offsetting Financial Assets and Financial Liabilities* and issued new disclosure requirements in IFRS 7 *Financial Instruments*: *Disclosures*. The effective date for the amendments to IAS 32 *Financial Instruments*: *Presentation* is for annual periods beginning on or after January 1, 2014. The effective date for the amendments to IFRS 7 is for annual periods beginning on or after January 1, 2013. The Company does not expect implementation of these amendments to have a significant impact on its disclosures or presentation.

4. ACCOUNTS RECEIVABLE

	August 31, 2012,	August 31, 2011,	September 1, 2010,
Trade	**163,454**	159,197	166,683
Other	**12,820**	21,857	11,535
	176,274	181,054	178,218
Less allowance for doubtful accounts	**2,853**	2,523	3,084
	173,421	178,531	175,134

5. INTANGIBLES, INVESTMENTS AND OTHER ASSETS

	Intangibles	Investments in associates	Other assets	Total
Balance - September 1, 2010	11,744	7,914	3,041	22,699
Increase (decrease) in investment	17,019	3,283	1,846	22,148
Equity earnings in associates	—	1,026	—	1,026
Dividends from associates	—	(3,200)	—	(3,200)
Amortization of intangible assets	(2,849)	—	—	(2,849)
Fair value adjustment	—	—	156	156
Balance - August 31, 2011	25,914	9,023	5,043	39,980
Increase (decrease) in investment	(8,953)	12,404	3,721	7,172
Equity earnings in associates	—	2,111	—	2,111
Dividends from associates	—	(3,100)	—	(3,100)
Amortization of intangible assets	(3,509)	—	—	(3,509)
Fair value adjustment	—	—	(264)	(264)
Balance - August 31, 2012	**13,452**	**20,438**	**8,500**	**42,390**

The Company expects the net book value of intangible assets with a finite life to be amortized by December 2020.

In assessing the level of control or influence that the Company has over an investment, management considers ownership percentages, board representation, as well as other relevant provisions in shareholder agreements. The Company exercises significant influence over the following significant investments which have been accounted for using the equity method and are included in other assets.

B5MEDIA

B5Media is a global lifestyle publisher of women's sites covering fashion, beauty, wellness, career, relationships, parenting and entertainment. Its websites include: Blisstree, Crushable, The Gloss, The Grindstone and Mommyish.

FINGERPRINT DIGITAL INC.

Fingerprint is an early stage mobile gaming company that focuses on educational gaming platforms for kids and their parents across any connected device.

FOOD NETWORK

Food Network is a Canadian Category A specialty television network. This brand is the destination for Canadians for all things food-related and provides entertainment programming related to food and nutrition.

Food Network has been classified as an associated business based on management's judgment that the Company has, based on rights to board representation and other provisions in the shareholder agreement, significant influence despite owning only 19.9% of the voting rights.

KIDSCO LIMITED

KidsCo Limited is an international children's television channel for preschoolers, children aged 6-10 and families. The channel is available in 18 languages and presented in approximately 100 territories on satellite, cable and IPTV platforms across Europe, Asia, Africa, Australia and the Middle East.

SUPERNOVA INTERACTIVE INC.

Supernova Interactive Inc. (which operates under the name SoCast) is a digital media company that develops and creates software service platforms, including its social relationship management platform for entertainment companies.

The following amounts represent the Company's share in the financial position and results of operations of the associates:

	August 31, 2012,	August 31, 2011,	September 1, 2010,
Assets	**25,736**	11,769	10,964
Liabilities	**5,298**	2,746	3,050
Net assets	**20,438**	9,023	7,914

(for the year ended)	**August 31, 2012**	August 31, 2011
Revenues	**15,126**	13,965
Expenses	**13,015**	12,939
Net income for the year	**2,111**	1,026

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Broadcasting and computer equipment	Buildings and leasehold improvements	Furniture and fixtures	Other	Assets under construction	Total
Cost							
Balance - September 1, 2010	6,868	135,104	95,818	18,284	1,667	3,429	261,170
Additions	—	26,422	21,041	1,924	1,655	—	51,042
Acquisitions	—	—	—	—	—	—	—
Disposals and retirements	(1,313)	(18,311)	(16,334)	(1,889)	(102)	—	(37,949)
Reclassifications	—	2,560	78	539	252	(3,429)	—
Balance - August 31, 2011	5,555	145,775	100,603	18,858	3,472	—	274,263
Additions	—	12,459	4,602	1,936	313	—	19,310
Acquisitions	—	1,236	24	35	—	—	1,295
Disposals and retirements	(16)	(3,466)	(402)	(438)	(52)	—	(4,374)
Balance - August 31, 2012	**5,539**	**156,004**	**104,827**	**20,391**	**3,733**	**—**	**290,494**
Accumulated depreciation							
Balance - September 1, 2010	—	77,265	15,646	5,893	781	—	99,585
Depreciation	—	16,477	5,734	2,373	338	—	24,922
Disposals and retirements	—	(10,071)	(8,476)	(1,239)	(58)	—	(19,844)
Balance - August 31, 2011	—	83,671	12,904	7,027	1,061	—	104,663
Depreciation	—	17,237	5,489	2,361	316	—	25,403
Acquisitions	—	1,105	8	12	—	—	1,125
Disposals and retirements	—	(3,378)	(392)	(433)	(57)		(4,260)
Balance - August 31, 2012	**—**	**98,635**	**18,009**	**8,967**	**1,320**	**—**	**126,931**
Net book value							
September 1, 2010	6,868	57,839	80,172	12,391	886	3,429	161,585
August 31, 2011	5,555	62,104	87,699	11,831	2,411	—	169,600
August 31, 2012	**5,539**	**57,369**	**86,818**	**11,424**	**2,413**	**—**	**163,563**

Included in property, plant and equipment are assets under finance lease with a cost of $27,355 at August 31, 2012 (August 31, 2011 - $27,341; September 1, 2010 - $25,137) and accumulated depreciation of $11,850 (August 31, 2011 - $6,286; September 1, 2010 - $1,060).

7. PROGRAM AND FILM RIGHTS

	Total
Balance - September 1, 2010	244,963
Additions	173,806
Transfer from film investments	11,722
Amortization	(173,521)
Balance - August 31, 2011	256,970
Additions	174,824
Transfer from film investments	25,798
Amortization	(186,348)
Balance - August 31, 2012	**271,244**

	August 31, 2012	August 31, 2011	September 1, 2010
Cost	**861,152**	766,945	702,340
Accumulated amortization	**589,908**	509,975	457,377
Net book value	**271,244**	256,970	244,963

The Company expects that 49% of the net book value of program and film rights will be amortized during the year ended August 31, 2013. The Company expects the net book value of program and film rights to be amortized by November 2018.

8. FILM INVESTMENTS

The following table sets out the continuity for film investments which includes the Company's internally produced proprietary film and television programs, acquired distribution rights and third-party-produced equity film investments from September 1, 2010:

	Total
Balance - September 1, 2010	80,611
Additions	74,328
Tax credit accrual	(19,768)
Amortization	(40,316)
Transfers to program rights	(11,722)
Balance - August 31, 2011	83,133
Additions	68,382
Tax credit accrual	(25,733)
Amortization	(32,001)
Transfers to program rights	(25,798)
Balance - August 31, 2012	**67,983**

	August 31, 2012	August 31, 2011	September 1, 2010
Cost	**908,601**	888,759	857,967
Accumulated amortization	**840,618**	805,626	777,356
Net book value	**67,983**	83,133	80,611

The Company expects that 34% of the net book value of film investments will be amortized during the year ended August 31, 2013. The Company expects the net book value of film investments to be amortized by August 2023.

The Company expects that $12,089 of accrued participation liabilities included in trade accounts payable and accrued liabilities will be paid during the year ended August 31, 2013.

9. BROADCAST LICENSES AND GOODWILL

Broadcast licenses and goodwill are tested for impairment annually as at August 31, or more frequently if events or changes in circumstances indicate that they may be impaired. At August 31, 2012, the Company performed its annual impairment test for fiscal 2012 and determined that there were no impairments for the year then ended.

The changes in the book value of goodwill for the years ended August 31 were as follows:

	Total
Balance - September 1, 2010	695,029
Acquisitions	—
Disposals	(23,202)
Balance - August 31, 2011	671,827
Acquisitions	2,566
Balance - August 31, 2012	**674,393**

During fiscal 2012, the Company acquired the remaining 50% of the outstanding shares of Toon Boom Animation Inc. ("Toon Boom") (note 22). During fiscal 2011, the Company disposed of goodwill that pertained to the disposal of the Quebec Radio segment (note 22).

The changes in the book value of broadcast licenses for the years ended August 31 were as follows:

	Total
Balance - September 1, 2010	610,423
Disposals	(40,918)
Balance - August 31, 2011	569,505
Balance - August 31, 2012	**569,505**

During fiscal 2011, the Company disposed of broadcast licenses that pertained to the disposal of the Quebec Radio Segment (note 22). Broadcast licenses and goodwill are located primarily in Canada.

10. IMPAIRMENT TESTING

At each reporting date, the Company is required to assess its intangible assets and goodwill for potential indicators of impairment such as an adverse change in business climate that may indicate that these assets may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset or CGU and compares it to the carrying value. In addition, irrespective of whether there is any indication of impairment, the Company is required to test intangible assets with an indefinite useful life and goodwill for impairment at least annually.

For long-lived assets other than goodwill, the Company is also required to assess, at each reporting date, whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased.

The Company completes its annual testing during the fourth quarter of each fiscal year.

The test for impairment of either an intangible asset or goodwill is to compare the recoverable amount of the asset or CGU to the carrying value. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets (such as broadcast licenses and goodwill) and the asset's value in use cannot be determined to equal its fair value less costs to sell. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

The Company uses both the fair value less costs to sell and the value in use calculations to determine the recoverable amount of individual intangible assets. The Company has used the value in use calculation to determine the recoverable amount for all CGUs or groups of CGUs.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The value in use calculation uses cash flow projections generally for a five-year period and a terminal value. The terminal value is the value attributed to the reporting unit's operations beyond the projected period using a perpetuity growth rate. The key assumptions in the value in use calculations are segment profit growth rates (for periods within the cash flow projections and in perpetuity for the calculation of the terminal value), future levels of capital expenditures and discount rates.

- Segment profit growth rates and future levels of capital expenditures are based on management's best estimates considering historical and expected operating plans, strategic plans, economic considerations and the general outlook for the industry and markets in which the CGU operates. The projections are prepared separately for each of the Company's CGUs to which the individual assets are allocated and are based on the most recent financial budgets approved by the Company's Board of Directors and management forecasts generally covering a period of five years with growth rate assumptions ranging from 2% to 3%. For longer periods, a terminal growth rate is determined and applied to project future cash flows after the fifth year.
- The discount rate applied to each asset, CGU or group of CGUs to determine value in use is a pre-tax rate that reflects an optimal debt-to-equity ratio and considers the risk-free rate, market equity risk premium, size premium and the risks specific to each asset or CGU's cash flow projections.
- In calculating the value in use, the Company uses an appropriate range of discount rates in order to establish a range of values for each CGU or group of CGUs.
- The perpetuity growth rate is based on management's best estimates considering the industry, operating income trends and growth prospects for that specific CGU or group of CGUs.

The pre-tax discount and perpetuity growth rates used by the Company for the purpose of impairment testing for each CGU or group of CGUs at September 1, 2010, August 31, 2011 and August 31, 2012 were 12% to 14% for the discount rate and 2% for the perpetuity growth rate.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to the recoverable amount and the reduction is recorded as an impairment loss in the consolidated statements of income and comprehensive income.

If the recoverable amount of a CGU or group of CGUs is less than its carrying amount, an impairment loss is recognized. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU or group of CGUs and then to the other assets of the CGU or group of CGUs pro rata on the basis of the carrying amount of each asset in the CGU or group of CGUs. The individual assets in the CGU cannot be written down below their fair value less costs to sell.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income and comprehensive income.

The Company has completed its annual impairment testing of goodwill and intangible assets for fiscal 2012. There was no impairment loss required to be recorded as a result of the testing. No reasonable possible changes in a key assumption would have resulted in an impairment.

On September 1, 2010, on the transition to IFRS, the Company completed its impairment testing of goodwill and non-amortizable intangible assets. There was no impairment loss required to be recorded on the Transition Date. The Company also assessed for any indicators that previous impairment losses had decreased. As certain businesses had improved results and outlook, $8,996 of previously recorded impairment losses on broadcast licenses were reversed.

The carrying amounts of goodwill and broadcast licenses allocated to each CGU and/or group of CGUs are set out in the following tables:

	August 31, 2012	August 31, 2011	September 1, 2010
Goodwill			
Television	**441,112**	438,546	438,546
Radio (note 22)	**233,281**	233,281	256,483
	674,393	671,827	695,029

	August 31, 2012	August 31, 2011	September 1, 2010
Broadcast licenses			
Television			
Managed brands	**351,101**	351,101	351,101
Other	**56,159**	56,159	56,159
Radio[1]	**162,245**	162,245	203,163
	569,505	569,505	610,423

[1] Broadcast licenses for Radio consist of all Radio CGUs combined. There is no individual Radio CGU that comprises more than 10% of the total broadcast license balance.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31, 2012	August 31, 2011	September 1, 2010
Trade accounts payable and accrued liabilities	**78,397**	90,610	89,061
Program rights payable	**83,753**	91,492	79,646
Film investment accruals	**3,257**	4,212	8,611
Dividends payable	**13,333**	11,956	8,111
Finance lease accrual	**7,251**	8,503	7,410
	185,991	206,773	192,839

12. PROVISIONS

In the fourth quarter of fiscal 2010 and during fiscal 2011, the Company undertook a significant restructuring to streamline processes in the new Corus Quay facility. This resulted in the Company recording a charge of $12,924 in fiscal 2010 and a charge of $3,694 in fiscal 2011, mainly related to severance and employee-related costs.

In the third quarter of fiscal 2012, the Company undertook further restructuring as a continuation of its efforts to streamline processes. This resulted in the Company recording a charge of $2,325. The Company anticipates that these provisions will be substantially paid by fiscal 2014.

The continuity of provisions for the years ended is as follows:

	August 31, 2012	August 31, 2011	September 1, 2010
Restructuring			
Balance, beginning of year	**5,330**	13,756	8,329
Workforce reduction initiatives	**2,325**	1,319	11,264
Lease termination costs and other	**—**	2,375	1,660
Payments	**(5,203)**	(12,120)	(7,497)
Balance, end of year	**2,452**	5,330	13,756
Long-term portion	**(405)**	(338)	(1,195)
Total current restructuring provision	**2,047**	4,992	12,561
Legal claims	**275**	275	487
Total current provision balance, end of year	**2,322**	5,267	13,048

13. LONG-TERM DEBT

	August 31, 2012	August 31, 2011	September 1, 2010
Bank loans	**29,965**	114,806	208,015
Senior unsecured guaranteed notes	**500,000**	500,000	500,000
Unamortized financing fees	**(11,707)**	(14,010)	(16,124)
	518,258	600,796	691,891

On March 5, 2012, the Company's credit facility with a syndicate of banks was amended. The principal amendments were to reduce interest margins applicable to floating interest rates and to extend the maturity date to February 11, 2016. The amount committed is $500,000, which is available on a revolving basis.

The Company's $500,000 principal amount of 7.25% senior unsecured guaranteed notes ("Notes") are due on February 10, 2017.

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and LIBOR. As at August 31, 2012, the weighted average interest rate on the outstanding bank loans and Notes was 7.2% (2011 – 6.7%). Interest on the bank loans and Notes averaged 7.0% for fiscal 2012.

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. 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, 2012.

14. OTHER LONG-TERM LIABILITIES

	August 31, 2012	August 31, 2011	September 1, 2010
Public benefits associated with acquisitions	**2,080**	2,774	4,023
Unearned revenue	**7,102**	12,808	8,942
Program rights payable	**21,467**	37,559	31,959
Long-term employee obligations *(note 29)*	**28,105**	19,034	14,247
Deferred leasehold inducements	**14,766**	11,762	7,075
Merchandising and intangible liabilities	**12,494**	11,556	13,745
Capital lease accrual	**1,839**	9,081	15,849
	87,853	104,574	95,840

15. 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 attached 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 September 1, 2010 are summarized as follows:

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	$	#	$	$
Balance - September 1, 2010	3,444,128	26,671	77,695,238	829,984	856,655
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(4,916)	(38)	4,916	38	—
Issuance of shares under stock option plan	—	—	794,840	13,232	13,232
Issuance of shares under dividend reinvestment plan	—	—	716,867	14,657	14,657
Shares repurchased	—	—	(182,600)	(1,976)	(1,976)
Repayment of executive stock purchase loans	—	—	—	111	111
Balance as at August 31, 2011	3,439,212	26,633	79,029,261	856,046	882,679
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(4,920)	(38)	4,920	38	—
Issuance of shares under stock option plan	—	—	794,750	13,668	13,668
Issuance of shares under dividend reinvestment plan	—	—	1,226,149	25,982	25,982
Shares repurchased	—	—	(1,130,696)	(12,435)	(12,435)
Repayment of executive stock purchase loans	—	—	—	111	111
Balance as at August 31, 2012	**3,434,292**	**26,595**	**79,924,384**	**883,410**	**910,005**

No Class A Preferred Shares, Class 1 Preferred Shares or Class 2 Preferred Shares are outstanding at August 31, 2012.

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 number of Class B Non-Voting Shares which the Company is authorized to issue under the Plan is 10% of the issued and outstanding Class B Non-Voting Shares. All options granted are for terms not to exceed 10 years from the grant date. The exercise price of each option equals the closing market price of the Company's stock on the date immediately preceding the date of the grant. Options vest 25% on each of the first, second, third and fourth anniversary dates of the date of grant.

A summary of the changes to the stock options outstanding since September 1, 2010 is presented as follows:

	Number of options (#)	Weighted average exercise price ($)
Balance - September 1, 2010	2,811,588	14.95
Granted	261,900	22.31
Forfeited or expired	(33,875)	21.33
Exercised	(794,840)	12.21
Balance - August 31, 2011	2,244,773	16.68
Granted	376,700	19.59
Forfeited or expired	(10,625)	17.54
Exercised	(794,750)	12.64
Balance - August 31, 2012	**1,816,098**	**19.04**

As at August 31, 2012, the options outstanding and exercisable consist of the following:

	Options outstanding			Options exercisable	
Range of exercise price ($)	Number outstanding (#)	Weighted average remaining contractual life (years)	Weighted average exercise price ($)	Number outstanding (#)	Weighted average exercise price ($)
16.13 – 17.56	555,000	3.0	16.95	386,000	16.70
17.57 – 20.71	796,398	5.0	18.57	316,161	17.66
20.72 – 22.65	464,700	4.4	22.37	268,275	22.41
	1,816,098	**4.2**	**19.04**	**970,436**	**18.59**

The fair value of each option granted since September 1, 2003 was estimated on the date of the grant using the Black-Scholes option pricing model. The estimated fair value of the options is amortized to income over the options' vesting period on a straight-line basis. In fiscal 2012, the Company has recorded share-based compensation expense of $1,158 (2011 – $1,114). This charge has been credited to contributed surplus. Unrecognized share-based compensation expense at August 31, 2012 related to the Plan was $1,015 (2011 - $1,043).

The fair value of each option granted in fiscal 2012 and 2011 was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Granted in 2012 and vesting in:	**2013**	**2014**	**2015**	**2016**
Fair value	$3.18	$3.52	$3.23	$3.28
Risk-free interest rate	1.7%	1.8%	1.9%	2.0%
Expected dividend yield	4.4%	4.4%	4.4%	4.4%
Expected share price volatility	28.5%	30.5%	28.0%	28.0%
Expected time until exercise (years)	5	6	6	7

Granted in 2011 and vesting in:	**2012**	**2013**	**2014**	**2015**
Fair value	$4.14	$4.13	$4.23	$4.29
Risk-free interest rate	1.9%	2.0%	2.1%	2.1%
Expected dividend yield	3.8%	3.8%	3.8%	3.8%
Expected share price volatility	29.2%	28.6%	28.4%	28.4%
Expected time until exercise (years)	5	6	6	7

The expected life of the options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

On October 26, 2012, the Company granted a further 595,900 options for Class B Non-Voting Shares to eligible officers and employees of the Company. These options are exercisable at $22.00 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, a dividend which is $0.005 per share per annum higher than that received on the Class A Voting Shares. This higher dividend rate 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.

2012 **Date of record**	**Date paid**	**Class A** **Amount paid**	**Class B** **Amount paid**
September 15, 2011	September 30, 2011	**$0.072083**	**$0.0725**
October 14, 2011	October 31, 2011	**$0.072083**	**$0.0725**
November 15, 2011	November 30, 2011	**$0.072083**	**$0.0725**
December 15, 2011	December 30, 2011	**$0.072083**	**$0.0725**
January 16, 2012	January 31, 2012	**$0.072083**	**$0.0725**
February 15, 2012	February 29, 2012	**$0.079583**	**$0.0800**
March 15, 2012	March 30, 2012	**$0.079583**	**$0.0800**
April 16, 2012	April 30, 2012	**$0.079583**	**$0.0800**
May 15, 2012	May 31, 2012	**$0.079583**	**$0.0800**
June 15, 2012	June 29, 2012	**$0.079583**	**$0.0800**
July 16, 2012	July 31, 2012	**$0.079583**	**$0.0800**
August 15, 2012	August 31, 2012	**$0.079583**	**$0.0800**
		$0.917496	**$0.9225**

2011 **Date of record**	**Date paid**	**Class A** **Amount paid**	**Class B** **Amount paid**
September 15, 2010	September 30, 2010	$0.049585	$0.0500
October 14, 2010	October 29, 2010	$0.049585	$0.0500
November 15, 2010	November 30, 2010	$0.062083	$0.0625
December 15, 2010	December 31, 2010	$0.062083	$0.0625
January 14, 2011	January 31, 2011	$0.062083	$0.0625
February 14, 2011	February 28, 2011	$0.062083	$0.0625
March 15, 2011	March 31, 2011	$0.062083	$0.0625
April 15, 2011	April 29, 2011	$0.062083	$0.0625
May 16, 2011	May 31, 2011	$0.062083	$0.0625
June 15, 2011	June 30, 2011	$0.062083	$0.0625
July 15, 2011	July 29, 2011	$0.062083	$0.0625
August 15, 2011	August 31, 2011	$0.072083	$0.0725
		$0.730000	$0.7350

The total amount of dividends declared in fiscal 2012 was $78,143 (2011 - $64,030).

On October 25, 2012, the Company declared dividends of $0.079583 per Class A Voting Share and $0.08 per Class B Non-Voting Share payable on each of November 30, 2012, December 31, 2012 and January 31, 2013 to the shareholders of record at the close of business on November 15, 2012, December 14, 2012 and January 15, 2013, respectively.

EARNINGS PER SHARE

The following is a reconciliation of the numerator and denominator used for the computation of the basic and diluted earnings per share amounts:

(in thousands)	**2012**	2011
Net income attributable to shareholders for the year (numerator)		
Net income attributable to shareholders from continuing operations	**148,681**	141,511
Net income attributable to shareholders from discontinued operations	**—**	5,023
Net income attributable to shareholders	**148,681**	146,534
Weighted average number of shares outstanding (denominator)		
Weighted average number of shares outstanding – basic	**83,240**	81,870
Effect of dilutive securities	**328**	519
Weighted average number of shares outstanding - diluted	**83,568**	82,389

The calculation of diluted earnings per share for fiscal 2012 excluded 467,701 weighted average Class B Non-Voting Shares (2011 - 433,801) issuable under the Company's stock option plan because these options were not "in-the-money".

SHARE-BASED COMPENSATION

	PSUs	**DSUs**	**RSUs**
	#	**#**	**#**
Balance – September 1, 2010	766,291	355,993	198,644
Additions	260,594	123,477	41,774
Deemed dividend equivalents	19,915	14,262	12,113
Forfeitures	(52,278)	—	—
Payments	(117,814)	—	(5,644)
Balance - August 31, 2011	876,708	493,732	246,887
Additions	304,850	114,477	54,550
Deemed dividend equivalents	34,691	25,494	—
Forfeitures	(63,727)	—	(6,450)
Payments	(267,455)	—	(205,113)
Balance - August 31, 2012	**885,067**	**633,703**	**89,874**

Share-based compensation expense recorded for the year in respect of these plans was $11,061 (2011 - $12,940). As at August 31, 2012, the fair value of these units estimated based on the number of units expected to vest at the end of the year multiplied by the closing share price at the end of the year was $37,240 (2011 - $32,929).

DIVIDEND REINVESTMENT PLAN

The Company's Board of Directors has approved a discount of 2% for Class B Non-Voting Shares issued from treasury pursuant to the terms of its dividend reinvestment plan. In fiscal 2012, the Company issued 1,226,149 Class B Non Voting Shares, resulting in an increase in share capital of $25,982.

NORMAL COURSE ISSUER BID

On June 20, 2012, the Company announced that the TSX had accepted the notice filed by the Company of its intention to renew its normal course issuer bid for its Class B Non-Voting Shares through the facilities of the TSX, or other alternative Canadian trading systems. The Company may purchase for cancellation a maximum of 4,000,000 Class B Non-Voting Shares during the period from June 22, 2012 through June 21, 2013.

On June 14, 2011, the Company announced that the TSX had accepted the notice filed by the Company of its intention to make a normal course issuer bid for its Class B Non-Voting Shares through the facilities of the TSX, or other alternative Canadian trading systems. The Company was authorized to purchase for cancellation a maximum of 3,900,000 Class B Non-Voting Shares during the period from June 16, 2011 through June 15, 2012.

The shares purchased for cancellation since June 16, 2011 are as follows:

	#	$	Average $
July 2011	27,800	605	21.76
August 2011	154,800	3,100	20.03
Fiscal 2011	182,600	3,705	20.29
September 2011	194,800	3,888	19.96
July 2012	418,696	9,607	22.95
August 2012	517,200	11,800	22.81
Fiscal 2012	**1,130,696**	**25,295**	**22.37**
	1,313,296	**29,000**	**22.08**

During fiscal 2012, the total cash consideration paid exceeded the carrying value of the shares repurchased by $12,860 (2011 – $1,729), which was charged to retained earnings. Subsequent to the year-end, an additional 64,104 shares were repurchased for consideration of $1,464.

16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Foreign currency translation adjustment	Unrealized change in fair value of available-for-sale investments	Actuarial losses (gains) on defined benefit plans	Total
Balance – September 1, 2010	—	342	—	342
Other comprehensive income (loss)	(1,551)	134	433	(984)
Transfer to retained earnings	—	—	(433)	(433)
Balance – August 31, 2011	(1,551)	476	—	(1,075)
Other comprehensive income (loss)	486	(223)	(2,950)	(2,687)
Transfer to retained earnings	—	—	2,950	2,950
Balance - August 31, 2012	**(1,065)**	**253**	**—**	**(812)**

17. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	2012	2011
Amortization of program rights	**186,348**	173,521
Amortization of film investments	**32,001**	40,316
Other cost of sales	**47,305**	35,099
Employee costs	**151,361**	155,105
General and administrative	**135,282**	135,286
	552,297	539,327

Other cost of sales relates to merchandising, distribution and other revenues.

18. INTEREST EXPENSE

	2012	2011
Interest on long-term debt	**38,844**	44,503
Imputed interest on long-term liabilities	**11,348**	10,770
Other	**2,077**	2,003
	52,269	57,276

19. OTHER INCOME, NET

	2012	2011
Interest income	**(692)**	(131)
Foreign exchange losses (gains)	**553**	(2,302)
Share of earnings of associates	**(2,111)**	(1,026)
Gain on property disposal	**—**	(3,422)
Transaction costs	**1,841**	—
Other	**(3,237)**	2,821
	(3,646)	(4,060)

20. INCOME TAXES

The significant components of income tax expense are:

	2012	2011
Current tax expense	**44,320**	51,224
Deferred tax expense		
Resulting from temporary differences	**4,219**	4,471
Resulting from the utilization of tax losses	**3,323**	(544)
Resulting from tax rate changes	**6,834**	112
Resulting from the reversal of various future tax reserves	**(1,420)**	914
Other	**(35)**	(843)
Income tax expense reported in the consolidated statements of income and comprehensive income	**57,241**	55,334

A reconciliation of income tax computed at the statutory rates to income tax expense is as follows:

	2012		2011	
	$	%	$	%
Income tax at combined statutory rate	**57,277**	**26.8**	59,074	29.0
Impact of change in long-term tax rate	**6,834**	**3.2**	112	0.0
Income subject to tax at less than statutory rate	**(3,500)**	**(1.6)**	(2,668)	(1.3)
Recovery of various tax reserves	**(1,811)**	**(0.9)**	(1,221)	(0.6)
Other	**(1,559)**	**(0.7)**	37	0.0
Income tax expense at effective rate	**57,241**	**26.8**	55,334	27.1

The change in the Company's statutory tax rate from the prior year resulted from a change to substantively enacted provincial income tax rates and also from a change in the relative proportions of income (loss) earned in the various provinces.

	Broadcast licenses and other intangibles $	Accrued compen-sation $	Fixed assets and film assets $	Program rights $	Non-capital loss carry-forwards $	Invest-ments $	Other $	Total $
September 1, 2010	(151,688)	7,346	21,171	1,732	5,440	(2,119)	4,204	(113,914)
Recognized in profit or loss	(969)	1,358	(2,598)	(128)	544	144	(2,464)	(4,113)
Recognized in OCI	—	—	—	—	—	(23)	—	(23)
Recognized in equity	—	—	—	—	—	—	18	18
Discontinued operations	(28)	(6)	(137)	—	(226)	—	(7)	(404)
Acquisitions/(dispositions)	9,142	(624)	118	—	—	—	(648)	7,988
August 31, 2011	(143,543)	8,074	18,554	1,604	5,758	(1,998)	1,103	(110,448)
Recognized in profit or loss	(8,662)	930	(1,164)	(511)	(3,323)	(503)	313	(12,920)
Recognized in OCI	—	1,061	—	—	—	41	—	1,102
Recognized in equity	—	—	—	—	—	—	(2)	(2)
Acquisitions/(dispositions)	(636)	—	—	—	—	—	260	(376)
August 31, 2012	**(152,841)**	**10,065**	**17,390**	**1,093**	**2,435**	**(2,460)**	**1,674**	**(122,644)**

At August 31, 2012, the Company had approximately $9,324 (2011 - $26,472) of non-capital loss carryforwards available which expire between the years 2026 and 2031. A deferred tax asset of $2,435 (2011 - $5,758) has been recognized in respect of these losses and a tax benefit of $284 (2011 - $1,368) has not been recognized.

At August 31, 2012, the Company had approximately $58,127 (2011 - $59,961) of capital loss carryforwards available which have no expiry date. No tax benefit has been recognized in respect of these losses.

The Company has taxable temporary differences associated with its investments in its subsidiaries. No deferred tax liabilities have been provided with respect to such temporary differences as the Company is able to control the timing of the reversal and such reversal is not probable in the foreseeable future.

There are no income tax consequences attached to the payment of dividends, in either 2012 or 2011, by the Company to its shareholders.

21. BUSINESS SEGMENT INFORMATION

The Company reports its operations in two segments: Television and Radio. The Corporate results represent the incremental cost of corporate overhead in excess of the amount allocated to the other operating segments.

TELEVISION

The Television division is comprised of specialty television networks, pay television services, three conventional television stations and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, publishing and animation software. Revenues are generated from subscriber fees, advertising, the licensing of proprietary films and television programs, merchandise licensing, publishing and animation software sales.

Management evaluates each division's performance based on revenues less direct cost of sales, general and administrative expenses. Segment profit excludes depreciation, interest expense (note 18), restructuring charges and certain other income and expenses (note 19).

RADIO

The Radio division comprises 37 radio stations, situated primarily in high-growth urban centres in English Canada, with a concentration in the densely populated area of southern Ontario. Revenues are derived from advertising aired over these stations.

REVENUES AND SEGMENT PROFIT

Year ended August 31, 2012	Radio	Television	Corporate	Consolidated
Revenues	**191,327**	**650,949**	**—**	**842,276**
Direct cost of sales, general and administrative expenses	**133,900**	**388,811**	**29,586**	**552,297**
Segment profit (loss)	**57,427**	**262,138**	**(29,586)**	**289,979**
Depreciation				**25,639**
Interest expense				**52,269**
Restructuring charges				**2,325**
Other expense (income), net				**(3,646)**
Income before income taxes				**213,392**

Year ended August 31, 2011	Radio	Television	Corporate	Consolidated
Revenues	195,657	629,556	—	825,213
Direct cost of sales, general and administrative expenses	136,572	368,432	34,323	539,327
Segment profit (loss)	59,085	261,124	(34,323)	285,886
Depreciation				24,922
Interest expense				57,276
Restructuring charges				3,694
Other expense (income), net				(4,060)
Income before income taxes				204,054

The following tables present further details on the operating segments within the Television and Radio divisions:

Revenues are derived from the following areas:

	2012	2011
Advertising	**386,045**	389,925
Subscriber fees	**297,927**	299,888
Merchandising, distribution and other	**158,304**	135,400
	842,276	825,213

Revenues are derived from the following geographical sources, by location of customer:

	2012	2011
Canada	**745,543**	745,290
International	**96,733**	79,923
	842,276	825,213

SEGMENT ASSETS AND LIABILITIES

	August 31, 2012	August 31, 2011	September 1, 2010
Assets			
Television	**1,432,075**	1,427,227	1,386,278
Radio	**469,746**	466,627	554,870
Corporate	**179,664**	219,737	148,781
	2,081,485	2,113,591	2,089,929
Liabilities			
Television	**269,546**	304,718	281,827
Radio	**78,166**	67,360	100,001
Corporate	**597,683**	686,693	757,834
	945,395	1,058,771	1,139,662

Assets and liabilities are located primarily within Canada.

CAPITAL EXPENDITURES BY SEGMENT

	2012	2011
Television	**3,759**	3,885
Radio	**3,843**	1,715
Corporate	**11,641**	40,391
	19,243	45,991

Property, plant and equipment are located primarily within Canada.

22. BUSINESS COMBINATION AND DISPOSITION

On March 1, 2012, the Company acquired the remaining 50% of the outstanding ordinary shares of Toon Boom, a digital content and animation creation software company that delivers its products and services online to its global community. Previous to this, the Company held 50% equity ownership and proportionately consolidated Toon Boom. The fair value of the Company's equity interest in Toon Boom before the business combination amounted to $4.1 million. The Company recorded a gain of $2.4 million as a result of remeasuring at fair value its 50% previously owned equity ownership of Toon Boom, which is recorded in other expense (income), net.

The results of operations of this company, as well as its assets and liabilities, are now included in the Television segment effective March 1, 2012 at 100%. The total cash consideration paid was $4.1 million. The purchase equation, which was accounted for using the purchase method, is summarized below:

Assigned fair value of net assets acquired	
Net assets	5,642
Goodwill	2,566
Assigned fair value of 100% of Toon Boom	8,208
Fair value of initial equity investment in Toon Boom	(4,104)
Cash consideration given	**4,104**

The Company identified intangible assets of $2.3 million and goodwill of $2.6 million, which primarily relates to the workforce and is expected to not be deductible for income tax purposes.

In the second quarter of fiscal 2011, the Company completed the sale of its Quebec radio stations. The Canadian Radio-television and Telecommunications Commission approved the disposition on December 17, 2010 and the sale closed on February 1, 2011, with a purchase price of $84.0 million (including a working capital adjustment of $4.0 million). Cash of $75.0 million was paid on the $84.0 million in adjusted proceeds at the time of closing, with the remaining $9.0 million paid on February 1, 2012. As a result, operating results have been reclassified to net income after tax for the period from discontinued operations in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

The assets and liabilities of the Quebec radio stations have not been reclassified to assets and liabilities held for sale at September 1, 2010 as they did not qualify to be presented as such at that date. The summarized financial information for the discontinued Quebec radio operations is shown below:

	2012	2011
Revenues	–	28,836
Direct cost of sales, general and administrative expenses	–	24,738
Segment profit	–	4,098
Other expense	–	2,621
Income from discontinued operations before income tax	–	1,477
Gain on disposal	–	4,102
Income tax expense		556
Net income from discontinued operations	–	5,023

The major classes of assets and liabilities of the Quebec radio operations were as follows:

	August 31, 2012	August 31, 2011	September 1, 2010
Assets			
Accounts receivable	**—**	—	13,489
Income taxes recoverable	**—**	—	336
Prepaid and other assets	**—**	—	1,462
Investments and other assets	**—**	—	304
Property, plant and equipment	**—**	—	13,680
Broadcast licenses and goodwill	**—**	—	64,120
Assets classified as held for sale	**—**	—	93,391
Liabilities			
Accounts payable and accrued liabilities	**—**	—	(10,080)
Other long-term liabilities	**—**	—	(3,420)
Deferred tax liabilities	**—**	—	(7,875)
Liabilities associated with assets classified as held for sale	**—**	—	(21,375)
Net assets associated with disposal group	**—**	—	72,016

The net cash flows of the Quebec operations were as follows:

	2012	2011
Operating activities	**—**	(13,262)
Investing activities	**—**	74,996
Financing acitivities	**—**	—
	—	61,734

Included in discontinued operations, net for fiscal 2011, was a gain on disposal of $4,102 calculated as follows:

Purchase price	80,000
Working capital adjustment	4,000
Net proceeds from sale	84,000
Net book value at date of disposal	(75,846)
Transaction costs	(4,052)
Gain on sale	4,102

23. INTERESTS IN JOINT VENTURES

The Company has interests in the following jointly controlled entities:

	August 31, 2012	August 31, 2011	September 1, 2010
TELETOON Canada Inc.	**50%**	50%	50%
Toon Boom Animation Inc. (note 22)	**—**	50%	50%
United Broadcast Sales	**50%**	50%	50%
Group Force Radio	**—**	—	50%

The following amounts, included in these consolidated financial statements, represent the Company's proportionate share in jointly controlled entities:

	August 31, 2012	August 31, 2011	September 1, 2010
Assets			
Current	**16,409**	16,960	17,591
Non-current	**43,127**	41,092	40,054
Total assets	**59,536**	58,052	57,645
Liabilities			
Current	**7,503**	12,181	12,919
Non-current	**5,978**	305	1,067
Total liabilities	**13,481**	12,486	13,986
Net assets	**46,055**	45,566	43,659

	August 31, 2012	August 31, 2011	September 1, 2010
Revenues	**56,328**	61,233	56,383
Expenses	**41,086**	43,441	39,871
Net income for the year	**15,242**	17,792	16,512
Cash provided by operating activities	**10,565**	14,435	13,006
Cash used in investing activities	**(159)**	(256)	(94)

24. CAPITAL MANAGEMENT

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company defines capital as the aggregate of its shareholders' equity and long-term debt less cash and cash equivalents.

Total managed capital is as follows:

	August 31, 2012	August 31, 2011	September 1, 2010
Long-term debt	**518,258**	600,796	691,891
Cash and cash equivalents	**(24,588)**	(55,922)	(7,969)
Net debt	**493,670**	544,874	683,922
Shareholders' equity	**1,138,116**	1,054,820	950,267
	1,631,786	1,599,694	1,634,189

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay long-term debt, issue shares, repurchase shares through a normal course issuer bid, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances.

The Company monitors capital based on a number of criteria, including: net debt to segment profit ratio and dividend yield. The Company's current stated objectives are to maintain a net debt to segment profit ratio of a maximum of 3.0 to 3.5 times. The Company believes that these objectives provide a reasonable framework for providing a return to its shareholders. The Company is currently operating within these internally imposed constraints.

The Company is not subject to any externally imposed capital requirements, and there has been no change in the Company's capital management approach during the year. Under its financing arrangements, the Company is required to maintain certain financial covenants.

25. FINANCIAL INSTRUMENTS

The following tables set out the classification of financial and non-financial assets and liabilities.

As at August 31, 2012	**Fair value through profit or loss**	**Loans and receivables**	**Available-for-sale**	**Other financial liabilities**	**Non-financial**	**Total carrying amount**
Cash and cash equivalents	**24,588**	**—**	**—**	**—**	**—**	**24,588**
Accounts receivable	**—**	**173,421**	**—**	**—**	**—**	**173,421**
Intangibles, investments and other assets	**—**	**230**	**4,325**	**—**	**37,835**	**42,390**
Other assets	**—**	**—**	**11,793**	**—**	**1,829,293**	**1,841,086**
Total assets	**24,588**	**173,651**	**16,118**	**—**	**1,867,128**	**2,081,485**
Accounts payable, accrued liabilities and provisions	**—**	**—**	**—**	**188,313**	**—**	**188,313**
Long-term debt	**—**	**—**	**—**	**518,258**	**—**	**518,258**
Other long-term liabilities	**—**	**—**	**—**	**35,800**	**52,053**	**87,853**
Other liabilities	**—**	**—**	**—**	**—**	**150,971**	**150,971**
Total liabilities	**—**	**—**	**—**	**742,371**	**203,024**	**945,395**

As at August 31, 2011	Fair value through profit or loss	Loans and receivables	Available-for-sale	Other financial liabilities	Non-financial	Total carrying amount
Cash and cash equivalents	55,922	—	—	—	—	55,922
Accounts receivable	—	178,531	—	—	—	178,531
Intangibles, investments and other assets	—	262	587	—	39,131	39,980
Other assets	—	—	11,808	—	1,827,350	1,839,158
Total assets	55,922	178,793	12,395	—	1,866,481	2,113,591
Accounts payable, accrued liabilities and provisions	—	—	—	212,040	—	212,040
Long-term debt	—	—	—	600,796	—	600,796
Other long-term liabilities	—	—	—	58,195	46,379	104,574
Other liabilities	—	—	—	—	141,361	141,361
Total liabilities	—	—	—	871,031	187,740	1,058,771

As at September 1, 2010	Fair value through profit or loss	Loans and receivables	Available-for-sale	Other financial liabilities	Non-financial	Total carrying amount
Cash and cash equivalents	7,969	—	—	—	—	7,969
Accounts receivable	—	175,134	—	—	—	175,134
Intangibles, investments and other assets	—	954	431	—	21,314	22,699
Other assets	—	—	5,716	—	1,878,411	1,884,127
Total assets	7,969	176,088	6,147	—	1,899,725	2,089,929
Accounts payable, accrued liabilities and provisions	—	—	—	205,887	—	205,887
Long-term debt	—	—	—	691,891	—	691,891
Other long-term liabilities	—	—	—	61,553	34,287	95,840
Other liabilities	—	—	—	—	146,044	146,044
Total liabilities	—	—	—	959,331	180,331	1,139,662

FAIR VALUES

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

The fair value of publicly-traded shares included in investments and other assets is determined by quoted share prices in active markets. The fair value of other financial instruments included in this category is determined using other valuation techniques.

The fair value of bank loans is estimated based on discounted cash flows using year-end market yields, adjusted to take into account the Company's own credit risk. Due to the fact the Company's bank loans were recently amended, at August 31, 2012, the Company has estimated the fair value of its bank debt to be approximately equal to its carrying amount.

The fair value of the Company's Notes is estimated based on the trading price of the Notes, which takes into account the Company's own credit risk. At August 31, 2012, the Company has estimated the fair value of its Notes to be approximately $529,065 (2011 - $517,900).

The fair values of financial instruments in other long-term liabilities approximate their carrying values as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

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.

The following tables present information related to the Company's financial assets measured at fair value on a recurring basis and the level within the guidance hierarchy in which the fair value measurements fall as at August 31, 2012 and 2011 and September 1, 2010:

As at August 31, 2012	Quoted prices in active markets for identical assets or liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Cash and cash equivalents	24,588	—	—
Investments	—	4,325	—
Other non-financial assets	—	—	11,677
Assets carried at fair value	**24,588**	**4,325**	**11,677**

As at August 31, 2011	Quoted prices in active markets for identical assets or liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Cash and cash equivalents	55,922	—	—
Investments	—	587	—
Other non-financial assets	—	—	11,808
Assets carried at fair value	55,922	587	11,808

As at September 1, 2010	Quoted prices in active markets for identical assets or liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Cash and cash equivalents	7,969	—	—
Investments	—	431	—
Other non-financial assets	—	—	5,716
Assets carried at fair value	7,969	431	5,716

RISK MANAGEMENT

The Company is exposed to various risks related to its financial assets and liabilities. These risk exposures are managed on an ongoing basis.

Credit risk

In the normal course of business, the Company is exposed to credit risk from its accounts receivable from customers. The carrying amounts for accounts receivable are net of applicable allowances for doubtful accounts, which are estimated based on past experience, specific risks associated with the customer and other relevant information.

The maximum exposure to credit risk is the carrying amount of the financial assets.

The following table sets out the details of the age of receivables and allowance for doubtful accounts as at August 31, 2012, 2011 and September 1, 2010 as follows:

	August 31, 2012	August 31, 2011	September 1, 2010
Trade			
Current	**92,190**	80,536	85,055
One to three months past due	**60,308**	62,955	61,649
Over three months past due	**10,956**	15,706	19,979
	163,454	159,197	166,683
Other	**12,820**	21,857	11,535
	176,274	181,054	178,218
Less allowance for doubtful accounts	**2,853**	2,523	3,084
	173,421	178,531	175,134

The following table sets out the continuity for the allowance for doubtful accounts from September 1, 2010:

	August 31, 2012	August 31, 2011
Balance, beginning of year	**2,523**	2,870
Provision for doubtful accounts	**1,231**	1,419
Write-off of bad debts	**(901)**	(1,766)
Balance, end of year	**2,853**	2,523

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity risk primarily by maintaining sufficient unused capacity within its long-term debt facility, and by continuously monitoring forecast and actual cash flows. The unused capacity at August 31, 2012 was approximately $470,000 (2011 - $385,000). Further information with respect to the Company's long-term debt facility is provided in note 13.

The following table sets out the undiscounted contractual obligations related to repayment of long-term debt, program rights payable and other liabilities as at August 31, 2012:

	Total	Less than one year	One to three years	Beyond three years
Long-term debt	**518,258**	—	—	518,258
Interest on notes	**161,188**	36,250	72,500	52,438
Program rights payable	**110,937**	84,908	21,728	4,301
Accounts payable and other accrued liabilities	**104,560**	104,560	—	—
Other liabilities	**2,364**	591	1,182	591
	897,307	226,309	95,410	575,588

In addition to the financial liabilities in the table above, the Company will also pay interest on any bank debt and Notes outstanding in future periods. In fiscal 2012, the Company incurred interest on bank debt and Notes of $38,844 (2011 - $44,503).

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuers or factors affecting all instruments traded in the market.

The Company is exposed to foreign exchange risk through its treasury function, international content distribution operations and U.S. dollar denominated programming purchasing. The most significant foreign currency exposure is to movements in the U.S. dollar to Canadian dollar exchange rate and the U.S dollar to euro exchange rate. The impact of foreign exchange on income before income taxes and non-controlling interest is detailed in the table below:

	2012	2011
Direct cost of sales, general and administrative expenses	**187**	(1,012)
Other income, net	**554**	(2,302)
	741	(3,314)

An assumed 10% increase or decrease in exchange rates as at August 31, 2012 would not have had a material impact on net income or other comprehensive income for the year.

The Company is exposed to interest rate risk on the bankers' acceptances issued at floating rates under its bank loan facility. Historically, the Company managed this risk through the use of interest rate swaps to fix the interest rate. In fiscal 2010, the Company reduced its exposure to interest rate fluctuations by issuing fixed rate debt and used the proceeds to pay down a portion of its floating rate debt. An assumed 1% increase or decrease in short-term interest rates during the year ended August 31, 2012 would not have had a material impact on net income for the year.

Other considerations

The Company does not engage in trading or other speculative activities with respect to derivative financial instruments.

26. CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2012	2011
Accounts receivable	**6,861**	(7,539)
Prepaid expenses and other	**901**	3,543
Accounts payable and accrued liabilities	**(15,689)**	(1,349)
Income taxes payable and recoverable	**(9,034)**	1,232
Other long-term liabilities	**(14,258)**	10,898
Other	**18,020**	10,096
	(13,199)	16,881

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

	2012	2011
Interest paid	**41,345**	47,907
Interest received	**692**	956
Income taxes paid	**52,992**	49,143

27. GOVERNMENT FINANCING AND ASSISTANCE

Revenues include $3,605 (2011 - $3,394) 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 $1,087 (2011 - $1,000) of government grants relating to the marketing of books in both Canada and international markets. The majority of the grants are repayable if the average profit margin for the three-year period following receipt of the funds equals or is greater than 15%.

28. COMMITMENTS, CONTINGENCIES AND GUARANTEES

LEASES

The Company enters into operating leases for the use of facilities and equipment. During fiscal 2012, rental expenses in direct cost of sales, general and administrative expenses totalled approximately $19,500 (2011 - $21,432). Future minimum rentals payable under non-cancellable operating leases at August 31, are as follows:

	2012	2011
Within one year	**24,350**	22,793
After one year but not more than five years	**86,558**	85,416
More than five years	**298,632**	277,930
	409,540	386,139

The Company has entered into finance leases for the use of computer equipment, telephones, furniture and broadcast equipment. The leases range between three and five years and bear interest rates varying from 4.1% to 5.9%. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2012		2011	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	**7,529**	**7,252**	9,234	8,497
After one year but not more than five years	**1,906**	**1,839**	9,426	9,081
More than five years	**—**	**—**	—	—
Total minimum lease payments	**9,435**	**9,091**	18,660	17,578
Less amounts representing finance charges	**344**	**—**	1,082	—
Present value of minimum lease payments	**9,091**	**9,091**	17,578	17,578

PURCHASE COMMITMENTS

The Company has entered into various agreements for the right to broadcast or distribute certain film, television and radio programs in the future. These agreements, which range in term from one to five years, generally commit the Company to acquire specific films, television and radio 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 $509,489 (2011 - $415,894). In addition, the Company has commitments of $50 (2011 - $9,649) for future television script production.

The Company has commitments related to trade marks and certain other intangible rights until October 2018 for a total of approximately $22,540 (2011 - $25,183). The Company has certain additional annual commitments, some of which are contingent on performance, to pay royalties for trade mark rights. In addition, the Company has licenses and other commitments over the next five years to use specific software, signal and satellite functions of approximately $34,653 (2011 - $71,751). Generally, it is not the Company's policy to issue guarantees to non-controlled affiliates or third parties, with limited exceptions.

LITIGATION

The Company, its subsidiaries and joint ventures 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.

OTHER MATTERS

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, 2012, 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.

29. RELATED PARTY TRANSACTIONS

SIGNIFICANT SUBSIDIARIES AND JOINT VENTURES

The following table includes the significant subsidiaries and joint ventures of the Company:

		Percentage ownership	
Name	**Jurisdiction**	**2012**	2011
Corus Premium Television Ltd.	Canada	**100%**	100%
Corus Radio Company	Nova Scotia	**100%**	100%
Country Music Television Ltd.	British Columbia	**80%**	80%
Encore Avenue Ltd.	Alberta	**100%**	100%
Movie Central Ltd.	Alberta	**100%**	100%
Nelvana Limited	Ontario	**100%**	100%
Telelatino Network Inc.	Canada	**50.5%**	50.5%
TELETOON Canada inc.	Canada	**50%**	50%
OWN Inc.	Ontario	**100%**	100%
W Network Inc.	Canada	**100%**	100%
YTV Canada Inc.	Canada	**100%**	100%

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 and joint control. 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 $123,885 (2011 - $127,745), production and distribution revenues of $658 (2011 - $968) and administrative and other fees of $6,620 (2011 - $6,296) from related parties. In addition, the Company paid cable and satellite system distribution access fees of $4,313 (2011 - $4,367) and administrative and other fees of $4,131 (2011 - $2,649) to related parties. As at August 31, 2012, the Company had $23,993 (August 31, 2011 - $28,697; September 1, 2010 - $29,534) receivable from related parties.

The Company provided related parties with interactive impressions, 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.

Included in other investments (note 5) and share capital (note 15) are loans of $230 (August 31, 2011 - $372; September 1, 2010 - $484) 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 October 31, 2022.

EMPLOYEE BENEFITS

The Company has a defined contribution plan for qualifying full-time employees. Under the plan, the Company contributes up to 5% of an employee's earnings, not exceeding the limits set by the *Income Tax Act* (Canada). The amount contributed in fiscal 2012 related to the defined contribution plan was $5,805 (2011 - $6,101). The amount contributed is approximately the same as the expense included in the consolidated statements of income and comprehensive income.

The Company maintains four defined benefit plans ("DBPs") and two supplementary executive retirement plans which provide pension benefits to certain of its employees in Canada that are included in long-term employee obligations (note 14). The four DBPs are funded plans with pension benefits calculated based on a combination of years of service and compensation levels.

The two supplementary executive retirement plans ("SERP" and "CEO SERP") are unfunded defined benefit plans, which provide post-retirement income. Benefits under these plans are based on the employee's highest three-year average rate of base pay and, in the case of the CEO SERP, base pay plus 50% of bonus at target, during their most recent 10 years of service, accrued starting from the date of the implementation of the plan, and currently include a benefit for past service.

The net defined benefit obligation, as determined by independent actuaries as at August 31, 2012 amounted to $11,814 (August 31, 2011 - $7,193; September 1, 2010 - $5,014). The net benefit expense included in the consolidated statement of income for the year amounted to $1,269 (2011 - $3,031). The net actuarial loss recognized in the statement of comprehensive income for the year amounted to $2,950 (2011 - $433). The remaining change in the liability relates to contributions made in the year. The discount rate used to measure obligations was between 3.5% and 4.7% (2011 – 4.3% to 5.7%).

COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel compensation, including the executive leadership team, officers and directors of the Company, is as follows:

	2012	2011
Salaries and benefits	**8,242**	8,248
Post-employment benefits	**1,107**	2,905
Share-based compensation (note 15)	**8,249**	8,694
Other long-term benefits	**7,522**	6,427
	25,120	26,274

Except for the President and Chief Executive Officer, no other member of the executive leadership team has an employment agreement or any other contractual arrangement in place with the Company in connection with any termination or change-of-control event, other than the conditions provided in the compensation plans of the Company. Generally, severance entitlements, including short-term incentives, payable to the executive leadership team other than the President and Chief Executive Officer would be determined in accordance with applicable common law requirements. Long-term incentive plans, such as stock options, are exercisable if vested, while PSUs, DSUs, RSUs and SERP, would be payable if vested.

The employment agreement with the President and Chief Executive Officer provides for a severance payment if the executive's employment is terminated without cause or change of control: equal to two times the aggregate amount of his annual salary and short-term incentive bonus at target; a provision for the vesting of all previously awarded but unvested stock options; all PSUs and DSUs would be payable if vested; and the CEO SERP would vest immediately and accrue two years of additional service to a maximum age of 62.

TRANSITION TO IFRS

FIRST-TIME ADOPTION OF IFRS

The Company has adopted IFRS effective September 1, 2010 (the "Transition Date") and has prepared its opening IFRS consolidated statement of financial position as at that date. Prior to adopting IFRS, the Company prepared its financial statements in accordance with previous Canadian GAAP. The Company's consolidated financial statements for the year ended August 31, 2012 are its first annual financial statements prepared in accordance with IFRS. The Company has prepared its opening IFRS consolidated statement of financial position at the Transition Date by applying all existing IFRS with mandatory effective dates of August 31, 2012 or prior. In addition, the Company has early adopted fully and retrospectively the revised version of IAS 19 Employee Benefits ("IAS 19") which is not mandatorily effective until fiscal years beginning on or after January 1, 2013.

These consolidated financial statements apply IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), which permits or requires certain exemptions from full retroactive application of IFRS on transition. Accordingly, the Company has elected certain optional exemptions and applied mandatory exceptions as set out below.

(i) Business combinations

IFRS 1 provides the option to apply IFRS 3 *Business Combinations* ("IFRS 3") retrospectively or prospectively from the Transition Date.

The Company elected not to apply IFRS 3 to business combinations prior to the Transition Date. As a result of this election, the classification and accounting treatment of business combinations prior to the Transition Date have not been restated.

(ii) Foreign currency translation adjustment

In accordance with IFRS 1, the Company has elected to reset the cumulative translation gains or losses from its foreign operations that existed at the Transition Date to zero and reversed the previously recognized amounts to opening retained earnings.

(iii) Borrowing costs

IAS 23 *Borrowing Costs* ("IAS 23") requires an entity to capitalize the borrowing costs related to all qualifying assets. Under IFRS 1, the Company may elect to designate any date before the Transition Date (whichever is later) or the Transition Date to capitalize borrowing costs.

The Company chose not to early adopt IAS 23 and, therefore, borrowing costs prior to the Transition Date have not been capitalized.

(iv) Share-based payments

As permitted by IFRS 1, the Company has elected not to apply IFRS 2 *Share-based Payment* to equity awards that vested prior to the Transition Date.

(v) Estimates

IFRS 1 requires that the Company's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made at the same date under previous Canadian GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

(vi) Fair value as deemed cost

As permitted by IFRS 1, the Company has chosen to measure its property, plant and equipment and intangible assets at historical cost.

The estimates previously made by the Company under previous Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ON THE TRANSITION DATE

		September 1, 2010			
	Note	Previous Canadian GAAP	Reclassification related to discontinued operations[1]	Effect of transition to IFRS	IFRS
Assets					
Current					
Cash and cash equivalents		7,969	—	—	7,969
Accounts receivable		161,645	13,489	—	175,134
Income taxes recoverable		1,445	336	—	1,781
Prepaid expenses and other		17,040	968	—	18,008
Program and film rights	T2	159,526	200	(159,726)	—
Deferred tax assets	T1	6,129	294	(6,423)	—
Current assets of discontinued operations		15,287	(15,287)	—	—
Total current assets		369,041	—	(166,149)	202,892
Tax credits receivable		39,597	—	—	39,597
Intangibles, investments and other assets		22,595	104	—	22,699
Property, plant and equipment		147,905	13,680	—	161,585
Program and film rights	T2	88,484	200	156,279	244,963
Film investments	T3	100,454	—	(19,843)	80,611
Broadcast licenses	T4	541,248	40,918	28,257	610,423
Goodwill	T5	671,827	23,202	—	695,029
Deferred tax assets	T1, T11	—	—	32,130	32,130
Long-term assets of discontinued operations		78,104	(78,104)	—	—
		2,059,255	—	30,674	2,089,929
Liabilities and shareholders’ equity					
Current					
Accounts payable and accrued liabilities	T6	193,342	10,080	(10,583)	192,839
Provisions	T6	—	—	13,048	13,048
Current liabilities of discontinued operations		10,080	(10,080)	—	—
Total current liabilities		203,422	—	2,465	205,887
Long-term debt		691,891	—	—	691,891
Other long-term liabilities	T6, T7, T8	88,003	3,420	4,417	95,840
Deferred tax liabilities	T11	90,641	7,875	47,528	146,044
Long-term liabilities of discontinued operations		11,295	(11,295)	—	—
Total liabilities		1,085,252	—	54,410	1,139,662
Non-controlling interest	T10	18,055	—	(18,055)	—
Shareholders’ equity					
Share capital		856,655	—	—	856,655
Contributed surplus	T8	11,780	—	926	12,706
Retained earnings		98,669	—	(36,160)	62,509
Accumulated other comprehensive (loss) income	T9	(11,156)	—	11,498	342
Non-controlling interest	T10	—	—	18,055	18,055
Total shareholders' equity		955,948	—	(5,681)	950,267
		2,059,255	—	30,674	2,089,929

[1] Under previous Canadian GAAP, upon the Company’s Quebec Radio operations meeting the conditions to be classified as held for sale, comparative consolidated balance sheets were reclassified. Under IFRS, once a disposal group meets the held-for-sale criteria, comparative consolidated statement of financial position are not reclassified.

RECONCILIATION OF CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ON SEPTEMBER 1, 2010

	Note	Share capital	Contributed surplus	Retained earnings	AOCI	Non-controlling interest	Total equity
Reported under Canadian GAAP as at August 31, 2010		856,655	11,780	98,669	(11,156)	—	955,948
IFRS adjustments increase (decrease):							
Program and film rights	T2	—	—	(3,447)	—	—	(3,447)
Film investments	T3	—	—	(19,843)	—	—	(19,843)
Broadcast licenses	T4	—	—	28,257	—	—	28,257
Accounts payable and accrued liabilities	T6	—	—	(4,519)	—	—	(4,519)
Employee benefits	T7	—	—	(2,171)	—	—	(2,171)
Share-based compensation	T8	—	926	(1,118)	—	—	(192)
Foreign currency IFRS 1 adjustment	T9	—	—	(11,498)	11,498	—	—
Non-controlling interest	T10	—	—	—	—	18,055	18,055
Income taxes	T11	—	—	(21,821)	—	—	(21,821)
Reported under IFRS as at September 1, 2010		856,655	12,706	62,509	342	18,055	950,267

NOTES TO THE TRANSITION DATE RECONCILIATION SCHEDULES:

T1 DEFERRED TAXES

Under IFRS, all deferred tax balances are classified as non-current, regardless of the classification of the underlying assets or liabilities, or the expected reversal date of the temporary difference.

T2 PROGRAM AND FILM RIGHTS

Previously, the Company amortized certain program rights on a straight-line basis, but suspended amortization during voluntary blackout periods. The Company has determined that the best acceptable IFRS amortization method that matches the expected economic benefit to be consumed is straight-line without suspension, which resulted in a reduction to program and film rights and a corresponding adjustment to retained earnings of $3.4 million. In addition, under Canadian GAAP, the Company reflected the current portion of program and film rights as a current asset. Under IFRS, intangible assets are determined to be non-current and, accordingly, the Company reclassified $159.7 million from current to non-current.

T3 FILM INVESTMENTS

Under Canadian GAAP, certain third-party-produced equity film investments were treated as intangibles. However, under IFRS, these equity film investments and the associated forward obligations to acquire them are treated as financial instruments and have been recorded at their fair value. Accordingly, the Company recognized an adjustment to film investments and opening retained earnings of $19.8 million.

T4 BROADCAST LICENSES

Under previous Canadian GAAP, the Company stopped amortizing its broadcast licenses on September 1, 2002 pursuant to revised accounting standards that were applied prospectively. Under IFRS, indefinite-lived intangibles are not amortized. Since the Company must apply IFRS retrospectively, the amount of accumulated amortization of broadcast licenses recorded up to September 1, 2002 of $19.3 million was reversed.

On the Transition Date, the Company was required to reinstate previously recorded impairments of $9.0 million taken under previous Canadian GAAP and then conduct an impairment analysis of its broadcast licenses. There was no impairment loss required to be recorded on the Transition Date.

T5 GOODWILL

On the Transition Date, the Company completed its required impairment testing of goodwill. There was no impairment loss required to be recorded on the Transition Date.

T6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Under IFRS, all provision balances must be classified and presented separately on the consolidated statements of financial position. Accordingly, $13.0 million was reclassified from accounts payable and accrued liabilities and presented separately under provisions. In addition, $2.0 million of employee benefits have been reclassified from short-term to long-term and an additional accrual has been recorded in the amount of $4.5 million to reflect the fair value of certain forward obligations to acquire third-party-produced equity film investments.

T7 EMPLOYEE BENEFITS

As a result of applying amended IAS 19, opening retained earnings have been reduced by $2.2 million with a corresponding increase in other long-term liabilities to recognize cumulative past service costs and net actuarial gains and losses accumulated as at the Transition Date.

T8 SHARE-BASED COMPENSATION

Under previous Canadian GAAP, cash-settled share-based compensation payments to employees were measured based on intrinsic values of the awards, which were determined with reference to the market price of the Company's underlying shares. Under IFRS, these payments are measured (both initially and at each reporting date) based on fair values of the awards. The difference impacts the Company's measurement of share-based compensation under the RSU, PSU and DSU plans.

On the Transition Date, the Company moved from measurement and straight-line recognition of an entire award to measurement and recognition separately, for each tranche, based on the graded vesting of an award as well as to using an estimate of forfeiture for the recognition of share-based compensation expense related to all awards. The graded vesting requires a greater portion of expense to be recorded in the initial vesting periods compared to distributing the expense equally over all vesting periods under the straight-line method. These changes in the accounting policies for all share-based compensation grants reduced opening retained earnings on the Transition Date by $1.1 million, increased other long-term liabilities by $0.2 million and increased contributed surplus by $0.9 million.

T9 FOREIGN CURRENCY TRANSLATION ADJUSTMENT

As a result of applying the IFRS 1 exemption, the Company set the cumulative translation amount of $11.5 million under previous Canadian GAAP to zero upon transition to IFRS. This has been reflected as a reclassification between AOCI and retained earnings and does not affect reported equity.

T10 NON-CONTROLLING INTEREST

IFRS requires non-controlling interests to be classified as a component of equity. Under previous Canadian GAAP, non-controlling interest was classified outside of equity.

T11 INCOME TAXES

	As reported under Canadian GAAP as at August 31, 2010	Reclassification related to discontinued operations[4]	Adjustments[1]	As reported under IFRS as at September 1, 2010
Program and film rights	—	—	862	862
Film investments	8,639	—	6,091	14,730
Broadcast licenses	(120,004)	(9,290)	(29,363)[3]	(158,657)
Employee benefits	514	—	542	1,056
Share-based compensation	2,788	—	48	2,836
Other	23,551	1,709	(1)	25,259
Total net deferred tax liabilities	(84,512)	(7,581)	(21,821)	(113,914)
Presented as:				
Current deferred tax assets[2]	6,129	294	(6,423)	—
Non-current deferred tax assets[2]	—	—	32,131	32,131
Non-current deferred tax liabilities[2]	(90,641)	(7,876)	(47,528)	(146,045)
Total	(84,512)	(7,582)	(21,820)	(113,914)

1 The tax adjustments are the tax impact of the changes in the related assets and liabilities.

2 Under IFRS, deferred taxes are reported as either non-current deferred tax assets or non-current deferred tax liabilities. Under Canadian GAAP, the Company reported the current portion of deferred taxes as a current asset. Accordingly, on transition, the Company reclassified $6.4 million from current deferred tax assets to non-current. In addition, under IFRS, deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Under Canadian GAAP, the requirements were similar except that tax planning strategies to enable offsetting would also be considered. This resulted in a reclassification of $25.7 million from deferred tax liabilities to deferred tax assets.

3 Under Canadian GAAP, where the tax basis of an intangible asset depends on whether the asset is utilized or sold, the tax basis of the asset is considered to be the greater of those amounts. Under IFRS, if the Company's intention is to recover an intangible asset through use, the tax basis of the asset is the amount that will be deductible for tax purposes against any taxable economic benefits generated from use. As it is the Company's intention to recover broadcast licenses through use, an adjustment of $22.3 million was required to reflect the fact that IFRS does not permit the Company to take into consideration the tax basis that would result from a possible sale of these assets. The adjustment also includes a $7.1 million amount reflecting the deferred tax impact of the reinstatement of amortization and impairment charges previously deducted under Canadian GAAP.

4 Under previous Canadian GAAP, upon the Company's Quebec Radio operations meeting the conditions to be classified as held for sale, comparative consolidated balance sheets were reclassified. Under IFRS, once a disposal group meets the held-for-sale criteria, comparative consolidated statement of financial position are not reclassified.

RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT AUGUST 31, 2011

		August 31, 2011			
	Note	Previous Canadian GAAP	Effect of transition to IFRS	2011 IFRS impact	IFRS
Assets					
Current					
Cash and cash equivalents		55,922	—	—	55,922
Accounts receivable		178,531	—	—	178,531
Income taxes recoverable		603	—	—	603
Prepaid expenses and other		13,497	—	—	13,497
Program and film rights	T2	160,590	(159,726)	(864)	—
Deferred tax assets	T1	7,615	(6,423)	(1,192)	—
Total current assets		416,758	(166,149)	(2,056)	248,553
Tax credits receivable		43,108	—	—	43,108
Investments and other assets		39,980	—	—	39,980
Property, plant and equipment		169,600	—	—	169,600
Program and film rights	T2, T12	99,543	(3,447)	160,874	256,970
Film investments	T3, T13	102,540	(19,843)	436	83,133
Broadcast licenses	T4	541,248	28,257	—	569,505
Goodwill	T5	671,827	—	—	671,827
Deferred tax assets	T1, T18	—	32,130	(1,215)	30,915
		2,084,604	(129,052)	158,039	2,113,591
Liabilities and shareholders' equity					
Current					
Accounts payable and accrued liabilities	T6, T14	212,607	(10,583)	4,749	206,773
Provisions	T14	—	13,048	(7,781)	5,267
Total current liabilities		212,607	2,465	(3,032)	212,040
Long-term debt		600,796	—	—	600,796
Other long-term liabilities	T6, T7, T8, T14	97,314	4,417	2,843	104,574
Deferred tax liabilities	T11, T18	96,013	47,528	(2,180)	141,361
Total liabilities		1,006,730	54,410	(2,369)	1,058,771
Non-controlling interest	T10, T17	19,200	(18,055)	(1,145)	—
Shareholders' equity					
Share capital		882,679	—	—	882,679
Contributed surplus	T8, T14	9,361	926	12	10,299
Retained earnings		179,207	(36,160)	670	143,717
Accumulated other comprehensive loss	T9, T15	(12,573)	11,498	—	(1,075)
Non-controlling interest	T10, T17	—	18,055	1,145	19,200
Total shareholders' equity		1,058,674	(5,681)	1,827	1,054,820
		2,084,604	30,674	(1,687)	2,113,591

RECONCILIATION OF CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME FOR THE YEAR ENDED AUGUST 31, 2011

	Note	Previous Canadian GAAP 2011	Effect of transition to IFRS 2011	IFRS
Revenues		825,213	—	825,213
Direct cost of sales, general and administrative expenses	T12, T13, T14, T15, T16	539,792	(465)	539,327
Depreciation		24,922	—	24,922
Interest expense		57,276	—	57,276
Restructuring		3,694	—	3,694
Other income, net		(4,060)	—	(4,060)
Income from continuing operations before income taxes and non-controlling interest		203,589	465	204,054
Income tax expense	T18	55,106	228	55,334
Non-controlling interest	T17	7,209	(7,209)	—
Net income for the year from continuing operations		141,274	7,446	148,720
Net income for the year from discontinued operations		5,023	—	5,023
Net income for the year		146,297	7,446	153,743
Net income attributable to:				
Equity shareholders		146,297	237	146,534
Non-controlling interest		—	7,209	7,209
		146,297	7,446	153,743
Basic earnings per share:				
From continuing operations		$1.73	—	$1.73
From discontinued operations		$0.06	—	$0.06
		$1.79	—	$1.79
Diluted earnings per share:				
From continuing operations		$1.72	—	$1.72
From discontinued operations		$0.06	—	$0.06
		$1.78	—	$1.78
Net income for the year		146,297	7,446	153,743
Other comprehensive income (loss), net of tax				
Unrealized foreign currency translation adjustment		(1,551)	—	(1,551)
Unrealized change in fair value of available-for sale investments, net of tax		134	—	134
Unrealized change in fair value of cash flow hedges, net of tax		—	—	—
Actuarial gain on defined benefit plans		—	433	433
		(1,417)	433	(984)
Comprehensive income for the year		144,880	7,879	152,759
Attributable to:				
Equity shareholders		144,880	670	145,550
Non-controlling interest		—	7,209	7,209
		144,880	7,879	152,759

RECONCILIATION OF CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ON AUGUST 31, 2011

	Note	Share capital	Contributed surplus	Retained earnings	AOCI	Non-controlling interest	Total equity
Reported under Canadian GAAP as at August 31, 2011		882,679	9,361	179,207	(12,573)	—	1,058,674
IFRS adjustments increase (decrease):							
Program rights	T2, T12	—	—	(3,164)	—	—	(3,164)
Film investments	T3, T13	—	—	(19,329)	—	—	(19,329)
Broadcast licenses	T4	—	—	28,257	—	—	28,257
Accounts payable and accrued liabilities	T6, T13, T14	—	—	(2,730)	—	—	(2,730)
Employee benefits	T7, T15	—	—	(3,477)	—	—	(3,477)
Share-based compensation	T8, T16	—	938	(1,500)	—	—	(562)
Foreign currency IFRS 1 adjustment	T9	—	—	(11,498)	11,498	—	—
Non-controlling interest	T10, T17	—	—	—	—	19,200	19,200
Income taxes	T11, T18	—	—	(22,049)	—	—	(22,049)
Reported under IFRS as at August 31, 2011		882,679	10,299	143,717	(1,075)	19,200	1,054,820

NOTES TO THE AUGUST 31, 2011 RECONCILIATION SCHEDULES:

T12 PROGRAM RIGHTS

Amortization of program rights in direct cost of sales, general and administrative expenses for the year ended August 31, 2011 was $0.3 million lower under IFRS than it was under previous Canadian GAAP. This was primarily the result of the changes made to the amortization method for certain program rights (refer to note T2).

T13 FILM INVESTMENTS

Amortization of film investments in direct cost of sales, general and administrative expenses for the year ended August 31, 2011 was $2.3 million lower under IFRS than it was under previous Canadian GAAP. This was primarily the result of the changes made to certain third-party-produced equity film investments on the Transition Date (refer to notes T3 and T6) and similar impacts for additional arrangements entered into in the period.

T14 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the year ended August 31, 2011 were $4.7 million higher under IFRS than they were under previous Canadian GAAP. This results from payments made in the period against the restructuring provision of $7.8 million being reclassified from accounts payable and accrued liabilities and presented separately under provisions offset by an additional accrual recorded in the period in the amount of $1.9 million to reflect the fair value of certain obligations to acquire equity investments in third-party-produced equity film projects and $1.2 million of employee benefits being reclassified from short-term to long-term (refer to note T6).

T15 EMPLOYEE BENEFITS

Past service costs

Under previous Canadian GAAP, the Company expensed past service costs over the estimated average service life of active employees remaining in the plan. As a result of early adopting the revised version of IAS 19, the Company is required to immediately expense the cost of past service benefits awarded to employees under post-employment benefit plans. Accordingly, the

Company recognized an amount of $1.7 million related to unrecognized past service costs in direct cost of sales, general and administrative expenses for the year ended August 31, 2011.

Actuarial gains and losses

The Company has recognized actuarial gains and losses related to its employee benefit plans through OCI. The amount recognized each period is not retained in AOCI but goes directly to retained earnings.

T16 SHARE-BASED COMPENSATION

Employee costs in direct cost of sales, general and administrative expenses for the year ended August 31, 2011 were $0.4 million higher under IFRS than they were under previous Canadian GAAP. This was primarily the result of the changes in share-based compensation as described in note T8.

Share option plan

On the adoption of IFRS, the Company moved from straight-line recognition of an entire award to measurement and recognition separately, for each tranche, based on the graded vesting of an award as well as to using an estimate of forfeiture for the recognition of share-based payment expense. The graded vesting requires a greater portion of expense to be recorded in the initial vesting periods compared to distributing the expense equally over all vesting periods under the straight-line method. The fair value of the options on the date of grant and the assumptions used for grants issued in fiscal 2011 are as follows:

Vesting in:	**2012**	**2013**	**2014**	**2015**
Fair value	$4.14	$4.13	$4.23	$4.29
Risk-free interest rate	1.9%	2.0%	2.1%	2.1%
Expected dividend yield	3.8%	3.8%	3.8%	3.8%
Expected share price volatility	29.2%	28.6%	28.4%	28.4%
Expected time until exercise (years)	5	6	6	7

T17 NON-CONTROLLING INTEREST

IFRS requires non-controlling interests to be classified as a component of equity. Under previous Canadian GAAP, non-controlling interest was classified outside of equity.

T18 INCOME TAXES

	As reported under Canadian GAAP as at August 31, 2011	**Adjustments[1]**	**As reported under IFRS as at August 31, 2011**
Program and film rights	—	791	791
Film investments	8,503	5,514	14,017
Broadcast licenses	(111,225)	(29,363)[3]	(140,588)
Employee benefits	805	869	1,674
Share-based compensation	5,830	141	5,971
Other	7,689	—	7,689
Total net deferred tax liabilities	(88,398)	(22,048)	(110,446)
Presented as:			
Current deferred tax assets[2]	7,615	(7,615)	—
Non-current deferred tax assets[2]	—	30,915	30,915
Non-current deferred tax liabilities[2]	(96,013)	(45,348)	(141,361)
Total	(88,398)	(22,048)	(110,446)

[1] The tax adjustments are the tax impact of the changes in the related assets and liabilities.

[2] Under IFRS, deferred taxes are reported as either non-current deferred tax assets or non-current deferred tax liabilities. Under Canadian GAAP, the Company reported the current portion of deferred taxes as a current asset. Accordingly, on transition, the Company reclassified $6.4 million from current deferred tax assets to non-current. In addition, under IFRS, deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Under Canadian GAAP, the requirements were similar except that tax planning strategies to enable offsetting could also be considered. This resulted in a reclassification of $23.3 million from deferred tax liabilities to deferred tax assets.

[3] Under Canadian GAAP, where the tax basis of an intangible asset depends on whether the asset is utilized or sold, the tax basis of the asset is considered to be the greater of those amounts. Under IFRS, if the Company's intention is to recover an intangible asset through use, the tax basis of the asset is the amount that will be deductible for tax purposes against any taxable economic benefits generated from use. As it is the Company's intention to recover broadcast licenses through use, an adjustment of $22.3 million was required to reflect the fact that IFRS does not permit the Company to take into consideration the tax basis that would result from a possible sale of these assets.

The adjustment also includes a $7.1 million amount reflecting the deferred tax impact of the reinstatement of amortization and impairment charges previously deducted under Canadian GAAP.

ADJUSTMENTS TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

There were no material adjustments to the operating, investing or financing activity subtotals in the August 31, 2011 consolidated statement of cash flows as a result of conversion to IFRS.

LIST OF ASSETS

TELEVISION DIVISION

ABC Spark
Channel 12 Durham
CHEX TV – Peterborough
CKWS TV – Kingston
CMT (Canada)
Cartoon Network (Canada)
Cosmopolitan TV
Encore Avenue
Food Network Canada*
Kids Can Press
KidsCo*
Movie Central (including HBO Canada)
Nelvana
Nickelodeon (Canada)
OWN: Oprah Winfrey Network (Canada)
Sundance Channel (Canada)
Telelatino (TLN)
TELETOON / TÉLÉTOON
TELETOON Retro / TÉLÉTOON Rétro
Toon Boom Animation Inc.
Treehouse
W Movies
W Network
YTV

RADIO DIVISION

British Columbia

Vancouver
AM730 All Traffic All The Time (CHMJ) – AM
CKNW AM 980 (CKNW) – AM
Classic Rock 101 (CFMI) – FM
99.3 The FOX (CFOX) – FM

Alberta

Calgary
QR77 (CHQR) – AM
Q107 (CFGQ) – FM
Country 105 (CKRY) – FM

Edmonton
630 CHED (CHED) – AM
iNews880 (CHQT) – AM
CISN COUNTRY 103.9 (CISN) – FM
92.5 JOE FM (CKNG) – FM

Manitoba

Winnipeg
CJOB 68 (CJOB) – AM
The New 99.1 Fresh FM (CJGV) – FM
Power 97 (CJKR) – FM

Ontario

Barrie
chay today @ 93 1 fm (CHAY) – FM
B101 (CIQB) – FM

Cambridge
107.5 DAVE FM (CJDV) – FM

Collingwood
95.1 The Peak FM (CKCB) – FM

Cornwall
Variety 104.5 (CFLG) – FM
101.9 CJSS-FM (CJSS) – FM

Guelph
1460 CJOY (CJOY) – AM
Magic 106.1 (CIMJ) – FM

Hamilton
AM 900 CHML (CHML) – AM
Vinyl 95.3 (CING) – FM
Y108 (CJXY) – FM

Kingston
CKWS-FM (CKWS) – FM
FM96 (CFMK) – FM

Kitchener
91.5 The Beat (CKBT) – FM

London
AM980 (CFPL) – AM
The New 1031 Fresh FM (CFHK) – FM
FM96 (CFPL) – FM

Peterborough
100.5 KRUZ FM (CKRU) – FM
THE WOLF 101.5 (CKWF) – FM

Toronto
Talk Radio AM640 (CFMJ) – AM
102.1 the Edge (CFNY) – FM
Q107 (CILQ) – FM

Woodstock
More 103.9 FM (CKDK) – FM

OTHER INTERESTS

Fingerprint Digital, Inc.*
Supernova Interactive Inc.*

Broadcast, branded animation and publishing assets as of August 31, 2012.

*Assets in which Corus Entertainment has less than a 50% equity position.

DIRECTORS

Fernand Bélisle
Mr. Bélisle is a consultant to Canadian broadcast companies. Mr. Bélisle served as Vice Chair (Broadcasting) of the Canadian Radio-television and Telecommunications Commission (CRTC). This followed a series of senior positions at the CRTC and the Department of Communications which is now known as the Department of Canadian Heritage. Mr. Bélisle's business career has included positions with Télémedia Communications Ltd. and in audit and tax specialist roles at Coopers & Lybrand.

Member of the Audit Committee

John M. Cassaday
Mr. Cassaday is President and CEO of Corus Entertainment Inc., a position which he has held since the creation of Corus in September 1999. Prior to Corus, Mr. Cassaday was President, Shaw Media. He is a Director of Irving Oil Limited, Manulife Financial and Sysco Corporation.

Member of the Executive Committee

Dennis Erker
Mr. Erker is a Partner in the Fairley Erker Advisory Group, a financial and estate planning company. Mr. Erker is a Director of First Canadian Insurance Company, Millennium Insurance Company and Coal Valley Investment Corporation and serves as a Director of several charitable organizations. Mr. Erker is the Chair of Valour Place Society. He currently serves as Honorary Colonel of the Loyal Edmonton Regiment and National Chair of the Executive Council of Honoraries. He has served as Chair of the Board for Canadian Hydro Developers Inc. and the Edmonton Eskimos, as Governor of the CFL and as Director of the Workers' Compensation Board - Alberta, The Citadel Theatre and the Alberta Securities Commission. Mr. Erker is a graduate of the Institute of Corporate Directors.

Member of the Human Resources and Compensation Committee

Carolyn Hursh
Ms. Hursh is the Chairman of James Richardson & Sons, Limited (JRSL), a family owned and managed conglomerate established in 1857, whose subsidiaries include Richardson International, Richardson Pioneer, Richardson Oilseed Processing, Richardson Nutrition, Tundra Oil & Gas Limited, Lombard Realty Limited, Richardson GMP and Richardson Capital Limited. Ms. Hursh chairs the JRSL Corporate Governance Committee and is a member of the Audit and Compensation Committees. Ms. Hursh is also Chair of the Max Bell Foundation and is a member of the Advisory Boards for the Centre for Entrepreneurship and Family Enterprise at the University of Alberta and the Ohlson Research Initiative at the University of Calgary.

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

Wendy A. Leaney
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. She holds a Bachelor of Arts (Hon.) degree from the University of Toronto and is a graduate of the Advanced Management Course at the University of Western Ontario. Ms. Leaney is also a graduate of the Canadian Securities Course and a Fellow of the Institute of Canadian Bankers.

Member of the Audit Committee

Ronald D. Rogers
Mr. Rogers retired as Senior Vice-President and Chief Financial Officer of Shaw Communications Inc. in August 2004. He serves as a Director for Transforce Inc. and Parkland Fuel Corporation, and is a chartered accountant and a member of the Alberta Institute of Chartered Accountants. Mr. Rogers has extensive experience in operations and finance, both nationally and on an international basis.

Chair of the Audit Committee and member of the Executive Committee

Catherine Roozen
Following graduation from the University of Alberta with a Bachelor of Commerce degree in 1977, Mrs. Roozen worked with the North West Trust Company until 1981 in the area of Branch Operations and as Vice-President, Investments. In 1981, Mrs. Roozen joined Cathton Holdings Ltd., a private investment company with interests in banking, broadcasting, ranching and real estate development. Currently, Mrs. Roozen is a Director and Secretary of the Allard Foundation Ltd., Chair and Director of Cathton Investments Ltd., Vice Chair of Alberta Health Services and Director of Melcor Developments Ltd.

Member of the Human Resources and Compensation Committee

Terrance Royer
Mr. Royer is Chairman of Royco Hotels Ltd., a hotel management company. Mr. Royer retired as Executive Vice-Chairman of the Calgary-based Royal Host REIT in December 2005. He is also retired President, CEO and founder of Royal Host Corp., a hotel and resort ownership, franchising and management company. Mr. Royer served on the Board of Royal Host REIT from January 1998 to June 2006. Mr. Royer is Chairman Emeritus of the University of Lethbridge (Chairman from January 2001 to July 2006) and Chairman of the Alberta "Access to the Future Fund" for post-secondary institutions in Alberta.

Chair of the Human Resources and Compensation Committee and member of the Executive Committee and the Corporate Governance Committee

Serves as the Independent Lead Director for Corus Entertainment Inc.

Heather A. Shaw
Ms. Shaw is the Executive Chair of Corus Entertainment Inc., and has held the position since its inception in September 1999. Ms. Shaw is a Director for Shawcor Ltd., a member of the Richard Ivey School of Business Advisory Board and past Director of Shaw Communications Inc. Ms. Shaw also sits on a number of charitable boards. Ms. Shaw holds a Bachelor of Commerce degree from the University of Alberta and an MBA from the Richard Ivey School of Business at the University of Western Ontario.

Chair of the Board of Directors

Chair of the Executive Committee

Julie M. Shaw
Ms. Shaw is the Vice Chair of Corus Entertainment Inc., and has held the position since April 2008. Ms. Shaw is the Vice President, Facilities, Design and Management, Shaw Communications Inc. ("Shaw") and has been employed at Shaw since 1986. Ms. Shaw is a graduate of the Institute of Corporate Directors and holds a Bachelor of Design Science degree from Arizona State University. Ms. Shaw is a Director and Secretary of the Shaw Foundation, also sitting on its Investment Committee. The Shaw Foundation is a philanthropic organization founded in 1970. Ms. Shaw is the founder and Managing Director of the SA Foundation, a Calgary based philanthropic organization.

Vice Chair of the Board of Directors and member of the Corporate Governance Committee

OFFICERS

Judy Adam CA
Vice President, Finance,
Corus Entertainment Inc.

John M. Cassaday
President and Chief Executive Officer,
Corus Entertainment Inc.

Scott Dyer
Executive Vice President, Shared Services and Chief Technology Officer,
Corus Entertainment Inc.

Gary Maavara
Executive Vice President, General Counsel and Corporate Secretary,
Corus Entertainment Inc.

Kathleen McNair
Executive Vice President, Human Resources and Corporate Communications,
Corus Entertainment Inc.

Doug Murphy
Executive Vice President and President of Corus Television,
Corus Entertainment Inc.

Chris Pandoff
Executive Vice President and President of Corus Radio,
Corus Entertainment Inc.

Thomas C. Peddie FCA
Executive Vice President and Chief Financial Officer,
Corus Entertainment Inc.

Heather A. Shaw
Executive Chair,
Corus Entertainment Inc.

CORUS ENTERTAINMENT INC.

Stock Exchange Listing and Trading Symbol
Toronto Stock Exchange
TSX: CJR.B

Registered Office
1500, 850-2nd Street SW
Calgary, Alberta T2P 0R8

Executive Office
Corus Quay
25 Dockside Drive
Toronto, Ontario M5A 0B5
Telephone: 416.479.7000
Facsimile: 416.479.7007

Website
www.corusent.com

Auditors
Ernst & Young LLP

Primary Bankers
The Toronto-Dominion Bank

Shareholder Services
For assistance with the following:

- Change of address
- Transfer or loss of share certificates
- Dividend payments or direct deposit of dividends
- Dividend Reinvestment Plan

please contact our ***Transfer Agent and Registrar***:
CIBC Mellon Trust Company
c/o Canadian Stock Transfer Company Inc.(1)
PO Box 700, Station B
Montreal, Quebec H3B 3K3
Telephone: 1.800.387.0825
Facsimile:
1.888.249.6189 (in North America)
514.985.8843 (outside North America)
www.canstockta.com

Dividend Information
Corus Entertainment pays its dividend on a monthly basis and all dividends are "eligible" dividends for Canadian tax purposes unless indicated otherwise.

For further information on the dividend, including the latest approved dividends and historical dividend information, please visit the Investor Relations section of Corus Entertainment's website (www.corusent.com).

Dividend Reinvestment Plan ("DRIP")
Canadian Stock Transfer Company Inc. acts as Administrative Agent for CIBC Mellon Trust Company in the administration of Corus Entertainment's Dividend Reinvestment Plan, which is available to its registered Class A and Class B Shareholders residing in Canada. To review the full text of the Plan and obtain an enrollment form, please visit the Plan Administrator's website at www.canstockta.com or contact them at 1.800.387.0825.

Corporate Governance
The Board of Directors of the Company endorses the principles that sound corporate governance practices ("Corporate Governance Practices") are important to the proper functioning of the Company and the enhancement of the interests of its shareholders.

The Company's Statement of Corporate Governance Practices as they compare to the CSA Guidelines on Corporate Governance, and the charter of the Board of Directors may be found in the Company's most recently filed Management Information Circular and in the Investor Relations section of Corus Entertainment's website (www.corusent.com).

Further Information
Financial analysts, portfolio managers, other investors and interested parties may contact Corus Entertainment at 416.479.7000 or visit Corus Entertainment's website (www.corusent.com).

Corus Entertainment's Annual Reports, Annual Information Forms, Management Information Circulars, quarterly financial reports, press releases, investor presentations and other relevant materials are available in the Investor Relations section of Corus Entertainment's website (www.corusent.com).

To receive additional copies of Corus Entertainment's Annual Report, please fax your request to the Director, Communications at 416.479.7007.

Annual General Meeting
January 15, 2013
2 p.m. ET
Corus Entertainment
Corus Quay
25 Dockside Drive
Toronto, Ontario M5A 0B5

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(1) Canadian Stock Transfer Company Inc. acts as Administrative Agent for CIBC Mellon Trust Company.

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ENTERTAINMENT