ENTERTAINMENT

First Quarter 2012
Report to Shareholders

For the Three Months Ended November 30, 2011
(Unaudited)

CORUS ENTERTAINMENT INC.
First Quarter 2012 Report to Shareholders

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CORUS ENTERTAINMENT INC.
First Quarter 2012 Report to Shareholders

Highlights

Financial Highlights

(These highlights are derived from the unaudited consolidated financial statements)
(in thousands of dollars except per share amounts)

	Three months ended **November 30,**	
	2011	2010
Revenues		
Television	**185,027**	167,517
Radio[(1)]	**51,864**	54,639
	236,891	222,156
Segment profit		
Television	**80,495**	80,269
Radio[(1)]	**16,402**	18,514
Corporate	**(5,683)**	(8,124)
	91,214	90,659
Net income attributable to equity shareholders:		
From continuing operations	**50,548**	46,197
From discontinued operations	**—**	1,523
	50,548	47,720
Basic earnings per share attributable to equity shareholders		
From continuing operations	**$ 0.61**	$ 0.57
From discontinued operations	**$ —**	$ 0.02
	$ 0.61	$ 0.59

[(1)] Reflects the disposition of the Quebec Radio operations, which occurred on February 1, 2011, as discontinued operations in all periods presented.

Significant Events in the Quarter

- On September 8, 2011, the Company announced that its programming received a total of 23 awards from the Academy of Canadian Cinema and Television's 26th Annual Gemini Awards. Movie Central's series received a total of 17 awards, with *Call Me Fitz* picking up an impressive seven Geminis. Corus' YTV and TELETOON received six awards, including two Geminis for Nelvana Studio's *Babar and the Adventures of Badou*.
- On September 19, 2011, Corus Entertainment was named one of Canada's Top Employers for Young People for 2011, which marks the second year in a row that Corus received special recognition in attracting and training younger employees through Corus U's in-house and online training opportunities.
- On September 26, 2011, the Company's Nelvana Enterprises announced the sale of three new comedy series, *Mr. Young*, *Sidekick* and *Scaredy Squirrel,* to Cartoon Network Latin America.
- On September 29, 2011, the Company's Nelvana Enterprises announced an agreement with Disney Channel and Disney XD to broadcast its animated comedy series *Scaredy Squirrel* in Europe and beyond.
- On September 29, 2011, the Ministers of Industry and Canadian Heritage reintroduced the Copyright Modernization Act (the Act), which died on the order papers as Bill C-32 when the federal election was called in early 2011. Now known as Bill C-11, the legislation was tabled in the House of Commons in the exact same form as Bill C-32. The Bill contains certain exemptions that would reduce the liability for use of music on Corus radio stations and result in significant cost savings for the Company.

- On September 30, 2011, October 31, 2011 and November 30, 2011, the Company paid a monthly dividend of $0.072083 and $0.0725 to holders of its Class A and Class B Shares, respectively.
- On October 5, 2011, the Canadian Radio-television and Telecommunications Commission ("CRTC") granted two Category B licenses for Italian and Spanish language children's television specialty services owned by Telelatino Network Inc., which is controlled by Corus. *See Broadcasting Decisions 2011-637 and 638.*
- On October 25, 2011, the Company and NBCUniversal Television Canada announced the renewal of their exclusive output distribution deal. This multi-year agreement, which encompasses linear and non-linear rights, provides Corus Entertainment's premium pay TV service, Movie Central, with access to an extensive catalogue of new theatrical feature film titles.
- On October 26, 2011, the Company announced its expansive licensing agreement with Disney/ABC Television Group (DATG) to launch ABC Spark in Canada. This new service will build on the foundation that DATG has created with ABC Family, a U.S. network known for its groundbreaking original programming, and will feature programming for the millennial generation, including favourites like *Switched at Birth*, *The Secret Life of the American Teenager* and *Make It or Break It*.
- On November 15, 2011, the Company's Kids Can Press won the 2011 Governor General's Literary Award for Children's Literature – Illustration for Cybèle Young's *Ten Birds*. This is the fourth Governor General Literary Award that Kids Can Press has received.
- On November 30, 2011, the Company held its annual Investor Day and updated investors on its fiscal 2012 priorities. The Company also provided its fiscal 2012 guidance targets for consolidated segment profit of $300 million to $310 million and free cash flow in excess of $125 million.
- On November 30, 2011, the radio broadcasting license of the Company's CJGV-FM (Winnipeg) station was renewed until August 31, 2016, which included an approval of a change in its jazz programming format. Corus plans to change the format to something that is more popular with listeners and advertisers.

Significant Events Subsequent to the Quarter

- On December 1, 2011, the Company announced that beginning January 16, 2012, Canadian viewers will have the opportunity to preview programming from Corus' newest service, ABC Spark, on YTV, W Network and CMT (Canada). ABC Spark will launch in late March 2012.
- On December 6, 2011, the Company was honoured with The Learning Partnership's 2011 Canada's Outstanding Employer Awards for its Take Our Kids to Work™ program.
- On December 12, 2011, the Company's Kids Can Press announced a partnership with Open Road Integrated Media which brings its first two Scaredy Squirrel books into a number of digital and interactive formats, including the first Scaredy Squirrel iPhone game app.
- On December 16, 2011, the Company made a minority investment in Supernova Interactive, an online local radio community portal that uses social networking technology to engage and build online communities. Corus will begin to roll out Supernova's platform across its portfolio of radio stations in 2012 to enhance the online experience for users.
- On December 30, 2011, the Company paid a monthly dividend of $0.072083 and $0.0725 to holders of its Class A and Class B Shares, respectively.
- On January 10, 2012, the Company announced that its Board of Directors had approved a 10% increase in its annual dividend. The Company's monthly dividend for holders of its Class A and Class B Shares was increased to $0.079583 and $0.08, respectively or $0.955 and $0.96, respectively on an annual basis.

Management's Discussion and Analysis

Management's Discussion and Analysis of the financial position and results of operations for the three months ended November 30, 2011 is prepared at December 30, 2011. The following should be read in conjunction with Management's Discussion and Analysis, consolidated financial statements and the notes thereto included in our August 31, 2011 Annual Report and the consolidated financial statements and notes of the current quarter. The financial highlights included in the discussion of the segmented results are derived from the unaudited consolidated financial statements. All amounts are stated in Canadian dollars unless specified otherwise.

Corus reports its financial results under International Financial Reporting Standards ("IFRS") in Canadian dollars. Per share amounts are calculated using the weighted average number of shares outstanding for the applicable period.

Impact of Conversion

The table below summarizes the impact of conversion to IFRS on our key financial highlights for the year ended August 31, 2011.

Year ended August 31, 2011

(in thousands of Canadian dollars, except per share amounts)	IFRS	Previous Canadian GAAP	% Change
Revenues	825,213	825,213	0%
Expenses	539,327	539,792	0%
Segment profit	285,886	285,421	0%
Net income attributable to equity shareholders from continuing operations	141,511	141,274	0%
Basic earnings per share attributable to equity shareholders from continuing operations	$ 1.73	$ 1.73	0%

As at August 31, 2011 (in thousands of Canadian dollars, except per share amounts)	IFRS	Previous Canadian GAAP	% Change
Total assets	$ 2,113,591	2,084,604	1%
Total liabilities	$ 1,058,768	1,006,730	5%
Total shareholders' equity	$ 1,054,823	1,058,674	0%

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 related to, among other things, our objectives, goals, strategies, intentions, plans, estimates and outlook, including advertising, distribution, merchandise and subscription revenues, operating costs and tariffs, taxes and fees, and can generally be identified by the use of the 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 specialty and pay 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 of Consolidated Results from Continuing Operations

Our 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. The following discussion describes the significant changes in the consolidated income statement from continuing operations.

Net income attributable to equity shareholders for the first quarter of fiscal 2012 was $50.5 million on revenues of $236.9 million, as compared to net income attributable to equity shareholders of $46.2 million on revenues of $222.2 million in the prior year. Television segment profit was consistent with the prior year, while Radio segment profit was down by 11%. Further analysis is provided in the discussions of segmented results.

Revenues

Revenues for the first quarter of fiscal 2012 were $236.9 million, an increase of 7% from $222.2 million last year. Subscriber revenues increased 1%, advertising revenues declined by 1%, and merchandising, distribution and other revenues increased 54% for the quarter from the prior year. Revenues in the first quarter of fiscal 2012 increased for Television by 10% and decreased for Radio by 5%. Refer to the discussion of segmented results for additional analysis of revenues.

Direct cost of sales, general and administrative expenses

Direct cost of sales, general and administrative expenses for the first quarter of fiscal 2012 were $145.7 million, up 11% from $131.5 million in the prior year. This increase results from higher program rights and film amortization and cost of sales in the Television division, which was offset by lower costs in Corporate and Radio. Refer to the discussion of segmented results for additional analysis of expenses.

Depreciation

Depreciation expense of $6.2 million for the first quarter of fiscal 2012 is consistent with $6.1 million in the first quarter of fiscal 2011.

Interest expense

Interest on long-term debt was $13.4 million for the first quarter of fiscal 2012, down from $14.1 million in the same period last year. The decrease reflects a lower average balance of bank loans in the first quarter of fiscal 2012. The effective interest rate on bank loans and notes for the first quarter of fiscal 2012 was 6.8% consistent with the prior year.

Restructuring expense

Restructuring expense of $2.3 million in the first quarter of fiscal 2011 is comprised of employee-related expenses associated with organizational restructuring and redundant rents for facilities vacated subsequent to moving to the Corus Quay location.

Other expense/ (income), net

Other expense from continuing operations for the three month period was $0.4 million, as compared to income of $0.1 million last year. The difference relates to lower foreign exchange gains in the current year.

Income tax expense

The effective tax rate for the first quarter of fiscal 2012 was 25.9%, compared to the Company's 26.8% statutory rate.

Net income and earnings per share

Net income attributable to equity shareholders for the first quarter of fiscal 2012 was $50.5 million, as compared to $46.2 million last year. Earnings per share attributable to equity shareholders for the first quarter of fiscal 2012 were $0.61 basic and diluted compared to $0.57 basic and $0.56 diluted last year.

The weighted average number of shares outstanding has increased in the current year due to the issuance and 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 income for the first quarter of fiscal 2012 was $1.1 million, compared to a loss of $0.5 million in the prior year. This income results primarily from 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 and Kids Can Press; the Company's majority interest in CMT (Canada), Telelatino (TLN, Euro World Sport, Mediaset Italia, SkyTG 24, Teleninos, TLN En Espanol), DUSK and Cosmopolitan TV, and a 50% interest in TELETOON and TELETOON Retro (English and French).

Financial Highlights

(thousands of Canadian dollars)	Three months ended **November 30,**	
	2011	2010
Revenues	**185,027**	167,517
Expenses	**104,532**	87,248
Segment profit	**80,495**	80,269

Revenues increased by 10% in the first quarter of fiscal 2012, driven by a triple-digit increase in merchandise revenues, a 3% increase in advertising revenues, and a 1% increase in subscriber revenues compared to the prior year which had outstanding growth in specialty advertising and subscriber revenues. Specialty advertising revenues were up 3% in the first quarter of fiscal 2012 primarily as a result of double-digit growth on our Women's portfolio. Subscriber revenue growth for the quarter reflects strong subscriber growth on CosmoTV and Nickelodeon, and moderate increases on our other channels. Exceptional sales of Beyblade is the main contributor of growth in merchandise, distribution and other revenues. Movie Central (including HBO Canada) ended the quarter with 973,000 subscribers.

Direct cost of sales, general and administrative expenses increased by 20% in the first quarter of fiscal 2012. The principal driver of the increase was the triple-digit rise in direct cost of sales tied to the excellent growth of our merchandising business. Direct cost of sales also includes amortization of program rights and film investments. Amortization of program rights increased 12% due to higher Canadian programming costs as a result of conditions of license which are tied to the prior year's revenue growth and increased program investment across all channels, particularly OWN (which launched in Q2 2011) and our pay television networks. These upfront investments position us well for strong growth in future quarters. Amortization of film investments was higher primarily due to increased revenues from third party service work at our studios. General and administrative expenses increased by 5% in the quarter primarily due to increased variable costs associated with increased revenues and marketing and trademark fees in Q1 2012 related to OWN.

Segment profit for the first quarter of fiscal 2012 was flat to the prior year. Segment profit margin decreased to 44% from 48% in the prior year largely due to Q1 2012 having a higher proportion of lower margin merchandising business, increased investment in programming on our core brands to drive future revenue growth and costs associated with OWN which were not in Q1 2011.

Radio

The Radio division is comprised of 37 radio stations situated primarily in seven of the ten largest Canadian markets by population and in the densely populated area of southern Ontario. Corus is one of Canada's leading radio operators in terms of revenues and audience reach.

Financial Highlights

(thousands of Canadian dollars)	Three months ended **November 30,**	
	2011	2010
Revenues	**51,864**	54,639
Expenses	**35,462**	36,125
Segment profit	**16,402**	18,514

Revenues for the first quarter of fiscal 2012 decreased by 5% compared to the prior year. Revenue growth in Vancouver and Winnipeg was offset by declines in Alberta and Ontario. Ad sales were down in key categories such as restaurants, home electronics and real estate.

Direct cost of sales, general and administrative expenses for the first quarter of fiscal 2012 decreased by 2% compared to the prior year. Variable expenses decreased by 9% in the quarter, largely due to lower sales commissions. Fixed costs, which represent a much higher proportion of the cost structure, increased 2% for the quarter. This increase was related to employee costs and programming.

Segment profit decreased 11% in the first quarter of fiscal 2012. The Radio division's margin decreased from 34% in the prior year to 32% this quarter primarily as a result of the revenue decline.

On February 1, 2011, the Company's Quebec radio operations were sold to Cogeco Inc. Subsequently, results of Corus Radio's Quebec segment for the 2011 fiscal year were 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 divisions.

Financial Highlights

(thousands of Canadian dollars)	Three months ended **November 30,**	
	2011	2010
Stock-based compensation	**1,075**	2,289
Other general and administrative costs	**4,608**	5,835
	5,683	8,124

Stock-based compensation includes the expenses related to the Company's Performance Share Units ("PSUs"), Restricted Share Units ("RSUs"), stock options and other long-term incentive plans. The expense fluctuates with changes in assumptions, primarily due to the Company's share price and number of units outstanding. The decrease in stock-based compensation in the current year reflects a lower share price at the end of the first quarter compared to the prior year.

Other general and administrative costs have decreased in the first quarter of fiscal 2012 as a result of lower expense related to short-term compensation plans, a higher recovery of facilities costs through Corus Quay space rentals and an overall focus on cost controls.

Quarterly Consolidated Financial Information

Seasonal fluctuations

As discussed in Management's Discussion and Analysis for the year ended August 31, 2011, Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. In particular, as the Company's broadcasting businesses are dependent on general advertising and retail cycles associated with consumer spending activity, the first quarter results tend to be the strongest and second quarter results tend to be the weakest in a fiscal year.

The following table sets forth certain unaudited data derived from the unaudited consolidated financial statements for each of the eight most recent quarters ended November 30, 2011.

[thousands of Canadian dollars, except per share amounts]

	Revenues[1]	Segment Profit [1]	Net income attributable to Equity Shareholders[1]	Earnings per share[1]	
				Basic	Diluted
2012					
1st quarter	236,891	91,214	50,548	$ 0.61	$ 0.61
2011					
4th quarter	200,193	56,482	27,673	$ 0.34	$ 0.33
3rd quarter	211,788	78,769	40,352	$ 0.49	$ 0.49
2nd quarter	191,076	59,976	27,289	$ 0.33	$ 0.33
1st quarter	222,156	90,659	46,197	$ 0.57	$ 0.56
2010					
4th quarter[2]	187,436	51,517	4,164	$ 0.05	$ 0.05
3rd quarter[2]	198,387	69,447	29,272	$ 0.36	$ 0.36
2nd quarter[2]	177,500	55,050	15,231	$ 0.19	$ 0.19

[1] Reflects results for continuing operations

[2] The fiscal 2010 quarters presented above have not been restated to IFRS and are as originally reported under Canadian GAAP

Significant items causing variations in quarterly results

- Net income for the fourth quarter of fiscal 2010 was negatively impacted by a charge of $12.9 million related to the Company's organizational restructuring to streamline operating processes.
- Net income in the fourth quarter of fiscal 2010 was negatively impacted by an accrual of $6.0 million related to the new Radio tariffs introduced in July 2010.
- Net income in the second quarter of fiscal 2010 was negatively impacted by $14.3 million in expenses related to the refinancing of the Company's debt.

Risks and Uncertainties

There have been no material changes in any risks or uncertainties facing the Company since the year ended August 31, 2011.

Outlook

At its annual Investor Day on November 30, 2011, the Company updated investors on the Company's fiscal 2012 strategic priorities and provided near-term financial guidance for the 2012 fiscal year. In particular, the Company announced its fiscal 2012 guidance targets of consolidated segment profit of $300.0 million to $310.0 million, and free cash flow in excess of $125.0 million.

To view the Investor Day presentation, please visit the Company's website at www.corusent.com.

Financial Position

Total assets at November 30, 2011 were $2.2 billion, compared to $2.1 billion at August 31, 2011. The following discussion describes the significant changes in the consolidated balance sheet since August 31, 2011.

Current assets at November 30, 2011 were $290.2 million, up $41.6 million from $248.6 million at August 31, 2011. Cash and cash equivalents increased by $2.1 million. Refer to the discussion of cash flows in the next section.

Accounts receivable increased by $38.6 million from year-end. The accounts receivable balance typically grows in the first quarter and decreases in the second quarter as a result of the broadcast revenue cycle. The Company carefully monitors the aging of its accounts receivable.

Tax credits receivable increased by $7.0 from year-end as a result of accruals related to film production.

Intangibles, investments and other assets decreased by $2.2 million from year-end primarily as a result of decreases in equity investments and intangibles.

Property, plant and equipment decreased by $2.8 million from year-end, as spending on the Corus Quay build-out was completed in fiscal 2011 and accordingly depreciation expense exceeded additions in the first quarter of fiscal 2012.

Program and film rights increased by $19.1 million from year-end, as additions of acquired rights of $66.2 million were offset by amortization of $47.1 million during the first quarter of fiscal 2012.

Film investments decreased by $5.7 million from year-end, as film spending (net of tax credit accruals) of $4.3 million was offset by film amortization $10.0 million.

Broadcast licenses and goodwill balances remained consistent with August 31, 2011.

Accounts payable and accrued liabilities increased by $26.6 million from year-end primarily as a result of higher accrued liabilities, interest payable on long-term debt, and current program rights payable. Interest on the notes is paid semi-annually, in February and August. An increase in accrued liabilities is related to higher third party participation fees related to the merchandise business.

Provisions decreased by $1.2 million as a result of payments made relating to workforce reduction initiatives taken in late fiscal 2010.

Long-term debt at November 30, 2011 was $601.5 million, up $0.7 million from year-end as a result of lower unamortized financing fees. Other long-term liabilities decreased by $7.1 million from year-end due to reductions in capital lease accruals and unearned revenue.

Share capital increased $4.3 million from year-end as the issuance of shares from treasury under the Company's dividend reinvestment plan added $6.3 million to share capital and was offset by $2.1 million in costs related to shares repurchased under the normal course issuers bid. Contributed surplus increased by $0.3 million.

Liquidity and Capital Resources

Cash flows

Overall, the Company's cash and cash equivalents position increased by $2.1 million in the first quarter of fiscal 2012. Free cash flow from continuing operations for the first quarter of fiscal 2012 was $24.1 million, compared to free cash flow of $1.0 million in the prior year. This increase in free cash flow reflects higher cash from operating activities and

reduced investment activities especially in the area of capital additions. 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 the first quarter of fiscal 2012 was $26.5 million, up $11.2 million from $15.3 million last year. This increase is related primarily to an increase in net income from continuing operations, before non-cash items resulted in a cash flow increase of $12.3 million year-to-date and lower spending on both film investments and program rights of $4.7 million and $2.7 million, respectively. This was offset by a decrease in working capital of $8.6 million.

Cash used in investing activities from continuing operations in the first quarter of fiscal 2012 was $2.4 million, compared to cash used of $14.4 million last year. This decrease of $12.0 million in the current quarter is attributable to reduced additions to capital assets of $9.9 million and a decrease in investments of $2.0 million.

Cash used in financing activities in the first quarter of fiscal 2012 was $22.0 million, compared to cash provided of $14.5 million in the prior year. In the current year, the Company repurchased $3.9 million shares under the normal course issuer bid. In the prior year, the Company increased bank debt by $30.2 million.

Liquidity

As at November 30, 2011, the Company has available approximately $385.0 million under a revolving term credit facility. On March 11, 2011, 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, 2015. Interest rates on the Company's facilities fluctuate with Canadian bankers' acceptances and LIBOR.

As at November 30, 2011, the Company had a cash balance of $58.0 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 November 30, 2011, net debt was $543.5 million, down from $544.9 million at August 31, 2011. Net debt to segment profit at November 30, 2011 was 1.9 times consistent with August 31, 2011.

Contractual commitments

The Company has added no significant unfulfilled contractual obligations in the first quarter of fiscal 2012.

Outstanding Share Data

As at December 31, 2011, 3,434,746 Class A Voting Shares and 79,292,860 Class B Non-Voting Shares were issued and outstanding.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred in the three months ended November 30, 2011 that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

Key Performance Indicators

The Company measures the success of its strategies using a number of key performance indicators. These have been outlined in the Management's Discussion and Analysis contained in the Annual Report for the year ended August 31, 2011, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions.

In particular, 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 retained earnings. 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; disputed regulatory fees; debt refinancing and certain other income and expenses (note 15 to the interim 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 18 to the condensed interim consolidated financial statements.

Certain key performance indicators are not measurements in accordance with International Financial Reporting Standards ("IFRS") and should not be considered as an alternative to net income or any other measure of performance under IFRS. The following tables reconcile those key performance indicators that are not in accordance with IFRS or GAAP measures:

Free cash flow [1]

	Three months ended **November 30,**	
(thousands of Canadian dollars)	**2011**	2010
Cash provided by (used in):		
Operating activities	**26,451**	15,331
Investing activities	**(2,392)**	(14,376)
Free cash flow	**24,059**	955

[1] Reflects results from continuing operations

Net debt

(thousands of Canadian dollars)	**As at November 30, 2011**	As at August 31, 2011
Long-term debt	**601,482**	600,796
Cash and cash equivalents	**(58,009)**	(55,922)
Net debt	**543,473**	544,874

Net debt to segment profit

(thousands of Canadian dollars)	**As at November 30, 2011**	As at August 31, 2011
Net debt (numerator)	**543,473**	544,874
Segment profit (denominator)[1]	**286,441**	285,886
Net debt to segment profit	**1.9**	1.9

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

Impact of New Accounting Policies

Adoption of IFRS

For fiscal years beginning after January 1, 2011, Canadian Generally Accepted Accounting Principles ("GAAP"), as used by publicly accountable enterprises, were fully converged to IFRS. Accordingly, the interim condensed consolidated financial statements for the three months ended November 30, 2011 are the first financial statements the Company has prepared in accordance with IFRS. Prior to the adoption of IFRS, for all periods up to and including the year ended August 31, 2011, the Company's consolidated financial statements were prepared in accordance with Canadian GAAP. IFRS uses a conceptual framework similar to Canadian GAAP, but there are differences related to recognition, measurement and disclosures.

Detailed notes on the changes to the previously reported amounts are included in the notes to the condensed consolidated financial statements for the period ended November 30, 2011, that have been filed on SEDAR and are also available on Corus' website www.corusent.com.

The following charts provide selected restated 2011 results by quarter:

Revenues and Segment Profit from Continuing Operations
(in thousands of Canadian dollars)

Three months ended November 30, 2010	Radio[1]	Television	Corporate	Consolidated
Revenues	54,639	167,517	-	222,156
Direct costs of sales, general and administrative expenses	36,125	87,248	8,124	131,497
Segment profit (loss)	18,514	80,269	(8,124)	90,659
Depreciation	758	1,703	3,647	6,108
Interest expense	1,506	4,712	7,855	14,073
Restructuring	678	2	1,570	2,250
Other expense (income), net	14	(632)	501	(117)
Income (loss) before income taxes and non-controlling interest	15,558	74,484	(21,697)	68,345

[1] Retroactively restated for the disposition of the Quebec radio segment

Three months ended February 28, 2011	Radio[1]	Television	Corporate	Consolidated
Revenues	42,647	148,429	-	191,076
Direct costs of sales, general and administrative expenses	32,975	88,510	9,615	131,100
Segment profit (loss)	9,672	59,919	(9,615)	59,976
Depreciation	738	816	4,499	6,053
Interest expense	966	5,165	8,586	14,717
Other expense (income), net	(514)	(1,585)	974	(1,125)
Income (loss) before income taxes and non-controlling interest	8,482	55,523	(23,674)	40,331

[1] Retroactively restated for the disposition of the Quebec radio segment

Three months ended May 31, 2011	Radio	Television	Corporate	Consolidated
Revenues	50,745	161,043	-	211,788
Direct costs of sales, general and administrative expenses	34,745	91,052	7,222	133,019
Segment profit (loss)	16,000	69,991	(7,222)	78,769
Depreciation	817	736	4,650	6,203
Interest expense	(74)	6,182	8,585	14,693
Restructuring	72	7	13	92
Other expense (income), net	(509)	395	(855)	(969)
Income (loss) before income taxes and non-controlling interest	15,694	62,671	(19,615)	58,750

Three months ended August 31, 2011	Radio	Television	Corporate	Consolidated
Revenues	47,626	152,567	-	200,193
Direct costs of sales, general and administrative expenses	32,727	101,626	9,358	143,711
Segment profit (loss)	14,899	50,941	(9,358)	56,482
Depreciation	757	758	5,043	6,558
Interest expense	154	6,729	6,910	13,793
Restructuring	1,226	496	(370)	1,352
Other expense (income), net	243	(2,937)	845	(1,849)
Income (loss) before income taxes and non-controlling interest	12,519	45,895	(21,786)	36,628

The following chart provides selected restated 2011 results for the full year:

Year ended August 31, 2011	Radio[(1)]	Television	Corporate	Consolidated
Revenues	195,657	629,556	-	825,213
Direct costs of sales, general and administrative expenses	136,572	368,436	34,319	539,327
Segment profit (loss)	59,085	261,120	(34,319)	285,886
Depreciation	3,070	4,013	17,839	24,922
Interest expense	2,552	22,788	31,936	57,276
Restructuring	1,976	505	1,213	3,694
Other expense (income), net	(766)	(4,759)	1,465	(4,060)
Income (loss) before income taxes and non-controlling interest	52,253	238,573	(86,772)	204,054

[(1)] Retroactively restated for the disposition of the Quebec radio segment

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 is in the process of reviewing the amendment to determine the impact on the consolidated financial statements.

IFRS 9 *Financial Instruments: Classification and Measurement*

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 Board 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 currently expected to be in fiscal 2014. 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 standards to determine the impact on the consolidated financial statements.

IFRS 11 *Joint Arrangements*

IFRS 11 requires a venturer 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 venturer 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 standards to determine the impact on the consolidated financial statements.

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 establishes disclosure requirements for interest 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 standards 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 standards 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 Company is in the process of reviewing the impact of this change.

In June 2011, the IASB amended the following standard, which the Company is in the process of reviewing to determine the impact on the consolidated financial statements.

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.

Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements for the period ended November 30, 2011 have been filed on SEDAR and are also available on Corus' website www.corusent.com.

Interim Condensed Consolidated Financial Statements

Corus Entertainment Inc.

November 30, 2011

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited – in thousands of Canadian dollars)	**November 30, 2011**	August 31, 2011	September 1, 2010
ASSETS			
Current			
Cash and cash equivalents	**58,009**	55,922	7,969
Accounts receivable	**217,119**	178,531	175,134
Income taxes recoverable	**—**	603	1,781
Prepaid expenses and other	**15,058**	13,497	18,008
Total current assets	**290,186**	248,553	202,892
Tax credits receivable	**50,151**	43,108	39,597
Intangibles, investments and other assets (note 4)	**37,808**	39,980	22,699
Property, plant and equipment	**166,758**	169,600	161,585
Program and film rights (note 5)	**276,029**	256,970	244,963
Film investments (note 6)	**77,476**	83,133	80,611
Broadcast licenses	**569,505**	569,505	610,423
Goodwill	**671,827**	671,827	695,029
Deferred tax asset	**31,012**	30,915	32,130
	2,170,752	2,113,591	2,089,929
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities (note 7)	**233,383**	206,770	192,839
Provisions (note 8)	**4,105**	5,267	13,048
Income taxes payable	**2,363**	—	—
Total current liabilities	**239,851**	212,037	205,887
Long-term debt (note 9)	**601,482**	600,796	691,891
Other long-term liabilities (notes 8 and 10)	**97,516**	104,574	95,840
Deferred tax liability	**142,750**	141,361	146,044
Total liabilities	**1,081,599**	1,058,768	1,139,662
SHAREHOLDERS' EQUITY			
Share capital (note 11)	**886,957**	882,679	856,655
Contributed surplus (note 11)	**10,572**	10,299	12,706
Retained earnings	**174,540**	143,720	62,509
Accumulated other comprehensive income (loss) (note 12)	**(25)**	(1,075)	342
Total equity attributable to equity shareholders	**1,072,044**	1,035,623	932,212
Equity attributable to non-controlling interest	**17,109**	19,200	18,055
Total shareholders' equity	**1,089,153**	1,054,823	950,267
	2,170,752	2,113,591	2,089,929

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(unaudited – in thousands of Canadian dollars)	Three months ended **November 30,**	
	2011	2010
		(note 17)
Revenues	**236,891**	222,156
Direct cost of sales, general and administrative expenses (note 13)	**145,677**	131,497
Depreciation	**6,239**	6,108
Interest expense (note 14)	**13,427**	14,073
Restructuring charges	**—**	2,250
Other expense (income), net (note 15)	**447**	(117)
Income before income taxes	**71,101**	68,345
Income tax expense (note 16)	**18,421**	20,328
Net income for the period from continuing operations	**52,680**	48,017
Income after tax for discontinued operations (note 17)	**—**	1,523
Net income for the period	**52,680**	49,540
Net income attributable to:		
Equity shareholders	**50,548**	47,720
Non-controlling interest	**2,132**	1,820
	52,680	49,540
Basic earnings per share attributable to equity shareholders:		
From continuing operations	**$0.61**	$0.57
From discontinued operations	**$ —**	$0.02
	$0.61	$0.59
Diluted earnings per share attributable to equity shareholders:		
From continuing operations	**$0.61**	$0.56
From discontinued operations	**$ —**	$0.02
	$0.61	$0.58
Net income for the period	**52,680**	49,540
Other comprehensive income (loss), net of tax		
Unrealized foreign currency translation adjustment	**1,124**	(753)
Unrealized change in fair value of available-for-sale investments, net of tax	**(74)**	171
	1,050	(582)
Comprehensive income for the period	**53,730**	48,958
Comprehensive income attributable to:		
Equity Shareholders	**51,598**	47,138
Non-controlling interest	**2,132**	1,820
	53,730	48,958

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(unaudited – in thousands of Canadian dollars)

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) (note 12)	Total attributable to equity shareholders	Non-controlling interest	Total equity
At August 31, 2011	**882,679**	**10,299**	**143,720**	**(1,075)**	**1,035,623**	**19,200**	**1,054,823**
Comprehensive income	—	—	50,548	1,050	51,598	2,132	53,730
Dividends declared	—	—	(17,950)	—	(17,950)	(4,223)	(22,173)
Issuance of shares under stock option plan	106	(20)	—	—	86	—	86
Issuance of shares under dividend reinvestment plan	6,282	—	—	—	6,282	—	6,282
Share repurchased	(2,110)	—	(1,778)	—	(3,888)	—	(3,888)
Share-based compensation expense	—	293	—	—	293	—	293
At November 30, 2011	**886,957**	**10,572**	**174,540**	**(25)**	**1,072,044**	**17,109**	**1,089,153**
At September 1, 2010	**856,655**	**12,706**	**62,509**	**342**	**932,212**	**18,055**	**950,267**
Comprehensive income (loss)	—	—	47,720	(582)	47,138	1,820	48,958
Dividends declared	—	—	(15,258)	—	(15,258)	(4,206)	(19,464)
Issuance of shares under stock option plan	2,924	(621)	—	—	2,303	—	2,303
Issuance of shares under dividend reinvestment plan	1,604	—	—	—	1,604	—	1,604
Share-based compensation expense	—	253	—	—	253	—	253
At November 30, 2010	**861,183**	**12,338**	**94,971**	**(240)**	**968,252**	**15,669**	**983,921**

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited - in thousands of Canadian dollars)	Three months ended **November 30,** **2011**	2010
OPERATING ACTIVITIES		(note 17)
Net income for the period	**52,680**	49,540
Earnings from discontinued operations	**—**	(1,523)
Add (deduct) non-cash items:		
Depreciation	**6,239**	6,108
Amortization of program rights (note 13)	**47,055**	42,542
Amortization of film investments (note 13)	**9,987**	8,286
Deferred income taxes	**1,362**	472
Share-based compensation expense	**293**	253
Imputed interest	**3,034**	2,600
Other	**(243)**	(267)
Net change in non-cash working capital balances related to operations	**(41,391)**	(32,677)
Payment of program and film rights	**(35,429)**	(38,153)
Net additions to film investments	**(17,136)**	(21,850)
Cash provided by operating activities from continuing operations	**26,451**	15,331
Cash provided by operating activities from discontinued operations	**–**	112
Cash provided by operating activities	**26,451**	15,443
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(3,370)**	(13,266)
Net cash flows for intangibles, investments and other assets	**1,131**	(885)
Other	**(153)**	(225)
Cash used in investing activities from continuing operations	**(2,392)**	(14,376)
FINANCING ACTIVITIES		
Increase in bank loans	**–**	30,192
Issuance of shares under stock option plan	**86**	2,303
Shares repurchased	**(3,888)**	–
Dividends paid	**(11,675)**	(11,591)
Dividend paid to non-controlling interest	**(4,223)**	(4,206)
Capital lease payments and other	**(2,272)**	(2,180)
Cash (used in) provided by financing activities from continuing operations	**(21,972)**	14,518
Net change during the period in cash and cash equivalents from continuing operations	**2,087**	15,473
Net change during the period in cash and cash equivalents from discontinued operations	**–**	112
Net increase in cash and cash equivalents during the period	**2,087**	15,585
Cash and cash equivalents, beginning of period	**55,922**	7,969
Cash and cash equivalents, end of period	**58,009**	23,554

Supplemental cash flow disclosures (note 19)

See accompanying notes

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited - in thousands of Canadian dollars, except share information)

1. CORPORATE INFORMATION

Corus Entertainment Inc. (the "Company") is a diversified Canadian communications and entertainment company. The Company is incorporated under the *Canada Business Corporations Act* and its Class B Non-Voting Shares are listed on the Toronto Stock Exchange (the "TSX").

The Company's registered office is at 630 3rd Avenue S.W., Suite 301, Calgary, Alberta, T2P 2L4. The Company's executive office is at Corus Quay, 25 Dockside Drive, Toronto, Ontario, M5A 0B5.

These interim condensed 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 Nelvana content business which consists of the production and distribution of television programs, merchandise licensing and publishing.

2. STATEMENT OF COMPLIANCE

Pursuant to the decision made by the Canadian Accounting Standards Board ("AcSB"), the Company has adopted International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as its basis of financial reporting commencing with the interim condensed consolidated financial statements for the three months ended November 30, 2011. The Company's date of transition to IFRS is September 1, 2010.

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, ("IAS 34") *Interim Financial Reporting* issued by the IASB, using the accounting policies the Company expects to adopt in its annual consolidated financial statements as at and for the year ending August 31, 2012. These statements include a Transition to IFRS section which describes differences in certain accounting policies and methods between previously applied Canadian Generally Accepted Accounting Principles ("GAAP") and IFRS and the changes from previously reported to restated results. Also included is an Appendix for selected full year fiscal 2011 notes restated for IFRS from amounts previously reported under Canadian GAAP, where the Company's management considers the disclosure to be material to the understanding of the current interim period.

These interim condensed consolidated financial statements of the Company for the three months ended November 30, 2011 were authorized for issue in accordance with a resolution of the Audit Committee on January 9, 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The interim condensed 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 interim condensed 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.

These interim condensed consolidated financial statements should be read in conjunction with the Company's 2011 annual consolidated financial statements prepared in accordance with previous Canadian GAAP ("previous Canadian GAAP") and in consideration of the IFRS transition disclosures included in the Transition to IFRS section and the Appendix section to these interim condensed consolidated financial statements.

Basis of consolidation

Subsidiaries

The interim condensed consolidated financial statements are comprised of 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, other comprehensive income and distributions of the investee. Goodwill on the acquisition of the associates is included in the cost of the investments and is neither amortized nor tested for impairment.

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 statement of 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.

Business combinations

Business combinations are accounted for using the acquisition method. 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 direct cost of sales, general and administrative expenses.

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 determined to be an asset or liability will be recognized in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods.

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

- amortization of film and television programs;
- assessment for impairment of long-lived assets;
- deferred income taxes;
- government assistance and income tax credits; and
- share-based compensation.

The significant assumptions that affect these estimates are noted throughout these interim condensed consolidated financial statements. Actual results could differ from those estimates, as they require significant estimation or judgment.

Revenue recognition

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

Subscriber fee revenues are recognized monthly based on subscriber levels.

Product and distribution revenues from the distribution and licensing of film rights are recognized when all of the following conditions are met: (i) persuasive evidence of a sale or licensing arrangement with a customer exists; (ii) the film is complete and has been delivered or is available for immediate and unconditional delivery; (iii) the license period of the arrangement has begun; (iv) the arrangement fee is fixed or determinable; and (v) collection of the arrangement fee is reasonably assured. Non-refundable recoupable minimum guarantees received under licensing arrangements for home videos where film

titles are cross-collateralized are deferred and recognized as revenue over the license term when the underlying home videos are sold as reported by third parties.

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

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

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 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
Broadcasting equipment	10 years
Production equipment	5 years
Leasehold improvements	Lease term
Buildings	
Structure	20-40 years
Components	10-20 years
Computer equipment	3 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 statement of 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, 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. If program rights, feature films or radio programs are not scheduled, they are considered impaired and written off. Otherwise they are subject to long lived asset impairment testing as depreciable intangible assets.

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 investments in third-party-produced equity film projects. 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 revenue (numerator) bears to estimated remaining unrecognized ultimate revenue as of the beginning of the current fiscal year (denominator). Ultimate revenue is projected for periods generally not exceeding 10 years from the date of delivery or acquisition. For episodic television series, ultimate revenue includes estimates of revenue 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. Estimates of gross revenue can change significantly due to the level of market acceptance of film and television products. Accordingly, revenue estimates are reviewed periodically and amortization is adjusted 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 quarterly in connection with a comprehensive review of the Company's film investments, on a title-by-title basis. When an event or change in circumstances indicates that the fair value of a film is less than its unamortized cost, the carrying value is compared to the recoverable amount and if the carrying value is higher, the carrying value is written down to recoverable amount. The recoverable amount of the film is determined using management's estimates of future revenues under a discounted cash flow approach.

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 in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized on a straight line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is 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 asset is 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 income statement in the expense category consistent with the function of the intangible assets.

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 the group of cash-generating units ("CGU") 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 CGU's 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 values 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 CGU's involves judgement and is based on how senior management monitors operations; however the lowest aggregation of assets that generate largely independent cash inflows represent CGU's for broadcast license impairment testing.

CGU's 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 purposes of managing performance. These clusters are managed as a single asset by a general manager and overhead costs are allocated amongst the cluster.

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).

Groups of CGU's for goodwill impairment testing:

For purposes of impairment testing of goodwill the Company has grouped the CGU's 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 statement of 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 equity 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 statement of financial position date. Revenues and expenses are translated at average rates for the period. The resulting foreign currency translation adjustments are recognized in other comprehensive income.

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 statement of financial position date. Gains and losses on translation of monetary items are recognized in the consolidated statements of income.

Income taxes

Tax expense comprises current and deferred income taxes. Tax expense is recognized in the consolidated statement of income, unless it relates to items recognized outside the consolidated statement of income. Tax expense relating to items recognized outside of the consolidated statement of income is recognized in correlation to the underlying transaction in either Other Comprehensive Income ("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 statement 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 tax 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 statement of financial position, taking into account the risks and uncertainties surrounding the obligation.

Provisions are discounted and measured at the present value of the expenditure expected to be required to settle the obligation, using a pre-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.

Financial instruments

Financial assets within the scope of International Accounting Standard 39 ("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 statement of income. Cash and cash equivalents consist of cash in 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 assets.

AFS financial instruments are subsequently measured at fair value with unrealized gains and losses recognized in other comprehensive income in the AFS reserve until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss is reclassified to the consolidated statement of income and removed from the AFS reserve. 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 Accumulated Other Comprehensive Income ("AOCI") are transferred to the consolidated statement of 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 is based on a discounted cash flow model and expected cash flows.

Share-based compensation

The Company has a share option plan, two Deferred Share Units ("DSU") plans, two Performance Share Units ("PSU") plans and a Restricted Share Units ("RSU") plan with units under such plans, which are awarded to certain employees and directors.

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

This fair value is recognized as 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 cash payments. Compensation expense is recorded in the year of granting 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 short-term liabilities.

Eligible executives may be granted DSU, PSU and RSU awards 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. DSUs, PSUs and RSUs are accrued over the three to five-year vesting period as compensation expense and a related liability. The liability is recorded at fair value at each reporting date. Accrued DSUs, PSUs and RSUs are recorded as long-term liabilities, except for the portion that will vest within twelve 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.

Each PSU entitles the participant to receive a cash payment in an amount equal to the closing price or 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 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. The costs of providing benefits under the defined benefit plans are determined by independent actuaries separately for each plan using the projected unit credit method prorated on service and management's best estimate of assumptions of salary increases and retirement ages of employees. 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. Current service, interest and past service costs and gains or loss on settlement are recognized in the consolidated statements of 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.

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 judgements 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 the Appendix section, note A2 for further details on the Company's annual impairment testing process for goodwill.

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. The 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.

Refer to the Appendix section, note A2 for further details on the Company's annual impairment testing process for broadcast licenses.

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. The Company has several operating lease commitments for which lease payments are recognized as an expense in the consolidated statements of income 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. The resulting profit or loss (after taxes) is reported separately in the consolidated statements of income and comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized and are written down to their fair value less costs to sell if below carrying value.

Earnings per share

Basic earnings per share are calculated using the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the basic weighted average number of common shares outstanding during the period 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.

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 is in the process of reviewing the amendment to determine the impact on the consolidated financial statements.

IFRS 9 *Financial Instruments: Classification and Measurement*

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 Board 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 currently expected to be in fiscal 2014. 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 standards to determine the impact on the consolidated financial statements.

IFRS 11 *Joint Arrangements*

IFRS 11 requires a venturer 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 venturer 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 standards to determine the impact on the consolidated financial statements.

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 establishes disclosure requirements for interest 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 standards 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 standards 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 Company is in the process of reviewing the impact of this change.

In June 2011, the IASB amended the following standard, which the Company is in the process of reviewing to determine the impact on the consolidated financial statements:

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.

4. 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 in investment	17,019	3,283	1,845	22,147
Equity earnings in associates	—	1,026	—	1,026
Dividends from associates	—	(3,200)	—	(3,200)
Amortization of intangible assets	(2,849)	—	—	(2,849)
Change in investees' AOCI	—	—	157	157
Balance - August 31, 2011	**25,914**	**9,023**	**5,043**	**39,980**
Increase (decrease) in investment	—	—	(286)	(286)
Equity earnings in associates	—	225	—	225
Dividends from associates	—	(1,100)	—	(1,100)
Amortization of intangible assets	(924)	—	—	(924)
Change in investees' AOCI	—	—	(87)	(87)
Balance - November 30, 2011	**24,990**	**8,148**	**4,670**	**37,808**

The Company's investments in associated businesses is comprised of a 19.9% equity interest in The Food Network, a 28.4% equity interest in b5Media Inc. and a 33.3% equity interest in KidsCo Limited which are included in other assets.

Intangible costs include exclusive Canadian licensing rights for use of trademarks and materials for specialty and pay television and are expected to be fully amortized between 2014 and 2021.

5. PROGRAM AND FILM RIGHTS

Balance - September 1, 2010	**244,963**
Additions	171,362
Transfers from film investments	14,279
Amortization	(173,634)
Balance - August 31, 2011	**256,970**
Additions	59,848
Transfers from film investments	6,266
Amortization	(47,055)
Balance - November 30, 2011	**276,029**

6. FILM INVESTMENTS

Balance - September 1, 2010	**80,611**
Additions	82,153
Tax credit accrual	(19,768)
Amortization	(45,584)
Transfer to program and film rights	(14,279)
Balance - August 31, 2011	**83,133**
Additions	17,602
Tax credit accrual	(7,006)
Amortization	(9,987)
Transfer to program and film rights	(6,266)
Balance - November 30, 2011	**77,476**

Film investments are comprised of the following:

	November 30, 2011	August 31, 2011	September 1, 2010
Projects in development and process, net of advances	**14,159**	22,368	22,920
Completed projects and distribution rights	**50,368**	48,957	47,181
Investments in third-party-produced equity film projects	**12,949**	11,808	10,510
	77,476	83,133	80,611

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	November 30, 2011	August 31, 2011	September 1, 2010
Trade accounts payable and accrued liabilities	**96,155**	90,607	89,061
Program rights payable	**112,669**	91,492	79,646
Film investment accruals	**3,957**	4,212	8,611
Dividends payable	**11,975**	11,956	8,111
Finance lease accrual	**8,627**	8,503	7,410
	233,383	206,770	192,839

8. PROVISIONS

In late 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. The Company anticipates that these provisions will be substantially paid in fiscal 2012.

The continuity of provisions for the periods ended are as follows:

	November 30, 2011	August 31, 2011	September 1, 2010
Restructuring			
Balance, beginning of period	**5,330**	13,756	8,329
Workforce reduction initiatives	**—**	1,319	11,264
Lease termination costs and other	**—**	2,375	1,660
Payments	**(1,233)**	(12,120)	(7,497)
Balance, end of period	**4,097**	5,330	13,756
Long-term portion (note 10)	**(267)**	(338)	(1,195)
Total current restructuring provision	**3,830**	4,992	12,561
Legal claims	**275**	275	487
Total current provision balance, end of period	**4,105**	5,267	13,048

9. LONG-TERM DEBT

	November 30, 2011	August 31, 2011	September 1, 2010
Bank loans	**114,794**	114,806	208,015
Senior unsecured guaranteed notes	**500,000**	500,000	500,000
Unamortized financing fees	**(13,312)**	(14,010)	(16,124)
	601,482	600,796	691,891

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and LIBOR. As at November 30, 2011, the weighted average interest rate on the outstanding bank loans and Notes was 6.6%. Interest on the bank loans and Notes averaged 6.8% for the first quarter of fiscal 2012.

The banks hold as collateral a first ranking charge on all assets and undertakings of the Company and certain of the Company's 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 November 30, 2011.

10. OTHER LONG-TERM LIABILITIES

	November 30, 2011	August 31, 2011	September 1, 2010
Public benefits associated with acquisitions	**2,625**	2,774	4,023
Unearned revenue	**7,848**	12,808	8,942
Program rights payable	**39,725**	37,559	31,959
Long-term employee obligations and other (note 8)	**16,892**	19,034	14,247
Deferred leasehold inducements	**12,407**	11,762	7,075
Merchandising and trademark liabilities	**11,128**	11,556	13,745
Finance lease accrual	**6,891**	9,081	15,849
	97,516	104,574	95,840

11. 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.

Issued and outstanding

The changes in the Class A Voting Shares and Class B Non-Voting Shares since August 31, 2011 are summarized as follows:

	Class A Voting Shares		**Class B Non-Voting Shares**		**Total**
	#	**$**	**#**	**$**	**$**
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	(4,466)	(35)	4,466	35	—
Issuance of shares under stock option plan	—	—	5,000	106	106
Shares repurchased		—	(194,800)	(2,110)	(2,110)
Issuance of shares under dividend reinvestment plan	—	—	332,616	6,255	6,255
Repayment of executive stock purchase loans	—	—	—	27	27
Balance as at November 30, 2011	**3,434,746**	**26,598**	**79,176,543**	**860,359**	**886,957**

Earnings per share

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

	Three months ended **November 30,**	
	2011	2010
Net income attributable to equity shareholders (numerator)	**50,548**	47,720
Weighted average number of shares outstanding (denominator):		
Weighted average number of shares outstanding – basic	**82,432**	81,224
Effect of dilutive securities	**290**	688
Weighted average number of shares outstanding - diluted	**82,722**	81,912

The calculation of diluted earnings per share for the first quarter of fiscal 2012 excluded 610,845 weighted average Class B Non-Voting Shares issuable under the Company's Stock Option Plan (the "Plan") because these options were not "in-the-money".

Stock option plan

Under 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 market price of the Company's stock on 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 August 31, 2011 is presented as follows:

	Number of options (#)	Weighted average exercise price ($)
Balance as at August 31, 2011	**2,244,773**	**16.68**
Granted	376,700	19.59
Exercised	(5,000)	17.02
Balance as at November 30, 2011	**2,616,473**	**17.10**

As at November 30, 2011, the Company has outstanding stock options for 2,616,473 Class B Non-Voting Shares, of which 1,706,818 are exercisable.

The fair value of the share options granted in fiscal 2012 were estimated on the grant date using the Black-Scholes option pricing model with the following assumptions for each tranche within the grant:

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

In fiscal 2012, the Company has recorded stock-based compensation expense for the first quarter of $293 (2011 – $253). This charge has been credited to contributed surplus. Unrecognized stock-based compensation expense at November 30, 2011 related to the Plan was $1,876.

Share-based compensation

	PSUs	**DSUs**	**RSUs**
	#	**#**	**#**
Balance as at August 31, 2011	**577,520**	**308,502**	**41,774**
Additions	295,150	67,000	50,370
Unit accretion	6,847	3,855	–
Balance as at November 30, 2011	**879,517**	**379,357**	**92,144**

Share-based compensation expense recorded for the first quarter of fiscal 2012 in respect of these plans was $1,075 (2011 - $2,125). As at November 30, 2011, the fair value of these units was $10,262 (August 31, 2011 - $20,272).

Dividend reinvestment plan

In the first quarter of fiscal 2012, the Company issued 332,616 Class B Non-Voting Shares, resulting in an increase in share capital of $6,255.

Normal course issuer bid

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 Participating Shares through the facilities of the TSX, or other alternative Canadian trading system. The Company may purchase for cancellation a maximum of 3,900,000 Class B Non-Voting Participating Shares during the period from June 16, 2011 through June 15, 2012.

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

	Fiscal 2012			Fiscal 2011		
	#	**$**	**Average $**	#	$	Average $
July 2011	—	—	—	27,800	605	21.76
August 2011	—	—	—	154,800	3,100	20.03
September 2011	**194,800**	**3,888**	**19.96**	—	—	—
	194,800	**3,888**	**19.96**	182,600	3,705	20.29

During the first quarter of fiscal 2012, the total cash consideration paid exceeded the carrying value of the shares repurchased by $1,778 (2011 – nil), which was charged to retained earnings.

Other

The Company allows directors and senior management to receive their director's fees or short-term incentive compensation, respectively, in the form of deferred share units. Each deferred share unit has the same value as a Class B Non-Voting Share. These deferred share units are fully vested upon grant, and the value is paid in cash to the holder following termination of service or employment. At November 30, 2011, there were 217,091 deferred share units outstanding.

12. ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF TAX

	Foreign currency translation adjustment	Unrealized change in fair value of available-for-sale investments	Total
Balance as at August 31, 2011	(1,551)	476	(1,075)
OCI	1,124	(74)	1,050
Balance as at November 30, 2011	**(427)**	**402**	**(25)**

13. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended **November 30,**	
	2011	2010
Amortization of program rights	**47,055**	42,542
Amortization of film investments	**9,987**	8,286
Other cost of sales	**14,864**	5,349
Employee costs	**36,213**	38,085
Other general and administrative	**37,558**	37,235
	145,677	131,497

14. INTEREST EXPENSE

	Three months ended **November 30,**	
	2011	2010
Interest on long-term debt	**9,891**	11,523
Imputed interest on long-term liabilities	**3,034**	2,600
Other	**502**	(50)
	13,427	14,073

15. OTHER EXPENSE (INCOME), NET

	Three months ended **November 30,**	
	2011	2010
Interest income	**(43)**	(5)
Foreign exchange losses (gains)	**401**	(1,055)
Share of earnings of associates	**(227)**	(349)
Other	**316**	1,292
	447	(117)

16. INCOME TAXES

The reconciliation of income taxes attributable to operations computed at the statutory rates to income tax expense for year-to-date fiscal 2012 and 2011 is as follows:

	Fiscal 2012		Fiscal 2011	
	$	**%**	$	%
Tax at combined federal and provincial rate	**19,078**	**26.8**	19,832	29.0
Other	**(657)**	**(0.9)**	496	0.7
	18,421	**25.9**	20,328	29.7

17. DISPOSITIONS

In the second quarter of fiscal 2011, the Company completed the sale of its Quebec radio stations. The Canadian Radio-television and Telecommunications Commission ("CRTC") approved the disposition on December 17, 2010 and the sale closed February 1, 2011 with a purchase price of $84.0 million (including a working capital adjustment of $4.0 million), of which $9.0 million is due in February 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, however, they are shown in the table below. The summarized financial information for the discontinued Quebec radio operations is shown below:

	November 30, 2011	September 1, 2010
Current assets of discontinued operations		
Accounts receivable	—	13,489
Income taxes receivable	—	336
Prepaid and other assets	—	1,462
Total current assets of discontinued operations	—	15,287
Intangibles, investments and other assets	—	304
Capital assets	—	13,680
Broadcast licenses and goodwill	—	64,120
Total assets of discontinued operations	—	93,391
Current liabilities of discontinued operations		
Accounts payable and accrued liabilities	—	10,080
Total current liabilities of discontinued operations	—	10,080
Other long-term liabilities	—	3,420
Deferred tax liability	—	7,875
Total liabilities of discontinued operations	—	21,375

	November 30, 2011	November 30, 2010
Revenues	—	18,495
Direct cost of sales, general and administrative expenses	—	14,852
Segment profit	—	3,643
Other expenses	—	1,350
Income from discontinued operations	—	2,293
Income tax expense	—	770
Net income for the period from discontinued operations	—	1,523

18. BUSINESS SEGMENT INFORMATION

The Company reports its operations in two segments: Radio and Television.

Radio

The Radio division is comprised of 37 radio stations, situated primarily in high-growth urban centres in English Canada. Revenues are derived from advertising aired over these stations.

Television

The Television division includes interests in several specialty television networks, pay television, conventional television stations, the Nelvana content business and the related merchandising distribution licensing and publishing business. Revenues are generated from subscriber fees, advertising and the licensing of proprietary films and television programs, merchandise licensing and publishing. The Corporate results represent the incremental cost of corporate overhead in excess of the amount allocated to the other operating segments.

Management evaluates each division's performance based on revenues less direct cost of sales, general and administrative expenses. Segment profit excludes depreciation, interest expense, restructuring charges and certain other income and expenses (note 15).

Revenues and segment profit

Three months ended November 30, 2011

	Radio	Television	Corporate	Consolidated
Revenues	**51,864**	**185,027**	**—**	**236,891**
Direct cost of sales, general and administrative expenses	**35,462**	**104,532**	**5,683**	**145,677**
Segment profit (loss)	**16,402**	**80,495**	**(5,683)**	**91,214**
Depreciation	**778**	**565**	**4,896**	**6,239**
Interest expense	**122**	**6,858**	**6,447**	**13,427**
Other expense (income), net	**8**	**1,367**	**(928)**	**447**
Income (loss) before income taxes and non-controlling interest	**15,494**	**71,705**	**(16,098)**	**71,101**

Three months ended November 30, 2010

	Radio[1]	Television	Corporate	Consolidated
Revenues	54,639	167,517	—	222,156
Direct cost of sales, general and administrative expenses	36,125	87,248	8,124	131,497
Segment profit (loss)	18,514	80,269	(8,124)	90,659
Depreciation	758	1,703	3,647	6,108
Interest expense	1,506	4,712	7,855	14,073
Restructuring charges	678	2	1,570	2,250
Other expense (income), net	14	(632)	501	(117)
Income (loss) before income taxes and non-controlling interest	15,558	74,484	(21,697)	68,345

[1] Restated for the disposition of the Quebec Radio segment.

Revenues are derived from the following areas:

	Three months ended November 30,	
	2011	2010
Advertising	**119,449**	120,320
Subscriber fees	**74,141**	73,762
Merchandise, distribution and other	**43,301**	28,074
	236,891	222,156

19. CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

	Three months ended November 30,	
	2011	2010
Interest paid	**1,429**	3,347
Interest received	**43**	5
Income taxes paid	**14,116**	12,336

TRANSITION TO IFRS

First time adoption of IFRS

The Company has adopted International Financial Reporting Standards ("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 Generally Accepted Accounting Practices ("GAAP"). The Company's consolidated financial statements for the year ending August 31, 2012 will be the 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 retrospectively the revised version of IFRS 9 – *Employee Benefits* 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* 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* 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 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.

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

	Note	September 1, 2010 **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 asset	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 asset	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 liability	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 income (loss)	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 balance sheets were reclassified. Under IFRS, once a disposal group meets the held for sale criteria, comparative consolidated statements of financial position are not reclassified.

Reconciliation of Consolidated Statement of Changes in Equity on September 1, 2010

	Notes	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, 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 statement 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 *Employee Benefits*, 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 stock-based compensation payments to employees are measured based on intrinsic values of the awards, which are 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 stock-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 to 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 accumulated other comprehensive income 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 liability	**(84,512)**	**(7,581)**	**(21,821)**	**(113,914)**
Presented as:				
Current deferred tax asset[2]	6,129	294	(6,423)	—
Non-current deferred tax asset[2]	—		32,130	32,130
Non-current deferred tax liability[2]	(90,641)	(7,875)	(47,528)	(146,044)
Total	**(84,512)**	**(7,582)**	**(21,821)**	**(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 either reported as 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 relates 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 liability 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 us 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 balance sheets were reclassified. Under IFRS, once a disposal group meets the held for sale criteria, comparative consolidated statements of financial position are not reclassified.

Reconciliation of Consolidated Statements of Income and Comprehensive Income for the three months ended November 30, 2010

	Note	November 30, 2010 Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Revenues		**222,156**	—	**222,156**
Direct cost of sales, general and administrative expenses	T12, T13, T14	**133,502**	(2,005)	**131,497**
Depreciation		**6,108**	—	**6,108**
Interest expense		**14,073**	—	**14,073**
Restructuring		**2,250**	—	**2,250**
Other expense (income), net		**(117)**	—	**(117)**
Income from continuing operations before income taxes and non-controlling interest		**66,340**	2,005	**68,345**
Income tax expense	T16	**19,822**	506	**20,328**
Non-controlling interest	T15	**1,820**	(1,820)	**—**
Net income for the period from continuing operations		**44,698**	3,319	**48,017**
Net income for the period from discontinued operations		**1,523**	—	**1,523**
Net income for the period		46,221	3,319	49,540
Net income attributable to:				
Equity shareholders		**46,221**	1,499	**47,720**
Non-controlling interest		**—**	1,820	**1,820**
		46,221	3,319	**49,540**
Basic earnings per share attributable to equity shareholders				
From continuing operations		**$0.55**	$0.02	**$0.57**
From discontinued operations		**$0.02**	—	**$0.02**
		$0.57	$0.02	**$0.59**
Diluted earnings per share attributable to equity shareholders				
From continuing operations		**$0.54**	$0.02	**$0.56**
From discontinued operations		**$0.02**	—	**$0.02**
		$0.56	$0.02	**$0.58**
Net income for the period		**46,221**	3,319	**49,540**
Other comprehensive income (loss), net of ta›				
Unrealized foreign currency translation adjustment		**(753)**	—	**(753)**
Unrealized change in fair value of available-for-sale investments, net of tax		**171**	—	**171**
		(582)	—	**(582)**
Comprehensive income for the period		45,639	3,319	48,958
Attributable to:				
Equity shareholders		**45,639**	1,499	**47,138**
Non-controlling shareholders		**—**	1,820	**1,820**
		45,639	3,319	**48,958**

Reconciliation of Consolidated Statement of Changes in Equity on November 30, 2010

	Notes	Share capital	Contributed surplus	Retained earnings	AOCI	Non-controlling interest	Total equity
Reported under Canadian GAAP as at November 30, 2010		**861,183**	**11,392**	**129,632**	**(11,738)**	**—**	**990,469**
IFRS adjustments increase (decrease):							
Program and film rights	T2, T12	—	—	(3,914)	—	—	(3,914)
Film investments	T3, T13	—	—	(18,631)	—	—	(18,631)
Broadcast licenses	T4	—	—	28,257	—	—	28,257
Accounts payable and accrued liabilities	T6, T13	—	—	(3,095)	—	—	(3,095)
Employee benefits	T7	—	—	(2,171)	—	—	(2,171)
Share-based compensation	T8, T14	—	946	(1,282)	—	—	(336)
Foreign currency IFRS 1 adjustment	T9	—	—	(11,498)	11,498	—	—
Non-controlling interest	T10, T15	—	—	—	—	15,669	15,669
Income taxes	T11, T16	—	—	(22,327)	—	—	(22,327)
Reported under IFRS as at November 30, 2010		**861,183**	**12,338**	**94,971**	**(240)**	**15,669**	**983,921**

Notes to the November 30, 2010 reconciliation schedules:

(T12) **Program and film rights**

Amortization of program rights in direct cost of sales, general and administrative expenses for the three months ended November 30, 2010 was $0.5 million higher 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 three months ended November 30, 2010 was $2.6 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) **Share-based compensation**

Employee costs in direct cost of sales, general and administrative expenses for the three months ended November 30, 2010 was $0.2 million higher under IFRS than it was under previous Canadian GAAP.

Share option plan

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 to 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

(T15) **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.

(T16) **Income taxes**

	As reported under Canadian GAAP as at November 30, 2010	**Reclassification related to discontinued operations[2]**	**Adjustments[1]**	**As reported under IFRS as at November 30, 2010**
Program and film rights	—		978	978
Film investments	9,602		5,431	15,033
Broadcast licenses	(110,797)	(9,307)	(29,363)[3]	(149,467)
Employee benefits	545		543	1,088
Share-based compensation	3,340		84	3,424
Other	12,740	1,297	—	14,037
Total net deferred tax liability	**(84,570)**	**(8,010)**	**(22,327)**	**(114,907)**

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

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

[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 us 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.

Reconciliation of Consolidated Statement of Financial Position as at August 31, 2011

	Note	August 31, 2011 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 asset	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, T17	**99,543**	(3,447)	160,874	**256,970**
Film investments	T3, T18	**102,540**	(19,843)	436	**83,133**
Broadcast licenses	T4	**541,248**	28,257	—	**569,505**
Goodwill	T5	**671,827**	—	—	**671,827**
Deferred tax asset	T1, T23	**—**	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, T19	**212,607**	(10,583)	4,746	**206,770**
Provisions	T19	**—**	13,048	(7,781)	**5,267**
Total current liabilities		**212,607**	2,465	(3,035)	**212,037**
Long-term debt		**600,796**	—	—	**600,796**
Other long-term liabilities	T6, T7, T8, T14, T19	**97,314**	4,417	2,843	**104,574**
Deferred tax liability	T11, T23	**96,013**	47,528	(2,180)	**141,361**
Total liabilities		**1,006,730**	54,410	(2,372)	**1,058,768**
Non-controlling interest	T10, T22	**19,200**	(18,055)	(1,145)	**—**
SHAREHOLDERS' EQUITY					
Share capital		**882,679**	—	—	**882,679**
Contributed surplus	T8, T19	**9,361**	926	12	**10,299**
Retained earnings		**179,207**	(36,160)	673	**143,720**
Accumulated other comprehensive loss	T9, T20	**(12,573)**	11,498	—	**(1,075)**
Non-controlling interest	T10, T22	**—**	18,055	1,145	**19,200**
Total shareholders' equity		**1,058,674**	(5,681)	1,830	**1,054,823**
		2,084,604	30,674	(1,687)	**2,113,591**

Reconciliation of Consolidated Statements of Income and Comprehensive Income for the year ended August 31, 2011

	Note	August 31, 2011			
		Previous Canadian GAAP 2011	Reclassification related to discontinued operations[1]	Effect of transition to IFRS 2011	**IFRS**
Revenues		**854,049**	(28,836)	—	**825,213**
Direct cost of sales, general and administrative expenses	T17, T18, T19, T20, T21	**564,530**	(24,738)	(465)	**539,327**
Depreciation		**25,774**	(852)	—	**24,922**
Interest expense		**58,088**	(812)	—	**57,276**
Restructuring		**4,140**	(446)	—	**3,694**
Other expense (income), net		**(3,549)**	(511)	—	**(4,060)**
Income from continuing operations before income taxes and non-controlling interest		**205,066**	(1,477)	465	**204,054**
Gain on disposal		**4,102**	(4,102)	—	—
Income tax expense	T23	**55,662**	(556)	228	**55,334**
Non-controlling interest	T22	**7,209**	—	(7,209)	—
Net income for the year from continuing operations		**146,297**	(5,023)	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 attributable to equity shareholders					
From continuing operations		**$1.73**	—	—	**$1.73**
From discontinued operations		**$0.06**	—	—	**$0.06**
		$1.79	—	—	**$1.79**
Diluted earnings per share attributable to equity shareholders					
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**

[1] Under previous Canadian GAAP, upon the Company's Quebec Radio operations meeting the conditions to be classified as held for sale, comparative balance sheets were reclassified. Under IFRS, once a disposal group meets the held for sale criteria, comparative consolidated statements of financial position are not reclassified, however the consolidated statements of income and comprehensive income are restated for prior comparative periods.

Reconciliation of Consolidated Statement of Changes in Equity on August 31, 2011

	Notes	Share capital	Contributed surplus	Retained earnings	AOCI	Minority 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, T17	—	—	(3,163)	—	—	(3,163)
Film investments	T3, T18	—	—	(19,330)	—	—	(19,330)
Broadcast licenses	T4	—	—	28,257	—	—	28,257
Accounts payable and accrued liabilities	T6, T18, T19	—	—	(2,727)	—	—	(2,727)
Employee benefits	T7, T20	—	—	(3,477)	—	—	(3,477)
Share-based compensation	T8, T21	—	938	(1,501)	—	—	(563)
Foreign currency IFRS 1 adjustment	T9	—	—	(11,498)	11,498	—	—
Non-controlling interest	T10, T22	—	—	—	—	19,200	19,200
Income taxes	T11, T23	—	—	(22,048)	—	—	(22,048)
Reported under IFRS as at August 31, 2011		**882,679**	**10,299**	**143,720**	**(1,075)**	**19,200**	**1,054,823**

Notes to the August 31, 2011 reconciliation schedules:

(T17) **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).

(T18) **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.

(T19) **Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities for the year ended August 31, 2011 was $4.7 million higher under IFRS than it was 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 that have been reclassified from short-term to long-term (refer to note T6).

(T20) **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 Other Comprehensive Income. The amount recognized each period is not retained in Accumulated Other Comprehensive Income but goes directly to retained earnings.

(T21) **Share-based compensation**

Employee costs in direct cost of sales, general and administrative expenses for the year ended August 31, 2011 was $0.4 million higher under IFRS than it was under previous Canadian GAAP. This was primarily the result of the changes in share-based compensation as described in note T7.

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 to 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 period 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

(T22) **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.

(T23) **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 liability	**(88,398)**	**(22,048)**	**(110,446)**
Presented as:			
Current deferred tax asset[2]	7,615	(7,615)	—
Non-current deferred tax asset[2]	—	30,915	30,915
Non-current deferred tax liability[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 either reported as 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 relates 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 liability 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 us 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 statements of cash flows

There were no material adjustments to the operating, investing or financing activity subtotals in the fiscal 2011 annual and November 30, 2010 consolidated statements of cash flows as a result of conversion to IFRS.

APPENDIX

The following are selected full year 2011 notes restated for IFRS where the Company's management considered the effect of the restatement to be material to an understanding of the current interim period.

A1. Broadcast licenses and goodwill

The changes in the book value of goodwill, by segment, for the year ended August 31, 2011 were as follows:

2011	Opening	Acquisitions	Disposals	Closing
Radio	256,483	—	(23,202)	233,281
Television	438,546	—	—	438,546
	695,029	**—**	**(23,202)**	**671,827**

The changes in the book value of broadcast licenses, by segment, for the year ended August 31, 2011 were as follows:

2011	Opening	Acquisitions	Disposals	Closing
Radio	203,163	—	(40,918)	162,245
Television	407,260	—	—	407,260
	610,423	**—**	**(40,918)**	**569,505**

A2. 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 cash-generating unit ("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 assets 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 generally uses the value in use calculation to determine the recoverable amount for a CGU or group of CGUs, but in certain circumstances may use fair value less costs to sell.

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 5 years. For longer periods, a long-term growth rate is calculated 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 a 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 in the periods ended September 1, 2010 and August 31, 2011 were 13% 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 statement of 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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

The Company has completed its annual impairment testing of goodwill and intangible assets for fiscal 2011. There was no impairment loss required to be recorded as a result of the testing. No reasonably possible change in a key assumption would result 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 non-amortizable assets was reversed.

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

	August 31, 2011	September 1, 2010
Goodwill		
Television	438,546	438,546
Radio	233,281	256,483
Total Goodwill	**671,827**	**695,029**
Broadcast licenses		
Television		
Managed brands	351,101	351,101
Other	56,159	56,159
Radio		
Quebec	—	40,918
Toronto	32,275	32,275
Calgary	31,341	31,341
Vancouver	28,339	28,339
Edmonton	21,851	21,851
London	21,459	21,459
Other	26,980	26,980
Total broadcast licenses	**569,505**	**610,423**

A3. Employee benefits

The Company has a Supplementary Executive Retirement Plan ("SERP") that is an unfunded defined benefit plan which provides post retirement income.

In August 2010, the Company amended the plan to include 13 years of additional past service for the CEO. In April 2011, the Company amended the plan to include between one to eight years of additional past services for the other senior executive members. These past service costs are recognized as an expense at the plan amendment dates.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the statement of financial position for the respective plan:

Net benefit expense	August 31, 2011
Current service cost	692
Interest cost on benefit obligation	378
Past service cost	1,835
	2,905

Changes in the present value of the defined benefit obligation are as follows:

Defined benefit obligation at September 1, 2010	**4,225**
Interest cost	378
Current service cost	692
Actuarial gains on obligation recorded in OCI	(433)
Plan amendments	1,835
Defined benefit obligation at August 31, 2011	**6,697**

The significant assumptions used in determining the defined benefit obligation for the Company's plan is shown below:

	August 31, 2011	September 1, 2010
Discount rate	5.70%	5.60%
Future salary increases	3.00%	3.50%
Retirement ages of employees	64.5	64.5

A one percentage point change in the assumed discount rate, assumed future salary increases and retirement age of employees would not have a material impact on the obligation or aggregate current service and interest costs.

The Company expects it will not make any contributions to its defined benefit plan in fiscal 2012 as the plan remains unfunded. Payments under these plans are expected to commence in nine years based on the weighted average age until retirement. The normal form of payment is a lifetime pension guaranteed for 10 years.

A4. Segmented information

Revenue and segment profit

Year ended August 31, 2011

	Radio[1]	Television	Corporate	Consolidated
Revenues	195,657	629,556	—	825,213
Direct cost of sales, general and administrative expenses	136,572	368,436	34,319	539,327
Segment profit	59,085	261,120	(34,319)	285,886
Depreciation	3,070	4,013	17,839	24,922
Interest expense	2,552	22,788	31,936	57,276
Restructuring charges	1,976	505	1,213	3,694
Other expense (income), net	(766)	(4,759)	1,465	(4,060)
Income from continuing operations before income taxes and non-controlling interest	**52,253**	**238,573**	**(86,772)**	**204,054**

[1] Restated for the disposition of the Quebec Radio segment.

Segment assets and liabilities from continuing operations

Year ended August 31, 2011

	Assets	Liabilities
Television	1,426,657	303,653
Radio	466,214	67,544
Corporate	220,720	687,571
	2,113,591	**1,058,768**

A5. Related party transactions

The aggregate amounts of key management compensation, including directors and certain senior management, are set out below.

	August 31, 2011
Salaries and benefits	8,248
Post-employment benefits	2,472
Share based compensation	8,694
Other long-term benefits	6,427
Total	**25,841**

A6. Accumulated other comprehensive income, net of tax

	Foreign currency translation adjustment	Unrealized change in fair value of available-for-sale investments	Actuarial gains on defined benefit plans	Total
Balance as at September 1, 2010	—	342		342
OCI	(1,551)	134	433	(984)
Transfer to retained earnings	—		(433)	(433)
Balance as at August 31, 2011	**(1,551)**	**476**	**—**	**(1,075)**