CORUS ENTERTAINMENT

Fourth Quarter 2014
Report to Shareholders

For the Three Months and Year Ended August 31, 2014
(Unaudited)

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Fourth Quarter Report to Shareholders

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Financial Highlights

(These highlights are derived from the unaudited consolidated financial statements)

(in thousands of Canadian dollars except per share amounts)	Three months ended August 31, 2014	2013[3]	Year ended August 31, 2014	2013[3]
Revenues				
Television	**159,809**	137,885	**660,424**	567,845
Radio	**41,748**	44,012	**172,592**	183,691
	201,557	181,897	**833,016**	751,536
Segment profit [1]				
Television	**57,036**	52,955	**273,273**	229,741
Radio	**9,502**	11,664	**45,487**	55,148
Corporate	**(8,189)**	(13,688)	**(29,122)**	(33,915)
	58,349	50,931	**289,638**	250,974
Net income attributable to shareholders	**23,727**	11,879	**150,408**	159,895
Adjusted net income attributable to shareholders [1] [2]	**26,785**	25,816	**150,344**	138,573
Basic earnings per share	**$ 0.28**	$ 0.14	**$ 1.77**	$ 1.91
Adjusted basic earnings per share [1] [2]	**$ 0.31**	$ 0.31	**$ 1.77**	$ 1.65
Diluted earnings per share	**$ 0.28**	$ 0.14	**$ 1.76**	$ 1.90
Free cash flow [1]	**(7,164)**	33,627	**175,276**	154,711

[1] Adjusted net income attributable to shareholders, adjusted basic earnings per share, segment profit, segment profit margin and free cash flow do not have standardized meanings prescribed by IFRS. The Company reports on segment profit, segment profit margin and free cash flow because they are key measures used to evaluate performance. For definitions and explanations, see discussion under the Key Performance Indicators section of the 2014 Report to Shareholders.

[2] For the three months ended August 31, 2014, excludes business acquisition, integration and restructuring costs of $5.6 million ($0.04 per share) and investment impairment recovery of $1.0 million ($0.01 per share). For the three months ended August 31, 2013, excludes the impact of impairment charges related to broadcast license impairments of $5.7 million ($0.05 per share), business acquisition, integration and restructuring costs of $5.2 million ($0.05 per share) and asset impairment charges of $7.1 million ($0.07 per share). For the year ended August 31, 2014, excludes the impact of a $127.9 million ($1.51 per share) gain on remeasurement to fair value of the Company's 50% interest in TELETOON which was held prior to consolidation on September 1, 2013, radio broadcast license and goodwill impairment charges of $83.0 million ($0.92 per share), capital asset impairment charges of $1.2 million ($0.01 per share), business acquisition, integration and restructuring costs of $46.8 million ($0.51 per share), an increase in the purchase price obligation of $3.3 million ($0.04 per share), and investment impairment related charges of $2.3 million ($0.03 per share). For the year ended August 31, 2013, excludes the impact of debt refinancing costs of $25.0 million ($0.22 per share), gain on disposition of the Food Network Canada investment of $55.4 million ($0.66 per share), broadcast license impairment of $5.7 million ($0.05 per share), business acquisition, integration and restructuring costs of $7.3 million ($0.06 per share), and investment impairment charges of $7.1 million ($0.07 per share).

[3] Prior period figures have been restated to reflect the changes in accounting standards described in note 3 to the interim condensed consolidated financial statements contained in the 2014 Report to Shareholders.

Significant Events in the Quarter

- On June 2, 2014, the Company launched its third annual Corus Feeds Kids Spring Campaign to raise awareness of the importance of proper nourishment to Canadian children.
- On June 11, 2014, the Company released its second annual Corporate Social Responsibility ("CSR") Report. The Report provides a summary of the Company's commitment to its employees, industry, community and long-term success, and is available on the Company's website at www.corusent.com.
- On June 16, 2014, the Company's HBO Canada network announced that the popular epic fantasy series *Game of Thrones* was the most-watched series in Canadian Pay Television history with an average audience of more than 1.2 million viewers.
- On June 18, 2014, the Company's newly established Quebec operations, Corus Média, received 19 nominations at the 2014 Prix Gémeaux, including 12 nominations for the original series *La Marraine* on Séries+.
- On June 21, 2014, the Company's Nelvana Studios received two 2014 Daytime Creative Arts Emmy® Awards for the preschool series *Bubble Guppies*.
- On June 28, 2014, Corus filed an intervention with the Canadian Radio-television and Telecommunications Commission ("CRTC") concerning their "Let's Talk TV" policy proceeding. See Broadcasting Notice of Consultation CRTC 2014-190 for a description of the context of the public hearing.
- On June 30, 2014, the Company paid a monthly dividend of $0.090417 and $0.090833 per share to holders of its Class A and Class B Shares, respectively.
- On July 8, 2014, the Company's 630 CHED radio station announced its multi-year extension with the Edmonton Oilers as the exclusive radio hockey rights-holder for the next six years.
- On July 10, 2014, the CRTC approved an application by the Company's ABC Spark network to expand the categories of programming, including animation and comedy. See Broadcasting Decision CRTC 2014-363.
- On July 31, 2014, the Company paid a monthly dividend of $0.090417 and $0.090833 per share to holders of its Class A and Class B Shares, respectively.
- On August 25, 2014, the Company reformatted its Cornwall, Ontario radio stations CFLG-FM and CJSS-FM, and launched 104.5 Fresh FM and boom 101.9, bringing listeners today's chart topping artists as well as the best of greatest hits.
- On August 25, 2014, the Company's Toronto radio station, 102.1 the Edge, revived Canada's best-known radio documentary program *Ongoing History of New Music* and introduced *Adventures of Vinyl* written and hosted by Alan Cross.
- On August 26, 2014, content from the Company launched on Shomi, a new streaming service for Canadians, representing a new outlet for direct sales of Nelvana's deep content library.
- On August 29, 2014, the Company reformatted its Peterborough, Ontario radio station CKRU-FM and launched Hits 100.5, featuring a diverse and dynamic playlist showcasing today's biggest names in music along with chart toppers from the '80s and '90s.
- On August 29, 2014, the Company paid a monthly dividend of $0.090417 and $0.090833 per share to holders of its Class A and Class B Shares, respectively.

Significant Events Subsequent to the Quarter

- On September 4, 2014, the Company announced a landmark deal with HBO that enables HBO Canada to exclusively deliver entire past-seasons of current HBO scripted series, providing additional value to Movie Central subscribers.
- On September 5, 2014, the Company's President and Chief Executive Officer and Executive Chair joined the Vice President, TSX Company Services, Toronto Stock Exchange and TSX Venture Exchange in opening the market to commemorate Corus' 15 years as a Toronto Stock Exchange listed company.
- On September 5, 2014, the Company's Calgary radio station, Country 105, was nominated by the Country Music Association (CMA) in Nashville for a Major Market Station of the Year award.
- On September 10, 2014, the Company appeared before the CRTC to present its submission for the "Let's Talk TV" hearing.
- On September 18, 2014, the Company announced a strategic partnership with KIN (formerly DECA), a Santa Monica-based lifestyle digital media company, which brings the company's multichannel network, KIN Community, and its lifestyle creators, award-winning programming and advertising opportunities to the Canadian marketplace. In addition to acquiring an equity stake in the company, Corus will become the exclusive media representative for KIN Community in Canada.
- On September 30, 2014, the Company paid a monthly dividend of $0.090417 and $0.090833 per share to holders of its Class A and Class B Shares, respectively.
- On October 7, 2014, the Company received the 2014 Change Maker Award from The Daily Bread Food Bank, in recognition of Corus' support for innovative programs such as Corus Feeds Kids, which raises awareness of hunger in Canada.
- On October 8, 2014, the Company's Nelvana Studios was nominated by the International Academy of Television Arts & Sciences for an International Emmy® Kids Award for the preschool series *Mike the Knight*. Winners will be announced in New York on February 20, 2015.
- On October 21, 2014, the Company's Corus Média and A+E Networks reached an agreement to bring content and branding from the HISTORY® catalogue to Historia in Quebec. Global hit franchises from HISTORY such as *Mountain Men*, *Appalachian Outlaws*, *Down East Dickering* and *No Man's Land* are slated to roll out this winter.
- On October 23, 2014, the Company announced that it will hold its annual Investor Day on November 20, 2014 to update investors on its fiscal 2015 priorities. The event will be webcast at 9 a.m. ET on www.corusent.com.

Management's Discussion and Analysis

Management's Discussion and Analysis of the financial position and results of operations for the three months and year ended August 31, 2014 is prepared at September 30, 2014. The following should be read in conjunction with Management's Discussion and Analysis, consolidated financial statements and the notes thereto included in the Company's August 31, 2013 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.

Use of Non-GAAP Financial Measures

This Report to Shareholders includes the non-GAAP financial measures of adjusted net income, adjusted basic earnings per share and free cash flow that are not in accordance with, nor an alternate to, generally accepted accounting principles ("GAAP") and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles.

Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. They are limited in value because they exclude charges that have a material effect on the Company's reported results and, therefore, should not be relied upon as the sole financial measures to evaluate the Company's financial results. The non-GAAP financial measures are meant to supplement, and to be viewed in conjunction with, GAAP financial results. A reconciliation of the Company's non-GAAP measures is included in this report as well as in the Management's Discussion and Analysis filed on SEDAR.

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 relate 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 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.

This document contains forward-looking statements about expected future events and the financial operating performance of the Company. Annual targets for fiscal 2015 and related assumptions are described in the *Outlook* section of this MD&A.

For a discussion on the Company's results of operations for fiscal 2013, we refer you to the Company's Annual Report for the year ended August 31, 2013 filed on SEDAR on December 3, 2013.

The following discussion describes the significant changes in the consolidated results from operations.

Overview of Consolidated Results

For fiscal 2014, the operating results of TELETOON Canada Inc. ("TELETOON"), as well as its assets and liabilities, have been fully consolidated effective September 1, 2013 as a consequence of meeting the definition of control under IFRS 10 - *Consolidated Financial Statements.* Accordingly, a business combination had occurred in accordance with IFRS 3 – *Business Combinations* and as a result, TELETOON must be accounted for by applying the acquisition method. On December 20, 2013, the Company received Canadian Radio-television and Telecommunications Commission ("CRTC") approval to complete the acquisition of the remaining 50% interest in TELETOON that it did not already own as well as the acquisition of Historia and Séries+, s.e.n.c. ("H&S"). These acquisitions closed on January 1, 2014. On January 24, 2014, the CRTC approved the Company's acquisition of the Ottawa-based radio stations (CKQB-FM and CJOT-FM) and the transaction closed on January 31, 2014. As a result of these business combinations, the Company's consolidated results for fiscal 2014 reflect 100% interest of TELETOON effective September 1, 2013, 100% interest in H&S effective January 1, 2014, and 100% interest in the two Ottawa-based radio stations effective January 31, 2014 (refer to note 17 of the interim condensed consolidated financial statements for further details on all acquisitions).

For fiscal 2013, as a result of retroactive application of IFRS 11 - *Joint Arrangements*, the Company is no longer permitted to proportionately consolidate its 50% equity interest in the operations of TELETOON up to August 31, 2013 (i.e. prior to the business combination on September 1, 2013) and is required to account for its investment using the equity method of accounting. As a consequence, the Television revenues and segment profit for the fourth quarter of fiscal 2013 were reduced by $11.7 million and $3.5 million, respectively and instead, Corus' share of TELETOON's net income of $1.1 million was reported as *Other expense (income)* in the Consolidated Statements of Income and Comprehensive Income. For the year ended August 31, 2013, the Television revenues and segment profit were reduced by $52.0 million and $19.0 million, respectively, and Corus' share of TELETOON's net income of $12.1 million was reported as *Other expense (income)* in the Consolidated Statements of Income and Comprehensive Income. The restatement did not change reported net income for fiscal 2013.

Net income attributable to shareholders for the fourth quarter of fiscal 2014 was $23.7 million on revenues of $201.6 million, as compared to $11.9 million on revenues of $181.9 million in the prior year. Consolidated segment profit increased 15% from the prior year, with an increase of 8% in the Television segment, offset by a decrease of 19% in the Radio segment. Further analysis is provided in the discussions of segmented results.

Net income attributable to shareholders for the year ended August 31, 2014 was $150.4 million on revenues of $833.0 million, as compared to $159.9 million on revenues of $751.5 million in the prior year. Consolidated segment profit increased 15% from the prior year, with Television up 19% and Radio down 18%. Further analysis is provided in the discussions of segmented results.

Free cash flow for the year ended August 31, 2014 was $175.3 million compared to $154.7 million in the prior year.

Revenues

Revenues for the fourth quarter of fiscal 2014 were $201.6 million, an increase of 11% from $181.9 million last year. On a consolidated basis, advertising revenues increased by 9%, subscriber revenues increased by 25% and merchandising, distribution and other revenues decreased by 14%. Revenues increased for Television by 16%, while Radio decreased by 5% in the fourth quarter compared to the prior year. Refer to discussions of segmented results for additional analysis of revenues.

For the year ended August 31, 2014, revenues of $833.0 million represented an increase of 11% from $751.5 million last year. On a consolidated basis, advertising revenues increased by 15%, subscriber revenues increased by 21% and merchandising, distribution and other revenues decreased by 24%. Refer to discussions 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 fourth quarter of fiscal 2014 were $143.2 million, up 9% from $131.0 million in the prior year. This increase resulted from higher costs in Television offset by decreases in the Radio and Corporate reporting segments. For the year ended August 31, 2014, expenses of $543.4 million represented a 9% increase over the prior year and are attributable to higher costs in the Television reporting segment, offset by decreases in the Radio and Corporate reporting segments. Refer to the discussions of segmented results for additional analysis of expenses.

Depreciation and amortization

Depreciation and amortization expense of $5.4 million for the fourth quarter of fiscal 2014 was down $0.6 million from $6.0 million in the fourth quarter of fiscal 2013. For the year ended August 31, 2014, depreciation expense of $24.1 million was down $2.7 million from the prior year as a result of lower depreciation on property, plant and equipment, primarily as a result of the completion of lease terms, offset by the $1.2 million asset impairment and additional amortization of intangible assets, specifically software.

Interest expense

On February 3, 2014, the Company's credit agreement with a syndicate of banks was amended and restated. The principal amendment effected was the establishment of a two year $150.0 million term facility, maturing February 3, 2016, incremental to the existing $500.0 million revolving facility maturing February 11, 2017. The $150.0 million term facility was fully drawn on inception and the proceeds were used to reduce the amount drawn on the revolving facility. Both the term and revolving facilities are subject to the same covenants and security. Interest rates on both the term and revolving facility loans fluctuate with Canadian prime rate, Canadian bankers' acceptances and/or LIBOR plus an applicable margin.

Contemporaneously with the amendment and restatement of the credit agreement, the Company entered into a Canadian dollar interest rate swap agreement to fix the interest rate on $150.0 million at 1.375%, plus an applicable margin, to February 3, 2016.

Interest expense of $13.0 million in the fourth quarter of fiscal 2014 was $4.1 million higher than the prior year due to increased bank debt to finance business acquisitions during the year. Interest expense of $48.3 million for the year ended August 31, 2014 was $3.5 million higher than the prior year. This resulted from increased bank debt to finance business acquisitions and increased imputed interest charges on discounted liabilities, offset by lower average interest rates on outstanding debt as a consequence of the issue of $550.0 million, 4.25% Senior Unsecured Guaranteed Notes due February 11, 2020 (the "2020 Notes") and repayment of $500.0 million 7.25% Senior Unsecured Guaranteed Notes due February 11, 2017 (the "2017 Notes"). The effective interest rate on bank loans and notes for the three months and year ended August 31, 2014, was 4.2% and 4.2%, compared to 4.6% and 5.8%, respectively, last year.

Broadcast license and goodwill impairment

Broadcast licenses and goodwill are tested for impairment annually as at August 31 or more frequently if events or changes in circumstances indicate that they may be impaired. For both the second and third quarters of fiscal 2014, certain radio clusters had actual results and revised cash flow projections that fell short of previous estimates, which indicated that interim broadcast license and goodwill impairment testing was required. As a result of these tests, the Company recorded a broadcast license impairment charge of $8.0 million in the second quarter of fiscal 2014 and broadcast license and goodwill impairment charges of $75.0 million in the third quarter of fiscal 2014 (refer to note 8 of the interim condensed consolidated financial statements for further details).

The Company has completed its annual impairment testing of broadcast licenses and goodwill and determined that there were no further impairment charges required at August 31, 2014.

Debt refinancing

In the second quarter of fiscal 2013, the Company issued $550.0 million principal amount of the 2020 Notes. Concurrently, the Company provided notice of its intention to redeem the existing $500.0 million principal amount of the 2017 Notes effective March 16, 2013. The notice of redemption on the 2017 Notes resulted in the Company recording a pre-tax debt refinancing cost of $25.0 million in the second quarter of fiscal 2013. The components of this cost include the early redemption premium of $18.1 million and the non-cash write-off of unamortized financing fees of $6.9 million.

Gain on acquisition

In the first quarter of fiscal 2014, the Company recorded a non-cash gain of $127.9 million resulting from the remeasurement to fair value of the Company's original 50% interest in TELETOON which was held prior to the acquisition of control on September 1, 2013.

Gain on sale of associated company

In the third quarter of fiscal 2013, the Company recorded a gain of $55.4 million on the disposition of its non-controlling interest in Food Network Canada to Shaw Communications Inc. ("Shaw"), a related party subject to common voting control.

Business acquisition, integration and restructuring costs

In the fourth quarter of fiscal 2014, the Company incurred an additional $5.6 million of business acquisition, integration and restructuring costs related to the recent business acquisitions. In the fourth quarter of fiscal 2013, the Company incurred $5.2 million of costs primarily related to restructuring to realign the organizational structure.

For the year ended August 31, 2014, the Company incurred $46.8 million of business acquisition, integration and restructuring costs, which included $14.9 million in restructuring costs related to the organizational structure realignment and recent business acquisitions. In addition, upon acquisition of control of TELETOON on September 1, 2013, H&S on January 1, 2014 and the two Ottawa radio stations on January 31, 2014, the Company recorded a charge of $31.9 million related to the present value of CRTC tangible benefit obligations to be paid over a seven-year period, to benefit the Canadian broadcasting system.

For the year ended August 31, 2013, the Company incurred $7.3 million of costs related to restructuring and certain costs related to pending business combinations.

Other (income) expense, net

Other (income) expense for the three months and year ended August 31, 2014 was income of $1.5 million and expense of $5.7 million, respectively. The fourth quarter fiscal 2014 consists primarily of a recovery in an investment previously written down of $1.0 million. The full year fiscal 2014 includes a cumulative increase of $3.3 million in the purchase price obligation to Bell (refer to note 17 of the interim condensed consolidated financial statements) and equity losses in associates of $2.4 million.

Other (income) expense for the three months and year ended August 31, 2013 was an expense of $7.3 million and income of $3.6 million, respectively. The fourth quarter fiscal 2013 consists primarily of investment impairment charges of $7.1 million. The full year fiscal 2013 consists primarily of income from joint ventures (TELETOON) of $12.1 million offset by investment impairment charges of $7.1 million.

Income tax expense

The effective tax rate for the year ended August 31, 2014 was 25.5% compared to the Company's 26.6% statutory rate. This lower effective tax rate reflects that both the non-cash gain resulting from the remeasurement to fair value of the Company's original 50% interest in TELETOON and the goodwill impairment are not subject to tax. A tax deduction is not expected to be available in respect to certain transaction-related costs.

Net income and earnings per share

Net income attributable to shareholders for the fourth quarter of fiscal 2014 was $23.7 million, as compared to net income of $11.9 million last year. Earnings per share attributable to shareholders for the fourth quarter of fiscal 2014 were $0.28 per share basic and diluted compared with $0.14 per share basic and diluted last year. Net income for the current quarter includes business acquisition, integration and restructuring costs of $5.6 million ($0.04 per share) and investment impairment recovery of $1.0 million ($0.01 per share). Removing the impact of these items results in an adjusted net income attributable to shareholders of $26.8 million ($0.31 per share basic). Net income attributable to shareholders for the prior year quarter includes an impairment charge on certain Radio broadcast licenses of $5.7 million ($0.05 per share), business acquisition, integration and restructuring costs of $5.2 million ($0.05 per share) and investment impairment charges of $7.1 million ($0.07 per share). Removing the impact of these items results in an adjusted net income attributable to shareholders of $25.8 million ($0.31 per share basic).

Net income attributable to shareholders for the year ended August 31, 2014 was $150.4 million, as compared to $159.9 million last year. Earnings per share for the year ended August 31, 2014 were $1.77 per share basic and $1.76 per share diluted, compared with $1.91 per share basic and $1.90 per share diluted in the prior year. Net income attributable to shareholders for fiscal 2014 includes a non-cash gain on the remeasurement to fair value of Corus' original 50% ownership interest in TELETOON of $127.9 million ($1.51 per share), radio goodwill and broadcast license impairment charges of $83.0 million ($0.92 per share), capital asset impairment charges of $1.2 million ($0.01 per share), business acquisition, integration and restructuring costs of $46.8 million ($0.51 per share), an increase in the purchase price obligation of $3.3 million ($0.04 per share), and investment impairment related charges of $2.3 million ($0.03 per share). Removing the impact of these items results in an adjusted net income attributable to shareholders of $150.3 million ($1.77 per share). Net income attributable to shareholders for fiscal 2013 includes a pre-tax charge for debt refinancing of $25.0 million ($0.22 per share), a gain from the disposition of Food Network Canada of $55.4 million ($0.66 per share), broadcast license impairment charges of $5.7 million ($0.05 per share), business acquisition, integration and restructuring costs of $7.3 million ($0.06 per share) and investment impairment charges of $7.1 million ($0.07 per share). Removing the impact of these items results in an adjusted net income attributable to shareholders of $138.6 million ($1.65 per share) in the prior year.

The weighted average number of basic shares outstanding for the three months and year ended August 31, 2014, was 85,455,000 and 84,993,000, respectively, and has increased in the current year due to the issuance and exercise of stock options and the issuance of shares from treasury under the Company's dividend reinvestment plan.

Other comprehensive income (loss), net of tax

Other comprehensive loss for the year ended August 31, 2014 was $0.1 million, compared to income of $3.1 million in the prior year. This decrease of $3.2 million resulted primarily from higher actuarial losses on defined benefit plans and lower unrealized gain from foreign currency translation adjustment in the current year.

Television

The Television segment is comprised of: YTV; Treehouse; Nickelodeon (Canada); ABC Spark; TELETOON, TÉLÉTOON, TELETOON Retro, TÉLÉTOON Rétro and Cartoon Network (Canada); W Network; OWN: Oprah Winfrey Network (Canada); W Movies; Sundance Channel (Canada); Historia and Séries+ (acquired January 1, 2014); Corus' western Canadian pay television services (Movie Central, including HBO Canada and Encore Avenue); three conventional television stations serving Peterborough, Kingston and Durham; the Corus content business including Nelvana (production and distribution of films and television programs, and merchandise licensing), Kids Can Press (publishing) and Toon Boom (animation software); the Company's majority interest in CMT (Canada), Telelatino (TLN, EuroWorld Sport, Mediaset Italia, Sky TG24, Teleniños, Univision (Canada) (formerly TLN en Español), Telebimbi, CineLatino), and CosmopolitanTV.

Financial Highlights

	Three months ended		Year ended	
		August 31,		**August 31,**
(thousands of Canadian dollars)	**2014**	2013[2]	**2014**	2013[2]
Revenues	**159,809**	137,885	**660,424**	567,845
Expenses	**102,773**	84,930	**387,151**	338,104
Segment profit [1]	**57,036**	52,955	**273,273**	229,741

[1] As defined in the "Key Performance Indicators" section

[2] The fiscal 2013 quarters presented above have been restated for the application of IFRS 11 - *Joint Arrangements*

As a result of the business combinations, the Television results for fiscal 2014 reflect 100% interest in TELETOON effective September 1, 2013, and 100% interest in Historia and Séries+ effective January 1, 2014 (refer to note 17 of the interim condensed consolidated financial statements for further details on all acquisitions).

For fiscal 2013, as a result of retroactive application of IFRS 11 – *Joint Arrangements*, the Television revenues and segment profit for the fourth quarter of fiscal 2013 were reduced by $11.7 million and $3.5 million, respectively and instead, Corus' share of TELETOON's net income of $1.1 million was reported as *Other expense (income)* in the Consolidated Statements of Income and Comprehensive Income. For the year ended August 31, 2013, the Television revenues and segment profit were reduced by $52.0 million and $19.0 million, respectively, and Corus' share of TELETOON's net income of $12.1 million was reported as *Other expense (income)* in the Consolidated Statements of Income and Comprehensive Income. The restatement did not change reported net income for fiscal 2013 (refer to note 3 of the interim condensed consolidated financial statements for further details).

Revenues increased 16% in the fourth quarter of fiscal 2014, primarily as a result of the accretive impact of TELETOON, Historia, and Séries+ as discussed above, which drove an overall increase of 26% for both specialty advertising and subscriber revenues. Although specialty advertising and subscriber revenues have increased due to the acquisitions, this was offset by a general softness in the advertising market and a decline in Movie Central subscribers, as well as packaging and rate changes on certain specialty networks. Merchandising, distribution and other revenues declined 16% in the quarter. Although the TV segment completed a significant content licensing deal with the new SVOD service Shomi, this was offset by lower merchandising revenues, primarily as a result of higher *Beyblade* royalties in the prior year, and lower international distribution sales. For the year ended August 31, 2014, specialty advertising revenues increased 36%, subscriber revenues increased 21% and merchandising, distribution and other revenues declined 28% from the prior year.

Total expenses were higher by 21% in the fourth quarter of fiscal 2014, primarily as a result of the impact of TELETOON, Historia and Séries+ as discussed above. Direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) were higher by 14% as a result of TELETOON, Historia and Séries+, offset by lower film amortization and lower variable costs associated with the merchandising business. General and administrative expenses were up 36% year-over-year as a result of the timing of marketing expenditures, increased costs related to the Company's animation software business and the impact of TELETOON, Historia and Séries+. For the year ended August 31, 2014, direct cost of sales increased 10% while general and administrative expenses were increased 22% from the prior year.

Segment profit increased 8% in the fourth quarter of fiscal 2014 and 19% for the full year. Segment profit margin for the quarter decreased from 38% in the prior year to 36% in the fourth quarter, however, increased from 40% to 41% for the full year. The full year improvement in segment profit margin is primarily a result of swift integration of the acquired assets, a reduced proportion of the lower margin merchandising and distribution businesses and an ongoing focus on expense control throughout the core business.

Radio

The Radio segment is comprised of 39 radio stations situated primarily in high-growth urban centres in English Canada, with a concentration in the densely populated area of Southern Ontario. Corus is one of Canada's leading radio operators in terms of audience reach.

Financial Highlights

	Three months ended		Year ended	
	August 31,		**August 31,**	
(thousands of Canadian dollars)	**2014**	2013	**2014**	2013
Revenues	**41,748**	44,012	**172,592**	183,691
Expenses	**32,246**	32,348	**127,105**	128,543
Segment profit(1)	**9,502**	11,664	**45,487**	55,148

(1)As defined in the "Key Performance Indicators" section

Revenues decreased 5% in the fourth quarter of fiscal 2014 and 6% for the year. The segment continued to experience a soft advertising market in addition to ratings challenges in some markets.

Direct cost of sales, general and administrative expenses were flat in the quarter and decreased 1% for the year. Variable expenses increased 1% in the quarter and decreased 3% for the year. The increase in the fourth quarter was driven by higher costs of sales related to the local direct sales initiative, offset by lower sales commissions and copyright fees in connection with the revenue decline. Fixed costs, which represent a much higher proportion of the cost structure, decreased 1% in the quarter and on a full year basis, were consistent with the prior year. The decrease in the fourth quarter was related to lower employee-related costs driven by strategic changes as discussed further below. For the year, the segment maintained tight cost controls through lower employee-related and premises costs, which were offset by incremental costs from the acquired Ottawa radio stations, higher hockey broadcast rights fees, and higher marketing and promotion expenses.

Segment profit decreased 19% in the fourth quarter of fiscal 2014 and 18% for the year. As a result of the revenue softness, the Radio segment's margin decreased from 27% in the prior year to 23% in the fourth quarter and decreased from 30% to 26% for the year.

The Company recorded non-cash impairment charges in broadcast licenses and goodwill of $83.0 million in fiscal 2014. These charges are excluded from the determination of segment profit.

In the fourth quarter of fiscal 2014, management implemented strategic changes that address both programming and sales strategies, which reposition the segment for earnings growth in fiscal 2015 and beyond. Restructuring costs were recorded in the fourth quarter of fiscal 2014 and will result in annualized cost savings in the range of $3.0 million to $4.0 million.

Corporate

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

Financial Highlights

	Three months ended		Year ended	
		August 31,		**August 31,**
(thousands of Canadian dollars)	**2014**	2013	**2014**	2013
Share-based compensation	**3,560**	4,946	**10,876**	12,953
Other general and administrative costs	**4,629**	8,742	**18,246**	20,962
	8,189	13,688	**29,122**	33,915

Share-based compensation includes expenses related to the Company's stock options and other long-term incentive plans (such as Performance Share Units - "PSUs", Deferred Share Units – "DSUs", and Restricted Share Units – "RSUs"). The expense fluctuates with changes in assumptions, primarily regarding the Company's share price and number of units estimated to vest. Lower fourth quarter and full year fiscal 2014 share-based compensation reflects a decrease in the number of units that achieved vesting targets compared to the prior year.

Other general and administrative costs decreased 13% in fiscal 2014, primarily as a result of a continued focus on cost control and lower costs related to performance incentive plans.

Quarterly Consolidated Financial Information

Seasonal fluctuations

As discussed in Management's Discussion and Analysis for the year ended August 31, 2013, 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 interim condensed consolidated financial statements for each of the eight most recent quarters ended August 31, 2014. In Management's opinion, these unaudited consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements in the Company's Annual Report for the year ended August 31, 2013.

[thousands of Canadian dollars, except per share amounts]

	Revenues	Segment profit[1]	Net income attributable to shareholders	Adjusted net income attributable to shareholders	Earnings per share Basic	Diluted	Adjusted
2014							
4th quarter	**201,557**	**58,349**	**23,727**	**26,785**	**$ 0.28**	**$ 0.28**	**$ 0.31**
3rd quarter	214,041	79,731	(30,325)	41,602	$ (0.36)	$ (0.36)	$ 0.49
2nd quarter	191,413	59,282	6,116	26,780	$ 0.07	$ 0.07	$ 0.32
1st quarter	226,005	92,276	150,891	55,177	$ 1.78	$ 1.78	$ 0.65
2013							
4th quarter[2]	181,897	50,931	11,879	25,816	$ 0.14	$ 0.14	$ 0.31
3rd quarter[2]	187,073	64,564	89,913	34,519	$ 1.07	$ 1.07	$ 0.41
2nd quarter[2]	172,620	50,962	5,944	24,432	$ 0.07	$ 0.07	$ 0.29
1st quarter[2]	209,946	84,517	52,159	52,159	$ 0.63	$ 0.62	$ 0.63

[1]As defined in "Key Performance Indicators"

[2]The fiscal 2013 quarters have been restated for the application of IFRS 11 - *Joint Arrangements*

Significant items causing variations in quarterly results

- Net income attributable to shareholders for the fourth quarter of fiscal 2014 was negatively impacted by business acquisition, integration and restructuring costs of $5.6 million ($0.04 per share) offset by an investment impairment recovery of $1.0 million ($0.01 per share).
- Net income attributable to shareholders for the third quarter of fiscal 2014 was negatively impacted by non-cash radio broadcast license and goodwill impairment charges of $75.0 million ($0.85 per share), capital asset impairment charge of $1.2 million ($0.01 per share), business acquisition, integration and restructuring costs of $0.6 million ($0.01 per share) and positively impacted by a decrease in the purchase price obligation of $2.0 million ($0.02 per share).
- Net income attributable to shareholders for the second quarter of fiscal 2014 was negatively impacted by non-cash radio broadcast license impairment charges of $8.0 million ($0.07 per share), business acquisition, integration and restructuring costs of $18.7 million ($0.20 per share), and positively impacted by a decrease in the purchase price obligation of $2.1 million ($0.02 per share).
- Net income attributable to shareholders for the first quarter of fiscal 2014 was positively impacted by a non-cash gain of $127.9 million ($1.51 per share) resulting from the remeasurement to fair value of the Company's 50% interest in TELETOON which was held prior to the consolidation on September 1, 2013. This was offset by business acquisition, integration and restructuring costs of $21.9 million ($0.25 per share), an increase in the purchase price obligation of $7.3 million ($0.09 per share) and investment impairment related charges of $3.3 million ($0.04 per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2013 was negatively impacted by a non-cash expense of $5.7 million ($0.05 per share) related to broadcast license impairments on certain Radio clusters, a charge of $5.2 million ($0.05 per share) related to restructuring costs and investment impairment charges of $7.1 million ($0.07 per share).
- Net income attributable to shareholders for the third quarter of fiscal 2013 was positively impacted by the gain of $55.4 million ($0.66 per share) related to the disposal of the Company's non-controlling interest in Food Network Canada.

- Net income attributable to shareholders for the second quarter of fiscal 2013 was negatively impacted by the early redemption of all of the $500.0 million, 7.25% Senior Unsecured Guaranteed Notes that were due on February 10, 2017. A debt refinancing charge of $25.0 million ($0.22 per share) was recorded to reflect the redemption premium and the write-off of unamortized financing charges related to the 2017 Notes.

Risks and Uncertainties

The following change in risks and uncertainties facing the Company has occurred since the year ended August 31, 2013:

CRTC Policy Review: Let's Talk TV

In October 2014, the CRTC completed the public element of a broad television policy review which it called "Let's Talk TV". The Commission's stated key issues were as follows:

- Maximizing choice and flexibility (pick and pay);
- Relationships between broadcasting distribution undertakings and programmers;
- Ways to foster local programming, including a regulatory model for conventional television; and
- Ways to foster compelling Canadian programming, including program production, promotion, exhibition and Canadian programming expenditures.

The detailed policy matters touched on many areas beyond these points. The Commission had proposed that a new regulatory framework would come into force on December 15, 2015, however, a final decision is still pending. During the public hearing, the Commission suggested that the status quo on carriage matters could be an option and it also suggested that the timelines for implementation could be extended. This policy review was also influenced by the Government's direction included in the Speech from the Throne that jobs be protected.

The potential outcome of this process is difficult to predict and as such, Corus is unable to quantify the potential impacts at the present time. These could be materially adverse to Corus' financial results.

Outlook

The following forward-looking information is governed in its entirety by the "Cautionary Statement Regarding Forward-Looking Statements" found in the introductory section of this MD&A.

At its annual Investor Day on January 29, 2014, the Company provided fiscal 2015 financial guidance of $340.0 million to $360.0 million in consolidated segment profit, and free cash flow in excess of $170.0 million. The segment profit guidance assumed a starting point of $330.0 million, which was based on the proforma fiscal 2013 results of the Company's core business, assuming a full year of segment profit from the recently completed acquisitions (refer to note 17 of the interim condensed consolidated financial statements for further details) and projected synergies of $12.0 million. It also assumed growth scenarios of a 2%, 3% and 4% compound annual growth rate off the $330.0 million base segment profit and the Company's ability to successfully integrate the acquisitions to achieve targeted synergies within its expected timelines. The growth scenarios assumed the Canadian economy (GDP) would increase by 2% to 3% for 2015 to support the discretionary nature of advertising expenditures. The Company also assumed minimal subscriber growth based on historical subscriber trending and minimal growth in merchandising, distribution and other revenues based on timing of the launches of Corus' new merchandise brands. Free cash flow guidance for fiscal 2015 of $170.0 million plus was based on the Company's recent historical working capital run-rates, annual capital expenditures of $15.0 million to $20.0 million, inclusion of free cash flow from the acquisitions noted above and the Company's ability to meet its segment profit guidance for fiscal 2015 of $340.0 million to $360.0 million.

The actual fiscal 2014 financial results were below the Company's expectations, primarily due to a weak advertising market, lower than anticipated Pay Television subscribers, and slower actual Canadian economic growth than anticipated. Although the Company exceeded its annual acquisition synergies target of $12.0 million, the proforma starting point for its fiscal 2015 earnings based on actual fiscal 2014 results is closer to $300.0 million and not the previously stated $330.0 million. As a result, the Company is adjusting its fiscal 2015 consolidated segment profit guidance to a revised range of $300.0 million to $320.0 million. The lower end of the Company's revised guidance range is based on fiscal 2014 financial results, continued softness in the economy and its impact on the discretionary nature of advertising expenditures, minimal subscriber growth and minimal growth in merchandising, distribution and other revenues. The upper end of the Company's revised guidance range is based on a stronger economy and advertising expenditures while Corus focuses on delivering continued strong ratings on its Television properties and recovering its Radio ratings in the key advertising markets of Toronto and Vancouver. The Company has considerable operating leverage to achieve the upper end of its guidance range due to the fixed cost nature of its business and the conversion rate of its incremental revenue.

Free cash flow continues to be a key strength for the Company. Corus delivered fiscal 2014 free cash flow of $175.3 million and, as a result, fiscal 2015 free cash flow guidance will be increased to $180.0 million plus. The revised free cash flow guidance is based on achieving the Company's revised forecasted segment profit guidance of $300.0 million to $320.0 million, the Company's historical working capital run rates and a capital expenditures target of $20.0 million to $25.0 million. The Company will hold its annual Investor Day on November 20, 2014.

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

Financial Position

The major change in the Company's consolidated results arises from the consolidation of 100% interest in TELETOON effective September 1, 2013 as a consequence of meeting the definition of control under IFRS 10 – *Consolidated Financial Statements,* the consolidation of 100% interest in Historia and Séries+ ("H&S") effective January 1, 2014, and 100% interest in two radio stations in Ottawa (CKQB-FM and CJOT-FM) effective January 31, 2014 (refer to note 17 of the interim condensed consolidated financial statements for further details). For fiscal 2013, as a result of retroactive application of IFRS 11 – *Joint Arrangements*, the prior year was restated by replacing the proportionate consolidation of TELETOON at 50% with a single investment amount in the "Investments in joint ventures" line item in the consolidated statements of financial position (refer to note 3 to the interim condensed consolidated financial statements for further details).

Total assets at August 31, 2014 and August 31, 2013 were $2.8 billion and $2.2 billion, respectively. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2013.

Current assets at August 31, 2014 were $217.4 million, down $92.7 million from August 31, 2013. Cash and cash equivalents decreased by $69.7 million. Refer to the discussion of cash flows in the next section.

Accounts receivable increased $18.7 million, of which $35.0 million relates to the business acquisitions, offset by higher cash collections during fiscal 2014. The accounts receivable balance typically grows in the first and third quarters and decreases in the second quarter as a result of the broadcast revenue cycle. The Company carefully monitors the aging of its accounts receivable.

Promissory note receivable of $47.8 million arose in fiscal 2013 from the sale of the Company's non-controlling interest in Food Network Canada to Shaw Media Inc. ("Shaw") and the acquisition of the remaining 49% interest in ABC Spark from Shaw. The balance was settled upon the completion of the Company's acquisition of Shaw's 50% interest in H&S on January 1, 2014.

Tax credits receivable decreased $12.5 million as a result of tax credit receipts exceeding accruals related to film and interactive productions.

Intangibles, investments and other assets increased $4.7 million, primarily as a result of increases in investments offset by equity losses from associates and amortization of intangibles.

Investment in joint ventures was eliminated as a result of the consolidation of 100% interest in TELETOON upon acquisition of control on September 1, 2013.

Property, plant and equipment decreased $7.6 million, as a result of an asset impairment of $1.2 million, and depreciation expense exceeded additions for fiscal 2014.

Program and film rights increased $97.9 million, of which $77.5 million relates to the business acquisitions. As well, additions of acquired rights of $228.0 million were offset by amortization of $207.6 million during fiscal 2014.

Film investments increased $1.2 million as film spending (net of tax credit accruals) of $21.0 million was offset by film amortization of $19.8 million.

Broadcast licenses increased $464.9 million as business acquisitions added $482.4 million, offset by impairment charges of $17.5 million related to the Radio segment. Goodwill increased $288.8 million as business acquisitions added $354.4 million, offset by impairment charges of $65.5 million related to the Radio segment.

Accounts payable and accrued liabilities increased $6.0 million, of which $14.7 million relates to the business acquisitions and $4.8 million relates to current portion of CRTC benefits payable resulting from the acquisitions. This was offset by lower program rights payable and lower trade payables.

Provisions have increased $1.4 million as a result of business acquisition, integration and restructuring costs being higher than payments made relating to work-force reduction and business initiatives taken in fiscal 2014.

Long-term debt at August 31, 2014 was $874.3 million, up $335.3 million as a result of the Company's draw-down on credit facilities to finance the business acquisitions.

Other long-term liabilities increased by $78.6 million, of which $37.6 million relates to the business acquisitions. The increase is also due to the long-term portion of CRTC tangible benefits of $29.0 million relating to the business acquisitions and by higher program rights payable.

Share capital increased $30.1 million, as the issuance of shares from treasury under the Company's dividend reinvestment plan and issuance of stock options added $24.7 million and $5.5 million, respectively, to share capital.

Contributed surplus increased $1.2 million due to share-based compensation expense of $2.0 million, offset by the issuance of shares under the Company's stock option plan of $0.9 million.

Liquidity and Capital Resources

Cash flows

Overall, the Company's cash and cash equivalents position decreased by $69.7 million over the year ended August 31, 2014. Free cash flow for the year ended August 31, 2014 was $175.3 million, compared to free cash flow of $154.7 million in the prior year. This increase in free cash flow primarily reflects higher cash from operating activities and timing of program rights payments. Refer to Key Performance Indicators for a reconciliation of free cash flow to consolidated statements of cash flows.

Cash provided by operating activities for the year ended August 31, 2014 was $194.5 million, compared to $156.7 million last year. The increase of $37.8 million arises from higher net income from operations before non-cash items of $67.0 million, lower additions to film investments of $20.7 million and higher cash inflows from working capital of $16.2 million, offset by higher spend on program rights of $66.1 million.

Cash used in investing activities in the year ended August 31, 2014 was $526.2 million, compared to $13.7 million in the prior year. The increase of $512.5 million is attributable to the business acquisitions of TELETOON, Historia, Séries+ and the Ottawa radio stations of $497.4 million, lower dividends from joint ventures of $10.9 million, increase in net cash outflows for intangibles, investments and other assets of $0.6 million and increase in CRTC tangible benefit payments of $4.7 million, offset by a decrease of $1.1 million in additions to property, plant and equipment.

Cash used in financing activities in the year ended August 31, 2014 was $262.1 million, compared to $81.0 million provided by financing activities in the prior year. In the current year, the Company incurred $333.2 million in bank loans to finance the business acquisitions, paid dividends of $72.2 million and made capital lease payments of $3.0 million. In the prior year, the Company issued the 2020 Notes of $550.0 million, redeemed the 2017 Notes of $500.0 million and paid $26.7 million in financing fees. The bank debt was paid down by $29.9 million, $1.5 million of shares were repurchased under the Normal Course Issuer Bid, dividends of $63.0 million were paid and capital lease payments of $10.7 million were made.

Liquidity

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

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

The Company monitors capital using several key performance metrics, including: net debt to segment profit ratio and dividend yield. The Company's stated long-term objectives are not to exceed a net debt to segment profit ratio of 3.5 times, and to maintain a dividend yield in excess of 2.5%. In the short term, the Company may permit the net debt to segment profit ratio to go outside of the long-term guideline range (for long-term investment opportunities), but endeavours to return to the policy guideline range as the Company believes that these objectives provide a reasonable framework for providing a return to shareholders and is supportive of maintaining the Company's credit ratings. The Company is currently operating within these internally imposed objectives.

On February 3, 2014, the Company's credit agreement with a syndicate of banks was amended and restated. The principal amendment effected was the establishment of a two year $150.0 million term facility, maturing February 3, 2016, incremental to the existing $500.0 million revolving facility maturing February 11, 2017. The revolving facility is used to finance permitted acquisitions and capital expenditures and for general corporate requirements in the ordinary course of business, while the term loan facility was used to refinance outstanding advances under the revolving facility. Both the term and revolving facilities are subject to the same covenants and security. Interest rates on both the term and revolving facility loans fluctuate with Canadian prime rate, Canadian bankers' acceptances and/or LIBOR plus an applicable margin. As at August 31, 2014, the Company had available approximately $315.0 million under the revolving term credit facility and was in compliance with all loan covenants.

As at August 31, 2014, the Company had a cash balance of $11.6 million and a positive working capital balance. In January 2014, the Company utilized $491.4 million of cash-on-hand and existing bank lines of credit to close the acquisition of the specialty television services Historia, Séries+, two Ottawa-based radio stations and the remaining 50% of TELETOON Canada Inc. (refer to note 17 of the interim condensed consolidated financial statements for further details).

Management believes that cash flow from operations and existing credit facilities will provide the Company with sufficient financial resources to fund its operations for the next 12 months.

Net debt to segment profit

As at August 31, 2014, net debt was $862.7 million, up from $457.7 million at August 31, 2013. Net debt to segment profit at August 31, 2014 was 3.0 compared to 1.8 times at August 31, 2013. Segment profit for the net debt to segment profit calculation reflects aggregate amounts as reported by the Company for the most recent four quarters. The increase in net debt and net debt to segment profit reflects increased debt to finance the business acquisitions, but only includes segment profit for the acquired assets from the date of acquisition. Refer to the Key Performance Indicators section for further discussion.

Total capitalization

Book value at August 31, 2014 was $2,172.8 million, an increase of $494.3 million from August 31, 2013. The increase results from an increase in bank debt to finance business acquisitions.

Off-Balance Sheet arrangements and derivative financial instruments

During the second quarter of fiscal 2014, the Company entered into a Canadian interest rate swap agreement to fix the interest rate on its outstanding term loan facility. The counterparties of the swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The fair value or future cash flows of interest rate swap derivatives increase (decrease) with fluctuations in market interest rates. The estimated fair value of these agreements at August 31, 2014 is $0.1 million, which has been recorded in the Interim Condensed Consolidated Statements of Financial Position as a liability.

Contractual commitments

The Company has added no other significant unfulfilled contractual obligations in the fourth quarter of fiscal 2014.

Outstanding Share Data

As at September 30, 2014, 3,428,292 Class A Voting Shares and 82,478,905 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 year ended August 31, 2014 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 Management's Discussion and Analysis contained in the Annual Report for the year ended August 31, 2013, 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, or for the consolidated Company. The Company believes this is an important measure as it allows the Company to evaluate the operating performance of its business segments and its ability to service and/or incur debt; therefore, it is calculated before (i) non-cash expenses such as depreciation and amortization; (ii) interest expense; and (iii) items not indicative of the Company's core operating results, and not used in management's evaluation of the business segment's performance, such as: goodwill and broadcast license impairment; debt refinancing; non-cash gains or losses and certain other income and expenses (note 13 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 15 to the condensed interim consolidated financial statements. Segment profit does not have any standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and is not necessarily comparable to similar measures presented by other companies.

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

Free cash flow

Free cash flow is calculated as cash provided by operating activities less cash used in investing activities, as reported in the consolidated statements of cash flows, and then adding back cash used specifically for business combinations and strategic investments. Free cash flow is a key metric used by the investing community that measures the Company's ability to repay debt, finance strategic business acquisitions and investments, pay dividends, and repurchase shares. Free cash flow does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies. Free cash flow should not be considered in isolation or as a substitute for cash flows prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

[thousands of Canadian dollars]	Three months ended August 31, 2014	2013[1]	Year ended August 31, 2014	2013[1]
Cash provided by (used in):				
Operating activities	**3,243**	35,282	**194,477**	156,729
Investing activities	**(14,107)**	(2,693)	**(526,246)**	(13,670)
	(10,864)	32,589	**(331,769)**	143,059
Add back: cash used for business combinations and strategic investments	**3,700**	1,038	**507,045**	11,652
Free cash flow	**(7,164)**	33,627	**175,276**	154,711

[1] The fiscal 2013 quarters presented above have been restated for the application of IFRS 11 - *Joint Arrangements*

Adjusted net income and adjusted basic earnings per share

In addition to disclosing results in accordance with IFRS as issued by the IASB, the Company also provides supplementary non-IFRS measures as a method of evaluating the Company's performance. Management uses adjusted net income and adjusted basic earnings per share as a measure of enterprise-wide performance. Adjusted net income and adjusted basic earnings per share are defined as net income and basic earnings per share before items such as: non-recurring gains or losses related to acquisitions and/or dispositions of investments; costs of debt refinancing; non-cash impairment charges; and business acquisition, integration and restructuring costs. Management believes that adjusted net income and adjusted basic earnings per share is a useful measure that facilitates period-to-period operating comparisons. Adjusted net income and adjusted basic earnings per share do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other companies. Adjusted net income and adjusted earnings per share should not be considered in isolation or as a substitute for net income prepared in accordance with IFRS as issued by the IASB.

Adjusted net income and adjusted basic earnings per share reconciliation

(thousands of Canadian dollars, except per share amounts)	Three months ended August 31, 2014	2013	Year ended August 31, 2014	2013
Net income attributable to shareholders	**23,727**	11,879	**150,408**	159,895
Adjustments (net of tax):				
Gain on remeasurement to fair value of original 50% of TELETOON	**—**	—	**(127,884)**	—
Broadcast license and goodwill impairment charge	**—**	4,240	**78,460**	4,240
Capital asset impairment charges	**—**	—	**913**	—
Increase in purchase price obligation	**—**	—	**3,336**	—
Impact of business acquisition, integration and restructuring costs	**4,020**	3,987	**42,820**	5,634
Gain on disposition of Food Network Canada investment	**—**	—	**—**	(55,394)
Impact of investment impairment charges	**(962)**	5,710	**2,291**	5,710
Debt refinancing costs related to issuance of $550.0 million of Senior Unsecured Guaranteed Notes	**—**	—	**—**	18,488
Adjusted net income attributable to shareholders	**26,785**	25,816	**150,344**	138,573

	Three months ended August 31,		Year ended August 31,	
	2014	2013	**2014**	2013
Basic earnings per share	**$0.28**	$0.14	**$1.77**	$1.91
Adjustments (net of tax):				
Gain on remeasurement to fair value of original 50% of TELETOON	**—**	—	**(1.51)**	—
Broadcast license and goodwill impairment charge	**—**	0.05	**0.92**	0.05
Capital asset impairment charges	**—**	—	**0.01**	—
Increase in purchase price obligation	**—**	—	**0.04**	—
Impact of business acquisition, integration and restructuring costs	**0.04**	0.05	**0.51**	0.06
Gain on disposition of Food Network Canada investment	**—**	—	**—**	(0.66)
Impact of investment impairment charges	**(0.01)**	0.07	**0.03**	0.07
Debt refinancing costs related to issuance of $550.0 million of Senior Unsecured Guaranteed Notes	**—**	—	**—**	0.22
Adjusted basic earnings per share	**$0.31**	$0.31	**$1.77**	$1.65

Net Debt / Net Debt to Segment Profit

Net debt is calculated as long-term debt less cash and cash equivalents as reported in the consolidated statements of financial position. Net debt is an important measure as it reflects the principal amount of debt owing by the Company as at a particular date. Net debt to segment profit is an important measure of the Company's liquidity. Net debt and net debt to segment profit do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other companies.

(thousands of Canadian dollars)	**As at August 31, 2014**	As at August 31, 2013[1]
Long-term debt	**874,251**	538,966
Cash and cash equivalents	**(11,585)**	(81,266)
Net debt	**862,666**	457,700

(thousands of Canadian dollars)	**As at August 31, 2014**	As at August 31, 2013 [1]
Net debt (numerator)	**862,666**	457,700
Segment profit (denominator)[2]	**289,638**	250,974
Net debt to segment profit	**3.0**	1.8

[1] Prior period figures have been restated to reflect the changes in accounting standards described in note 3 to the interim condensed consolidated financial statements contained in the 2014 Report to Shareholders.

[2] Reflects aggregate amounts for the most recent four quarters, as detailed in the table in the "Quarterly Consolidated Financial Information" section and includes the segment profit of the acquired assets from the date of acquisition.

Impact of New Accounting Policies

The International Accounting Standards Board ("IASB") continues to issue new and revised IFRS. A listing of the recent accounting pronouncements promulgated by the IASB and not yet adopted by Corus is included in note 3 in Corus' August 31, 2013 consolidated financial statements and note 3 in Corus' August 31, 2014 interim condensed consolidated financial statements.

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited - in thousands of Canadian dollars)	**As at August 31, 2014**	As at August 31, 2013	As at September 1, 2012
ASSETS			
Current			
Cash and cash equivalents	**11,585**	81,266	19,198
Accounts receivable	**183,009**	164,302	163,345
Promissory note receivable	**—**	47,759	—
Income taxes recoverable	**9,768**	351	9,542
Prepaid expenses and other	**13,032**	16,392	12,619
Total current assets	**217,394**	310,070	204,704
Tax credits receivable	**29,044**	41,564	43,865
Intangibles, investments and other assets (note 4)	**47,630**	42,975	42,390
Investment in joint ventures (note 17)	**—**	125,931	121,704
Property, plant and equipment	**143,618**	151,192	163,280
Program and film rights (note 5)	**330,437**	232,587	229,306
Film investments (note 6)	**63,455**	62,274	67,847
Broadcast licenses (note 7 and 8)	**979,984**	515,036	520,770
Goodwill (note 7 and 8)	**934,859**	646,045	646,045
Deferred tax assets (note 14)	**38,161**	39,463	28,327
	2,784,582	2,167,137	2,068,238
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	**170,411**	164,443	177,367
Income taxes payable (note 14)	—	—	1,303
Provisions	**5,314**	3,941	2,322
Total current liabilities	**175,725**	168,384	180,992
Long-term debt (note 9)	**874,251**	538,966	518,258
Other long-term liabilities	**171,793**	93,241	87,588
Deferred tax liabilities	**252,687**	145,713	145,310
Total liabilities	**1,474,456**	946,304	932,148
Shareholders' Equity			
Share capital (note 10)	**967,330**	937,183	910,005
Contributed surplus	**8,385**	7,221	7,835
Retained earnings	**313,361**	256,517	198,445
Accumulated other comprehensive income (loss)	**3,767**	1,653	(812)
Total equity attributable to shareholders	**1,292,843**	1,202,574	1,115,473
Equity attributable to non-controlling interest	**17,283**	18,259	20,617
Total shareholders' equity	**1,310,126**	1,220,833	1,136,090
	2,784,582	2,167,137	2,068,238

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(unaudited - in thousands of Canadian dollars except per share amounts)	Three months ended August 31, 2014	2013	Year ended August 31, 2014	2013
Revenues	**201,557**	181,897	**833,016**	751,536
Direct cost of sales, general and administrative expenses (note 11)	**143,208**	130,966	**543,378**	500,562
Depreciation and amortization	**5,415**	6,007	**24,068**	26,812
Interest expense (note 12)	**12,993**	8,936	**48,320**	44,795
Broadcast license and goodwill impairment (note 7 and 8)	**—**	5,734	**83,000**	5,734
Debt refinancing	**—**	—	**—**	25,033
Business acquisition, integration and restructuring costs	**5,576**	5,196	**46,792**	7,343
Gain on acquisition (note 17)	**—**	—	**(127,884)**	—
Gain on sale of associated company (note 17)	**—**	—	**—**	(55,394)
Other (income) expense, net (note 13)	**(1,476)**	7,300	**5,740**	(3,560)
Income before income taxes	**35,841**	17,758	**209,602**	200,211
Income tax expense (note 14)	**10,208**	4,417	**53,433**	34,462
Net income for the period	**25,633**	13,341	**156,169**	165,749
Net income attributable to:				
Shareholders	**23,727**	11,879	**150,408**	159,895
Non-controlling interest	**1,906**	1,462	**5,761**	5,854
	25,633	13,341	**156,169**	165,749
Earnings per share attributable to shareholders:				
Basic	**$ 0.28**	$ 0.14	**$ 1.77**	$ 1.91
Diluted	**$ 0.28**	$ 0.14	**$ 1.76**	$ 1.90
Net income for the period	**25,633**	13,341	**156,169**	165,749
Other comprehensive income (loss), net of tax:				
Items that may be reclassified subsequently to income:				
Unrealized foreign currency translation adjustment	**100**	648	**1,720**	2,333
Unrealized change in fair value of available-for-sale investments	**(8)**	174	**446**	132
Unrealized change in fair value of cash flow hedges	**57**	—	**(52)**	—
Actuarial (loss) gain on employee future benefits	**(2,188)**	616	**(2,188)**	616
	(2,039)	1,438	**(74)**	3,081
Comprehensive income for the period	**23,594**	14,779	**156,095**	168,830
Comprehensive income attributable to:				
Shareholders	**21,688**	13,317	**150,334**	162,976
Non-controlling interest	**1,906**	1,462	**5,761**	5,854
	23,594	14,779	**156,095**	168,830

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited - in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity attributable to shareholders	Non-controlling interest	Total equity
At August 31, 2013	937,183	7,221	256,517	1,653	1,202,574	18,259	1,220,833
Comprehensive income (loss)	—	—	150,408	(74)	150,334	5,761	156,095
Actuarial loss transfer	—	—	(2,188)	2,188	—	—	—
Dividends declared	—	—	(91,376)	—	(91,376)	(6,737)	(98,113)
Issuance of shares under stock option plan	5,465	(862)	—	—	4,603	—	4,603
Issuance of shares under dividend reinvestment plan	24,682	—	—	—	24,682	—	24,682
Share-based compensation expense	—	2,026	—	—	2,026	—	2,026
At August 31, 2014	**967,330**	**8,385**	**313,361**	**3,767**	**1,292,843**	**17,283**	**1,310,126**
At August 31, 2012	910,005	7,835	198,445	(812)	1,115,473	20,617	1,136,090
Comprehensive income	—	—	159,895	3,081	162,976	5,854	168,830
Actuarial gain transfer	—	—	616	(616)	—	—	—
Dividends declared	—	—	(84,452)	—	(84,452)	(6,331)	(90,783)
Issuance of shares under stock option plan	1,155	(2,200)	—	—	(1,045)	—	(1,045)
Issuance of shares under dividend reinvestment plan	26,731	—	—	—	26,731	—	26,731
Shares repurchased	(708)	—	(756)	—	(1,464)	—	(1,464)
Share-based compensation expense	—	1,586	—	—	1,586	—	1,586
Acquisition of non-controlling interest	—	—	(17,231)	—	(17,231)	(1,881)	(19,112)
At August 31, 2013	937,183	7,221	256,517	1,653	1,202,574	18,259	1,220,833

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended	
		August 31,		**August 31,**
(unaudited - in thousands of Canadian dollars)	**2014**	2013	**2014**	2013
OPERATING ACTIVITIES				
Net income for the period	**25,633**	13,341	**156,169**	165,749
Add (deduct) non-cash items:				
Depreciation and amortization	**5,415**	6,007	**24,068**	26,812
Broadcast license and goodwill impairment	**—**	5,734	**83,000**	5,734
Amortization of program and film rights	**53,871**	42,169	**207,639**	168,883
Amortization of film investments	**6,552**	8,360	**19,808**	25,759
Deferred income taxes	**1,254**	(1,356)	**5,638**	(11,332)
Increase in purchase price obligation	**—**	—	**3,336**	—
Investment impairments	**—**	7,121	**—**	7,121
Share-based compensation expense	**537**	424	**2,026**	1,586
Imputed interest	**3,713**	2,602	**14,698**	10,279
Tangible benefit obligation	**—**	—	**31,916**	—
Debt refinancing	**—**	—	**—**	25,033
Gain on sale of associated company	**—**	—	**—**	(55,394)
Gain on acquisition	**—**	—	**(127,884)**	—
Other	**502**	(1,769)	**2,402**	(14,393)
Net change in non-cash working capital				
balances related to operations	**19,632**	14,091	**22,945**	6,768
Payment of program and film rights	**(121,282)**	(64,311)	**(225,935)**	(159,802)
Net additions to film investments	**7,416**	2,869	**(25,349)**	(46,074)
Cash provided by operating activities	**3,243**	35,282	**194,477**	156,729
INVESTING ACTIVITIES				
Additions to property, plant and equipment	**(4,261)**	(2,712)	**(11,976)**	(13,029)
Business combinations	**(687)**	—	**(497,393)**	—
Dividends from investment in joint ventures	**—**	1,825	**—**	10,866
Net cash flows for intangibles, investments and other assets	**(4,098)**	(1,568)	**(11,493)**	(10,855)
Other	**(5,061)**	(238)	**(5,384)**	(652)
Cash used in investing activities	**(14,107)**	(2,693)	**(526,246)**	(13,670)
FINANCING ACTIVITIES				
Increase (decrease) in bank loans	**142**	—	**333,243**	(29,925)
Issuance of notes	**—**	—	**—**	550,000
Redemption of notes	**—**	—	**—**	(500,000)
Financing fees	**—**	—	**(587)**	(26,732)
Issuance of shares under stock option plan	**3,144**	—	**4,603**	884
Shares repurchased	**—**	—	**—**	(1,464)
Dividends paid	**(17,158)**	(15,112)	**(65,474)**	(56,696)
Dividends paid to non-controlling interest	**(736)**	(616)	**(6,737)**	(6,331)
Other	**(1,179)**	(1,138)	**(2,960)**	(10,727)
Cash provided by (used in) financing activities	**(15,787)**	(16,866)	**262,088**	(80,991)
Net change in cash and cash equivalents during the period	**(26,651)**	15,723	**(69,681)**	62,068
Cash and cash equivalents, beginning of the period	**38,236**	65,543	**81,266**	19,198
Cash and cash equivalents, end of the period	**11,585**	81,266	**11,585**	81,266

Supplemental cash flow disclosures (note 16)
See accompanying notes

1. CORPORATE INFORMATION

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

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

These 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 Corus content business which consists of the production and distribution of films and television programs, merchandise licensing, publishing and the production and distribution of animation software.

2. STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). The accounting policies used in the preparation of these interim condensed consolidated financial statements conform with those in the Company's audited annual consolidated financial statements for the year ended August 31, 2013, except as described in note 3. These interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements and, accordingly, should be read in conjunction with the Company's annual consolidated financial statements for the year ended August 31, 2013, which are available at www.sedar.com and on the Company's website at www.corusent.com.

These interim condensed consolidated statements have been authorized for issue in accordance with a resolution of the Board of Directors on October 22, 2014.

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, 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.

Changes in accounting policies

In December 2011, the IASB amended both IAS 32 - *Financial Instruments: Presentation* and IFRS 7 - *Financial Instruments: Disclosures* by moving the disclosure requirements in IAS 32 to IFRS 7 and enhancing the disclosures about offsetting financial assets and liabilities. The effective date of the amendments is for the Company's fiscal year commencing September 1, 2013. The Company has assessed the impact of these standards and determined there is no impact on its 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 the Company's fiscal year commencing September 1, 2013. The Company has assessed the impact of this standard and determined there is no impact on its consolidated financial statements.

IFRS 12 - *Disclosure of Interests in Other Entities*

IFRS 12 establishes disclosure requirements for interests in other entities such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interest in other entities. IFRS 12 replaces the previous disclosure requirements included in IAS 27 - *Consolidated and Separate Financial Statements,* IAS 31 - *Joint Ventures* and IAS 28 - *Investment in Associates*. The effective date of this amendment is for the Company's fiscal year commencing September 1, 2013. The adoption of this standard affects disclosures but does not have an impact on the recognized amounts or measurements in the consolidated financial statements. As required, the enhanced disclosures are included in the annual consolidated financial statements for the year ended August 31, 2014.

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 the Company's fiscal year commencing September 1, 2013. The adoption of this standard affects disclosures but does not otherwise have a material impact on the consolidated financial statements. As required, the enhanced disclosures are included in the annual consolidated financial statements for the year ended August 31, 2014.

IAS 28 - *Investments in Associates and Joint Ventures*

The IASB also amended IAS 28, an existing standard, to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 12. The effective date of this amendment is for the Company's fiscal year commencing September 1, 2013. The adoption of the standard has the impact noted in IFRS 11 - *Joint Arrangements* below.

IAS 36 – *Impairment of Assets*

The Company has early adopted the amendments of IAS 36 *Recoverable Amount of Disclosures for Non-Financial Assets,* effective September 1, 2013. These amendments amend the disclosure requirement relating to non-financial assets such that companies are required to disclose the recoverable amount of an asset (or CGU) only in periods in which impairment has been recorded or reversed in respect of that asset (or CGU). The amendments also expand and clarify the disclosure requirements when an asset's (or CGU's) recoverable amount has been determined on the basis of fair value less cost of sale. The amendment is effective for annual periods beginning on or after January 1, 2014, retrospectively, with early adoption permitted. The Company has elected to early adopt the provisions of these amendments in the consolidated financial statements.

IFRS 11 - *Joint Arrangements*

IFRS 11 replaced IAS 31 *Interest in Joint Ventures* and SIC 13 - *Jointly Controlled Entities - Non-monetary Contributions by Ventures*. The standard eliminates the use of the proportionate consolidation method to account for jointly controlled entities. Joint ventures as defined in IFRS 11 have been accounted for using the equity method of accounting while, for a joint operation, the venture will recognize its right to and obligations for the assets, liabilities, revenues and expenses of the joint operation. The new standard was effective for Corus' fiscal year commencing September 1, 2013 with retroactive application to September 1, 2012. Historically, the Company proportionately consolidated its jointly controlled entity, TELETOON Canada Inc. With the adoption of this standard, the revenues, expenses, assets and liabilities from these operations for Corus' prior fiscal year are no longer proportionately consolidated in the Company's consolidated financial statements but have been replaced by "Investment in joint ventures" in the Consolidated Statements of Financial Position and the Company's share of the joint venture's income is contained in *Other expense (income), net* in the Consolidated Statements of Income and Comprehensive Income. The effect of the Company's retroactive application of this standard is summarized below for the Consolidated Statements of Financial Position, Income and Comprehensive Income and Cash Flows for the periods indicated.

(in thousands of Canadian dollars, except per share information)

Consolidated Statements of Financial Position

	August 31, 2013			September 1, 2012		
	Originally Reported	**IFRS 11 Adjustment**	**Restated**	**Originally Reported**	**IFRS 11 Adjustment**	**Restated**
Assets						
Cash and cash equivalents	86,081	(4,815)	81,266	24,588	(5,390)	19,198
Accounts receivable	176,504	(12,202)	164,302	173,421	(10,076)	163,345
Promissory note receivable	47,759	—	47,759	—	—	—
Income taxes recoverable	341	10	351	9,542	—	9,542
Prepaid expenses and other	16,416	(24)	16,392	12,664	(45)	12,619
Total current assets	327,101	(17,031)	310,070	220,215	(15,511)	204,704
Tax credits receivable	41,564	—	41,564	43,865	—	43,865
Intangibles, investments and other assets	42,975	—	42,975	42,390	—	42,390
Investments in joint ventures	—	125,931	125,931	—	121,704	121,704
Property, plant and equipment	151,398	(206)	151,192	163,563	(283)	163,280
Program and film rights	289,181	(56,594)	232,587	271,244	(41,938)	229,306
Film investments	62,734	(460)	62,274	67,983	(136)	67,847
Broadcast licenses	563,771	(48,735)	515,036	569,505	(48,735)	520,770
Goodwill	674,393	(28,348)	646,045	674,393	(28,348)	646,045
Deferred tax assets	39,463	—	39,463	28,327	—	28,327
	2,192,580	**(25,443)**	**2,167,137**	**2,081,485**	**(13,247)**	**2,068,238**
Liabilities and Shareholders' Equity						
Accounts payable and accrued liabilities	172,663	(8,220)	164,443	185,991	(8,624)	177,367
Income taxes payable	—	—	—	—	1,303	1,303
Provisions	3,941	—	3,941	2,322	—	2,322
Total current liabilities	176,604	(8,220)	168,384	188,313	(7,321)	180,992
Long-term debt	538,966	—	538,966	518,258	—	518,258
Other long-term liabilities	105,020	(11,779)	93,241	87,853	(265)	87,588
Deferred tax liabilities	151,157	(5,444)	145,713	150,971	(5,661)	145,310
Total liabilities	971,747	(25,443)	946,304	945,395	(13,247)	932,148
Shareholders' Equity						
Share capital	937,183	—	937,183	910,005	—	910,005
Contributed surplus	7,221	—	7,221	7,835	—	7,835
Retained earnings	256,517	—	256,517	198,445	—	198,445
Accumulated other comprehensive income (loss)	1,653	—	1,653	(812)	—	(812)
Total equity attributable to shareholders	1,202,574	—	1,202,574	1,115,473	—	1,115,473
Equity attributable to non-controlling interest	18,259	—	18,259	20,617	—	20,617
Total shareholders' equity	1,220,833	—	1,220,833	1,136,090	—	1,136,090
	2,192,580	**(25,443)**	**2,167,137**	**2,081,485**	**(13,247)**	**2,068,238**

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2014

(in thousands of Canadian dollars, except per share information)

Consolidated Statements of Income and Comprehensive Income

	Three months ended August 31, 2013			Twelve months ended August 31, 2013		
	Originally Reported	**IFRS 11 Adjustment**	**Restated**	**Originally Reported**	**IFRS 11 Adjustment**	**Restated**
Revenues	193,634	(11,737)	181,897	803,541	(52,005)	751,536
Direct cost of sales, general and administrative expenses	139,189	(8,223)	130,966	533,529	(32,967)	500,562
Segment profit	54,445	(3,514)	50,931	270,012	(19,038)	250,974
Depreciation and amortization	6,031	(24)	6,007	26,903	(91)	26,812
Interest expense	10,473	(1,537)	8,936	46,332	(1,537)	44,795
Broadcast license and goodwill impairment	5,734	—	5,734	5,734	—	5,734
Debt refinancing	—	—	—	25,033	—	25,033
Business acquisition, integration and restructuring costs	5,196	—	5,196	7,343	—	7,343
Gain on sale of associated company	—	—	—	(55,394)	—	(55,394)
Other expense (income), net	8,391	(4)	8,387	8,553	(20)	8,533
Income from joint ventures	—	(1,087)	(1,087)	—	(12,093)	(12,093)
Income before income taxes	18,620	(862)	17,758	205,508	(5,297)	200,211
Income tax expense	5,279	(862)	4,417	39,759	(5,297)	34,462
Net income for the period	**13,341**	**—**	**13,341**	**165,749**	**—**	**165,749**
Net income attributable to:						
Shareholders	11,879	—	11,879	159,895	—	159,895
Non-controlling interest	1,462	—	1,462	5,854	—	5,854
	13,341	—	13,341	165,749	—	165,749
Earnings per share attributable to shareholders:						
Basic	$ 0.14	—	$ 0.14	$ 1.91	—	$ 1.91
Diluted	$ 0.14	—	$ 0.14	$ 1.90	—	$ 1.90
Net income for the period	13,341	—	13,341	165,749	—	165,749
Other comprehensive income (loss), net of tax:						
Items that may be reclassified subsequently to income:						
Unrealized foreign currency translation adjustment	648	—	648	2,333	—	2,333
Unrealized change in fair value of available-for-sale investments	174	—	174	132	—	132
Actuarial gain on employee future benefits	616	—	616	616	—	616
	1,438	—	1,438	3,081	—	3,081
Comprehensive income for the period	**14,779**	**—**	**14,779**	**168,830**	**—**	**168,830**
Comprehensive income attributable to:						
Shareholders	13,317	—	13,317	162,976	—	162,976
Non-controlling interest	1,462	—	1,462	5,854	—	5,854
	14,779	—	14,779	168,830	—	168,830

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2014
(in thousands of Canadian dollars, except per share information)

Consolidated Statements of Cash Flows

	Three months ended August 31, 2013			Twelve months ended August 31, 2013		
	Originally Reported	**IFRS 11 Adjustment**	**Restated**	**Originally Reported**	**IFRS 11 Adjustment**	**Restated**
Operating Activities						
Net income for the period	13,341	—	13,341	165,749	—	165,749
Add (deduct) non-cash items:						
Depreciation and amortization	6,031	(24)	6,007	26,903	(91)	26,812
Broadcast license and goodwill impairment	5,734	—	5,734	5,734	—	5,734
Amortization of program and film rights	48,099	(5,930)	42,169	190,176	(21,293)	168,883
Amortization of film investment	8,360	—	8,360	25,759	—	25,759
Deferred income taxes	(1,356)	—	(1,356)	(11,332)	—	(11,332)
Investment impairments	7,121	—	7,121	7,121	—	7,121
Share-based compensation expense	424	—	424	1,586	—	1,586
Imputed interest	4,137	(1,535)	2,602	11,816	(1,537)	10,279
Debt refinancing	—	—	—	25,033	—	25,033
Gain on sale of associated company	—	—	—	(55,394)	—	(55,394)
Other	818	(2,587)	(1,769)	700	(15,093)	(14,393)
Net change in non-cash working capital balances related to operations	12,609	1,482	14,091	4,584	2,184	6,768
Payment of program and film rights	(79,000)	14,689	(64,311)	(185,327)	25,525	(159,802)
Net additions to film investment	2,869	—	2,869	(46,074)	—	(46,074)
Cash provided by operating activities	29,187	6,095	35,282	167,034	(10,305)	156,729
Investing Activities						
Additions to property, plant and equipment	(2,715)	3	(2,712)	(13,043)	14	(13,029)
Dividends from investments in joint ventures	—	1,825	1,825	—	10,866	10,866
Net cash flows for intangibles, investments and other assets	(1,568)	—	(1,568)	(10,855)	—	(10,855)
Other	(238)	—	(238)	(652)	—	(652)
Cash used in investing activities	(4,521)	1,828	(2,693)	(24,550)	10,880	(13,670)
Financing Activities						
Increase in bank loans	—	—	—	(29,925)	—	(29,925)
Issuance of notes	—	—	—	550,000	—	550,000
Redemption of notes	—	—	—	(500,000)	—	(500,000)
Financing fees	—	—	—	(26,732)	—	(26,732)
Issuance of shares under stock option plan	—	—	—	884	—	884
Shares repurchased	—	—	—	(1,464)	—	(1,464)
Dividends paid	(15,112)	—	(15,112)	(56,696)	—	(56,696)
Dividends paid to non-controlling interest	(616)	—	(616)	(6,331)	—	(6,331)
Other	(1,138)	—	(1,138)	(10,727)	—	(10,727)
Cash used in financing activities	(16,866)	—	(16,866)	(80,991)	—	(80,991)
Net change in cash and cash equivalents during the period	7,800	7,923	15,723	61,493	575	62,068
Cash and cash equivalents, beginning of the period	78,281	(12,738)	65,543	24,588	(5,390)	19,198
Cash and cash equivalents, end of the period	**86,081**	**(4,815)**	**81,266**	**86,081**	**(4,815)**	**81,266**

Pending accounting changes

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 IASB also incorporated new accounting requirements for liabilities. The standard introduces new requirements for measurement and eliminates the current classification of loans and receivables, available-for-sale and held-to-maturity, currently in IAS 39. There are new requirements for the accounting of financial liabilities as well as a carryover of requirements from IAS 39. In 2013, the IASB also incorporated new accounting requirements for hedging and introduced a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a timelier basis. The effective date of this pronouncement has been tentatively set to be effective for annual periods beginning on or after January 1, 2018. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRIC 21 – *Levies*

In May 2013, the IFRS Interpretations Committee (IFRIC), with the approval of the IASB, issued IFRIC 21 – *Levies*. IFRIC 21 provides guidance on when to recognize a liability to pay a levy imposed by government that is accounted for in accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, which will be September 1, 2014 for Corus and is to be applied retrospectively. The Company has assessed the impact of this standard and there is no impact on the consolidated financial statements.

IFRIS 15 – *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, which replaces IAS 18 – *Revenues* and covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, which will be September 1, 2017 for Corus. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IAS 16 – *Property, Plant and Equipment* and IAS 38 – *Intangibles*

In May 2014, the IASB issued amendments to IAS 16 and IAS 38, prohibiting the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning or after January 1, 2016, which will be September 1, 2016 for Corus and is to be applied prospectively. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

(in thousands of Canadian dollars, except per share information)

4. INTANGIBLES, INVESTMENTS AND OTHER ASSETS

	Intangibles	Investments in associates	Other assets	Total
Balance - August 31, 2013	19,726	6,710	16,539	42,975
Increase in investment	4,434	1,877	5,006	11,317
Amortization	(7,177)	—	—	(7,177)
Fair value adjustment	—	—	515	515
Balance - August 31, 2014	**16,983**	**8,587**	**22,060**	**47,630**

5. PROGRAM AND FILM RIGHTS

Balance - August 31, 2013	232,587
Net additions	227,950
Acquisitions (note 17)	77,539
Amortization	(207,639)
Balance - August 31, 2014	**330,437**

6. FILM INVESTMENTS

Balance - August 31, 2013	62,274
Net additions	20,989
Amortization	(19,808)
Balance - August 31, 2014	**63,455**

7. BROADCAST LICENSES AND GOODWILL

Broadcast licenses and goodwill are tested for impairment annually as at August 31 or more frequently if events or changes in circumstances indicate that they may be impaired. During the second and third quarters of fiscal 2014, the Company concluded that an interim test for the Radio segment and a broadcast license impairment test for certain CGUs in Radio was required. As a result of these tests, the Company recorded broadcast license and goodwill impairment charges of $8.0 million and $75.0 million in the second and third quarters of fiscal 2014, respectively, as certain radio clusters had actual results that fell short of previous estimates and the outlook for these markets is less robust.

The changes in the book value of goodwill for the period ended August 31, 2014, were as follows:

	Total
Balance - August 31, 2013	646,045
Acquisitions (note 17)	354,363
Impairments (note 8)	(65,549)
Balance - August 31, 2014	**934,859**

(in thousands of Canadian dollars, except per share information)

The changes in the book value of broadcast licenses for the period ended August 31, 2014, were as follows:

	Total
Balance - August 31, 2013	515,036
Acquisitions (note 17)	482,399
Impairments (note 8)	(17,451)
Balance - August 31, 2014	**979,984**

8. 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 is required to perform an impairment test.

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

In 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 companies 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 CGU’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) and discount rates.

Segment profit growth rates are based on management’s best estimates considering historical and expected operating plans, strategic plans, economic considerations and the general outlook for the industry and markets in which the CGU operates. The projections are prepared separately for each of the Company’s CGUs to which the individual assets are allocated and are based on the most recent financial budgets approved by the Company’s Board of Directors and management forecasts generally covering a period of five years with growth rate assumptions. For longer periods, a terminal growth rate is determined and applied to project future cash flows after the fifth year. This 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.

(in thousands of Canadian dollars, except per share information)

- 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's or CGU's cash flow projections.
- In calculating the value in use, the Company uses an appropriate range of discount rates in order to establish a range of values for each CGU or group of CGUs.

If the recoverable amount of a CGU or group of CGUs is less than its carrying amount, an impairment loss is recognized.

During the second and third quarters of fiscal 2014, the Company tested certain CGUs in its Radio segment for impairment with respect to broadcast licenses and the Radio segment group of CGUs overall for goodwill impairment. The tests were performed using the assumptions in the table below:

	May 31, 2014	**February 28, 2014**
For the Radio VIU calculations in the period		
Pre-tax discount rate	13% - 15%	14% - 15%
Earnings growth rate	2.0% - 7.9%	2.0% - 7.2%
Terminal growth rate	2%	2%

In the second quarter of fiscal 2014, the Company determined that there was a broadcast license impairment in two Radio CGUs in Ontario. For one CGU, the Company used VIU to determine the recoverable amount, which resulted in an impairment charge of $6.0 million, while the FVLCS was used for the second CGU, which resulted in an impairment charge of $2.0 million that reduced the carrying value (primarily broadcast licenses) of these CGUs to their recoverable amount. The recoverable amount for the Radio segment group of CGU's overall goodwill impairment test was based on VIU.

In the third quarter of fiscal 2014, operating results in the Radio segment fell below previous estimates made in the second quarter, as the Radio segment continued to experience a soft advertising market and ratings challenges in some markets. As well, the overall radio advertising market experienced a year-over-year decline in the quarter and on a year-to-date basis, causing the Company to lower its cash flow projections to reflect a weaker near term outlook. As a result, the Company determined there was a broadcast license impairment in three Radio CGUs in Ontario and one in British Columbia, as well as a goodwill impairment in the Radio segment group of CGUs overall.

In the third quarter of fiscal 2014, for three CGUs, the Company used VIU to determine the recoverable amount, while the FVLCS was used for one CGU, which resulted in impairment charges totalling $10.7 million (predominantly comprised of broadcast license impairments) that reduced the carrying values of these CGUs to their recoverable amount at the end of the third quarter of fiscal 2014. The recoverable amount of these CGUs after the impairment charges is $49.0 million.

The recoverable amount for the Radio segment group of CGUs' overall goodwill impairment test was based on VIU. In the third quarter of fiscal 2014, the Company recognized an impairment charge of $65.5 million, based on the conclusions stated in the preceding paragraph. The recoverable amount and carrying value of the Radio segment group of CGUs after the impairment charge is $378.7 million.

(in thousands of Canadian dollars, except per share information)

Sensitivity to changes in assumptions

An increase of 50 basis points in the pre-tax discount rate, a decrease of 50 basis points in the earnings growth rate each year, or a decrease of 50 basis points in the terminal growth rate, each used in isolation to perform the Radio goodwill impairment test, would have resulted in additional goodwill impairment in the Radio segment of between $8.0 million and $16.0 million. However, no material additional broadcast license impairments would arise.

At August 31, 2014, the Company performed its annual impairment test for fiscal 2014 and determined that there were no further impairments than those recorded in the second and third quarters of fiscal 2014, for the year then ended.

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

	August 31, 2014	August 31, 2013
Goodwill		
Television	**760,760**	412,764
Radio	**174,099**	233,281
	934,859	646,045

	August 31, 2014	August 31, 2013
Broadcast licenses		
Television		
Managed brands	**825,000**	351,101
Other	**7,424**	7,424
Radio [1]	**147,560**	156,511
	979,984	515,036

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

9. LONG-TERM DEBT

	August 31, 2014	August 31, 2014
Bank loans	**333,677**	—
Senior unsecured guaranteed notes	**550,000**	550,000
Unamortized financing fees	**(9,426)**	(11,034)
	874,251	538,966

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at August 31, 2014, the weighted average interest rate on the outstanding bank loans and Notes was 3.9% (2013 – 4.3%). Interest on the bank loans and Notes averaged 4.2% for the fourth quarter and for the full year of fiscal 2014 (2013 – 4.6% and 5.8%).

(in thousands of Canadian dollars, except per share information)

The banks hold as collateral a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the credit agreement. Under the facility, the Company has undertaken to comply with financial covenants regarding a minimum interest coverage ratio and a maximum debt to cash flow ratio. Management has determined that the Company was in compliance with the covenants provided under the bank loans as at August 31, 2014.

On February 3, 2014, the Company's credit agreement with a syndicate of banks was amended and restated. The principal amendment effected was the establishment of a two year $150.0 million term facility, maturing February 3, 2016, incremental to the existing $500.0 million revolving facility maturing February 11, 2017. The $150.0 million term facility was fully drawn on inception and the proceeds were used to reduce the amount drawn on the revolving facility. Both the term and revolving facilities are subject to the same covenants and security. Interest rates on both the term and revolving facility loans fluctuate with Canadian prime rate, Canadian bankers' acceptances and/or LIBOR plus an applicable margin.

Contemporaneously with the amendment and restatement of the credit agreement, the Company entered into Canadian dollar interest rate swap agreements to fix the interest rate on $150.0 million at 1.375%, plus an applicable margin, to February 3, 2016. The fair value of Level 2 financial instruments such as interest rate swap agreements is calculated by way of discounted cash flows, using market interest rates and applicable credit spreads. As at August 31, 2014, the fair value of the interest rate swap approximates its carrying value. The Company has assessed that there is no ineffectiveness in the hedge of its interest rate exposure. The effectiveness of the hedging relationship is reviewed on a quarterly basis. As an effective hedge, unrealized gains or losses on the interest rate swap agreements are recognized in OCI.

10. 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

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	**$**	**#**	**$**	**$**
Balance – August 31, 2013	3,430,292	26,564	81,049,146	910,619	937,183
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(2,000)	(15)	2,000	15	—
Issuance of shares under stock option plan	—	—	259,500	5,465	5,465
Issuance of shares under dividend reinvestment plan	—	—	1,024,947	24,682	24,682
Balance – August 31, 2014	**3,428,292**	**26,549**	**82,335,593**	**940,781**	**967,330**

Earnings per share

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

	Three months ended **August 31,**		Year ended **August 31,**	
	2014	2013	**2014**	2013
Net income attributable to shareholders (numerator)	**23,727**	11,879	**150,408**	159,895
Weighted average number of shares outstanding (denominator)				
Weighted average number of shares outstanding - basic	**85,455**	84,309	**84,993**	83,860
Effect of dilutive securities	**320**	313	**334**	330
Weighted average number of shares outstanding - diluted	**85,775**	84,622	**85,327**	84,190

Share-based compensation

The following table provides additional information on the employee stock options, Performance Share Units ("PSUs"), Deferred Share Units ("DSUs"), and Restricted Share Units ("RSUs") as at:

	August 31, 2014	August 31, 2013
Outstanding employee stock options	**2,561,373**	2,158,073
Exercisable employee stock options	**1,197,823**	1,063,380
Outstanding PSUs	**954,464**	910,301
Outstanding DSUs	**861,302**	738,516
Outstanding RSUs	**142,313**	138,618

Share-based compensation expense recorded for the fourth quarter and the full year of fiscal 2014 in respect of these plans was $3,560 and $10,876 (2013 – $4,946 and $12,953). As at August 31, 2014, the carrying value of the PSU, DSU and RSU units was $28,715 (August 31, 2013 – $27,046).

Dividend reinvestment plan

In fiscal 2014, the Company issued 1,024,947 Class B Non-Voting Shares, resulting in an increase in share capital of $24,682.

(in thousands of Canadian dollars, except per share information)

11. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended August 31, 2014	Three months ended August 31, 2013	Year ended August 31, 2014	Year ended August 31, 2013
Amortization of program rights	**53,871**	42,169	**207,639**	168,883
Amortization of film investments	**6,552**	8,360	**19,808**	25,759
Other cost of sales	**8,277**	9,439	**27,615**	35,276
Employee costs	**37,806**	43,010	**149,459**	155,687
Other general and administrative	**36,702**	27,988	**138,857**	114,957
	143,208	130,966	**543,378**	500,562

12. INTEREST EXPENSE

	Three months ended August 31, 2014	Three months ended August 31, 2013	Year ended August 31, 2014	Year ended August 31, 2013
Interest on long-term debt	**8,918**	5,919	**32,121**	32,814
Imputed interest on long-term liabilities	**3,713**	2,602	**14,698**	10,279
Other	**362**	415	**1,501**	1,702
	12,993	8,936	**48,320**	44,795

13. OTHER EXPENSE (INCOME), NET

	Three months ended August 31, 2014	Three months ended August 31, 2013	Year ended August 31, 2014	Year ended August 31, 2013
Interest income	**(273)**	(370)	**(722)**	(1,091)
Foreign exchange loss	**155**	128	**649**	876
Equity loss of investees	**683**	949	**2,391**	623
Third-party-produced film investment write down	**—**	3,722	**—**	3,722
Investment in associates impairment charge	**(962)**	3,399	**(962)**	3,399
Income from joint ventures	**—**	(1,087)	**—**	(12,093)
Increase in purchase price obligation	**—**	—	**3,336**	—
Other	**(1,079)**	559	**1,048**	1,004
	(1,476)	7,300	**5,740**	(3,560)

(in thousands of Canadian dollars, except per share information)

14. INCOME TAXES

The reconciliation of income taxes attributable to operations computed at the statutory rates to income tax expense for year-to-date fiscal 2014 and 2013 is as follows:

	2014		2013	
	$	**%**	$	%
Tax at combined federal and provincial rates	**55,641**	**26.6%**	53,056	26.5%
Loss (income) subject to tax at less than statutory rates	**632**	**0.3%**	(1,022)	(0.5%)
Non-taxable portion of capital gains	**(34,063)**	**(16.3%)**	(10,125)	(5.1%)
Goodwill impairment	**17,340**	**8.3%**	—	—%
Transaction costs	**9,949**	**4.7%**	—	—%
Increase (recovery) of various tax reserves	**2,505**	**1.2%**	(6,383)	(3.2%)
Miscellaneous differences	**1,429**	**0.7%**	(1,064)	(0.5%)
	53,433	**25.5%**	34,462	17.2%

15. BUSINESS SEGMENT INFORMATION

The Company's business activities are conducted through two segments: Television and Radio.

Television

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

Radio

The Radio segment comprises 39 radio stations, situated primarily in high-growth urban centres in English Canada, with a concentration in the densely populated area of Southern Ontario. Revenues are derived from advertising aired over these stations.

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

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

The accounting policies of the segments are the same as those described in the summary of significant accounting policies of the most recent audited consolidated financial statements.

(in thousands of Canadian dollars, except per share information)

Revenues and segment profit

Three months ended August 31, 2014

	Television	**Radio**	**Corporate**	**Consolidated**
Revenues	**159,809**	**41,748**	**—**	**201,557**
Direct cost of sales, general and administrative expenses	**102,773**	**32,246**	**8,189**	**143,208**
Segment profit (loss)	**57,036**	**9,502**	**(8,189)**	**58,349**
Depreciation and amortization				**5,415**
Interest expense				**12,993**
Business acquisition, integration and restructuring costs				**5,576**
Other income, net				**(1,476)**
Income before income taxes				**35,841**

Three months ended August 31, 2013

	Television	Radio	Corporate	Consolidated
Revenues	137,885	44,012	—	181,897
Direct cost of sales, general and administrative expenses	84,930	32,348	13,688	130,966
Segment profit (loss)	52,955	11,664	(13,688)	50,931
Depreciation and amortization				6,007
Interest expense				8,936
Broadcast license and goodwill impairment				5,734
Business acquisition, integration and restructuring costs				5,196
Other expense, net				7,300
Income before income taxes				17,758

Year ended August 31, 2014

	Television	**Radio**	**Corporate**	**Consolidated**
Revenues	**660,424**	**172,592**	**—**	**833,016**
Direct cost of sales, general and administrative expenses	**387,151**	**127,105**	**29,122**	**543,378**
Segment profit (loss)	**273,273**	**45,487**	**(29,122)**	**289,638**
Depreciation and amortization				**24,068**
Interest expense				**48,320**
Broadcast license and goodwill impairment				**83,000**
Business acquisition, integration and restructuring costs				**46,792**
Gain on acquisition				**(127,884)**
Other expense, net				**5,740**
Income before income taxes				**209,602**

(in thousands of Canadian dollars, except per share information)

Year ended August 31, 2013

	Television	Radio	Corporate	Consolidated
Revenues	567,845	183,691	—	751,536
Direct cost of sales, general and administrative expenses	338,104	128,543	33,915	500,562
Segment profit (loss)	229,741	55,148	(33,915)	250,974
Depreciation and amortization				26,812
Interest expense				44,795
Broadcast license and goodwill impairment				5,734
Gain on sale of associated company				(55,394)
Debt refinancing				25,033
Business acquisition, integration and restructuring costs				7,343
Other income, net				(3,560)
Income before income taxes				200,211

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

Revenues are derived from the following areas:

	Three months ended August 31,		Year ended August 31,	
	2014	2013	**2014**	2013
Advertising	**85,063**	77,986	**404,344**	352,462
Subscriber fees	**86,075**	68,588	**335,274**	276,211
Merchandising, distribution and other	**30,419**	35,323	**93,398**	122,864
	201,557	181,897	**833,016**	751,536

Segment assets and liabilities

	August 31, 2014	August 31, 2013
Assets		
Television	**2,222,597**	1,408,929
Radio	**386,454**	460,341
Corporate	**175,531**	297,867
	2,784,582	2,167,137
Liabilities		
Television	**427,965**	251,387
Radio	**71,609**	75,488
Corporate	**974,882**	619,429
	1,474,456	946,304

Assets and liabilities are located primarily within Canada.

(in thousands of Canadian dollars, except per share information)

16. CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Three months ended		Year ended	
		August 31,		**August 31,**
	2014	2013	**2014**	2013
Interest paid	**15,026**	12,087	**33,667**	35,346
Interest received	**273**	370	**722**	1,091
Income taxes paid	**12,497**	8,218	**50,249**	27,272

17. BUSINESS COMBINATIONS AND DIVESTITURES

Acquisition of control of Teletoon Canada Inc. ("TELETOON")

On September 1, 2013, Corus determined that the definition of control as defined under IFRS 10 – *Consolidated Financial Statements* with respect to its investment in TELETOON was met. The determination of control was based on the following:

(1) Power over the investee:

- Effective September 1, 2013, as a consequence of an amendment to TELETOON's underlying Shareholders Agreement and changes to its board composition, Corus gained majority Board representation of TELETOON. This resulted in the Company gaining significant decision-making ability to direct the relevant activities of TELETOON;

(2) Exposure, or rights to variable returns of the investee:

- The Company had exposure to variable returns of TELETOON through its existing 50% equity interest, a fixed purchase price option, and potential operating synergies; and

(3) The ability to use power over the investee to affect the amount of the investor's returns:

- The Company's rights to direct the relevant activities of TELETOON were substantive, and its exposure to the variable returns from TELETOON were such that the Company's ability to direct TELETOON's relevant activities could have a significant impact to Corus as an owner.

Accordingly, a business combination had occurred in accordance with IFRS 3 – *Business Combinations* and as a result, TELETOON must be accounted for by applying the acquisition method. On December 20, 2013, the Company received CRTC approval to complete the acquisition of the remaining 50% interest in TELETOON that it did not already own. This acquisition closed on January 1, 2014. As a result of the change in control, the Company's existing equity interest must be remeasured to fair value as at the date of change in control, September 1, 2013.

The fair value of the Company's equity interest in TELETOON before the business combination amounted to $253,815. The Company recorded a non-cash gain of $127,884 in the first quarter of fiscal 2014 as a result of the remeasurement to fair value of its 50% previously owned equity interest of TELETOON, which is recorded as *Gain on acquisition* in the Consolidated Statements of Income and Comprehensive Income.

The results of the operations of TELETOON, as well as its assets and liabilities, are now included in the Television segment effective September 1, 2013 at 100%. The purchase price equation was accounted for using the purchase method.

(in thousands of Canadian dollars, except per share information)

Acquisition of control of Historia and Séries+ s.e.nc. ("H&S")

On January 1, 2014, the Company acquired 50% of the outstanding shares of the French-language specialty channels, H&S from Bell as part of its acquisition of Astral Media Inc. ("Astral"). In addition, on the same date the Company acquired the remaining 50% of the outstanding shares of H&S from Shaw Media Inc. ("Shaw"), a related party to Corus subject to common voting control. The results of operations of H&S, as well as its assets and liabilities, are included in the Television segment at 100% interest, effective January 1, 2014. The purchase price equation was accounted for using the purchase method.

Acquisition of control of Ottawa radio stations (CJOT–FM and CKQB–FM, "Ottawa radio")

On January 31, 2014, the Company acquired 100% of the outstanding shares of the Ottawa radio stations from Bell. The results of operations of Ottawa radio, as well as their assets and liabilities, are included in the Radio segment at 100% interest, effective January 31, 2014. The purchase price equation was accounted for using the purchase method.

Purchase price equations

The following table summarizes the fair value of the consideration owing and the fair value assigned to each major class of assets and liabilities for each purchase price equation.

Fair value recognized on acquisition date:	**TELETOON**	**H&S**	**Ottawa radio**	**Total**
Assets				
Cash	4,815	—	—	4,815
Restricted cash	4,815	—	—	4,815
Accounts receivable	24,332	7,435	550	32,317
Other assets	48	16	36	100
Property, plant and equipment	—	—	900	900
Program and film rights	69,036	8,503	—	77,539
Broadcast license	284,000	189,899	8,500	482,399
	387,046	205,853	9,986	602,885
Liabilities				
Accounts payable and accrued liabilities	(10,023)	(4,464)	(138)	(14,625)
Other long-term liabilities	(35,119)	—	(2,444)	(37,563)
Deferred tax liability	(53,253)	(50,041)	(84)	(103,378)
	(98,395)	(54,505)	(2,666)	(155,566)
Total identifiable net assets at fair value	**288,651**	**151,348**	**7,320**	**447,319**
Goodwill arising on acquisition	218,979	129,017	6,367	354,363
Fair value of existing 50% ownership interest	(253,815)	—	—	(253,815)
Purchase price obligation on acquisition date	**253,815**	**280,365**	**13,687**	**547,867**
Revaluation of purchase price obligation at period end	3,336	—	—	3,336
Distribution of restricted cash	(6,051)	—	—	(6,051)
Settlement of promissory note with Shaw	—	(47,759)	—	(47,759)
Cash consideration	**251,100**	**232,606**	**13,687**	**497,393**

The Company identified intangible assets of $482,399 related to broadcast licenses. Goodwill of $354,363 arises principally from the ability to leverage media content and the expected operating synergies arising from the integration of the acquired businesses with Corus' existing operations. None of the goodwill recognized is expected to be deductible for income tax purposes.

In fiscal 2014, the Company incurred $46,792 in transaction, restructuring and consulting costs related to the business acquisitions. The Company, upon acquisition of control of TELETOON, H&S and the two Ottawa radio stations on September 1, 2013, January 1, 2014 and January 31, 2014, respectively, recorded a charge of $31,916 related to the present value of the CRTC tangible benefit obligation to be paid over a seven-year period, to benefit the Canadian broadcasting system as part of these acquisitions. These costs were recorded in the Consolidated Statements of Income and Comprehensive Income in the line item entitled *Business acquisition, integration and restructuring costs*.

In the third quarter of fiscal 2014, working capital adjustments of $5,288 million were settled in cash, with a corresponding $1,952 million income adjustment included in *Other (income) expense, net* (note 13) in the Consolidated Statements of Income and Comprehensive Income.

Proforma disclosures

The following pro forma supplemental information presents certain results of operations as if the transactions noted above had been completed at the beginning of the fiscal period presented.

For the year ended August 31, 2014:

(in thousands of dollars except per share amounts)	As currently reported[(1)]	Pro forma[(2)]
Revenues	833,016	854,147
Net income attributable to shareholders	150,408	158,016

[(1)] Revenues of $132.2 million and net income of $34.0 million are included in the Consolidated Statements of Income and Comprehensive Income from the date of acquisition.

[(2)] Pro forma amounts for the year ended August 31, 2014, reflect H&S and the two Ottawa radio stations as if they were acquired September 1, 2013. TELETOON was fully consolidated effective September 1, 2013.

The pro forma supplemental information is based on estimates and assumptions which are believed to be reasonable. The pro forma supplemental information is not necessarily indicative of the Company's consolidated financial results in future periods or the results that would have been realized had the business acquisitions been completed at the beginning of the period presented. The pro forma supplemental information excludes business integration costs and opportunities.

Transactions with Shaw Communications Inc. ("Shaw")

During the third quarter of fiscal 2013, the Company entered into a series of agreements with Shaw, a related party subject to common voting control.

On April 30, 2013, the Company disposed of its 20% interest in Food Network Canada to Shaw Media, a division of Shaw for $66,806, resulting in a gain of $55,394. Contemporaneously, on April 30, 2013, the Company acquired the remaining 49% interest in the voting shares of ABC Spark from Shaw, increasing its ownership interest to 100%. The carrying value of the non-controlling interest of ABC Spark at the acquisition date was $1,881. The $17,231 difference between the consideration and the carrying value of the interest acquired was recognized in retained earnings within shareholders' equity in fiscal 2013. The Company received a non-interest bearing promissory note from Shaw of $47,759 to satisfy the net consideration in respect of these transactions.

On December 31, 2013 the Company acquired from Shaw its 50% interest in its two French-language channels, Historia and Séries+ s.e.nc. ("H&S"). The promissory notes from Shaw were settled upon closing of the Company's acquisition of H&S from Shaw.

18. SUBSEQUENT EVENTS

On September 4, 2014, the Company acquired an equity interest in Digital Entertainment Corporation of America ("DECA") for $10,000 US dollars. DECA operates a women-targeted multi-channel network on YouTube. This investment will be accounted for using the equity method.