Corus Entertainment

Annual Report 2015

MESSAGE TO SHAREHOLDERS

These are exciting times for Corus Entertainment as we transform into an integrated media and content company that is highly responsive to a rapidly-evolving media marketplace.

The value of content has never been greater. The market is expanding with exponential growth in consumers' appetite for premium content across multiple screens and devices. In this dynamic environment, we have the right assets for success — premium brands, global partnerships, award-winning content, and the technology and distribution partners to reach our consumers wherever they are.

But before we talk about where we're going, let's start with a brief review of the year.

It was, by most accounts, a disappointing year from an earnings perspective. The headwinds we faced included weak economic conditions, a lower Canadian dollar, ratings softness in certain markets, share-shift from linear to digital, and uncertainty around the new regulatory environment — all of which impacted our financial results.

By other accounts, it was a record-setting year.

We delivered record free cash flow, up 15% to $201 million for the year — the largest in Corus' corporate history. Despite our revenue miss, we maintained our segment profit margins of 34% by diligently managing our expenses. Our impressive free cash flow enabled us to maintain a strong balance sheet, as we paid down $75 million in debt, reducing our net debt to EBITDA ratio to 2.8 times. As well, we increased our dividend by 4.6% and invested in the business to drive future growth.

It was a pivotal year for us in many ways.

We completed a seamless CEO transition in March, with the retirement of founding President and CEO, John Cassaday. At the same time, the CRTC rolled out its *Let's Talk TV* decisions, which created market uncertainty in the television space. We acted decisively and recast our strategic priorities to win in this consumer-first environment. Our plan enables us to leverage emerging opportunities in both the domestic and global marketplace. It also addresses changes in the regulatory landscape. We established our Executive Leadership Team ensuring continuity of senior management and alignment around Corus' priorities. Our highly experienced leaders have clear mandates and well-defined accountabilities to execute on the three key pillars of our strategic plan:

1. **Own and control more content**
2. **Engage our audiences**
3. **Expand into new and adjacent markets**

These strategic priorities will be advanced by deepening the company's extensive domestic and global partnerships, deploying opportunistic, targeted merger and acquisition activities, and through ongoing excellence in execution. Our plan will ensure that Corus remains a driving force in the media industry for years to come and returns us to sustainable growth.

OWN AND CONTROL MORE CONTENT

Owning and controlling more content is a cornerstone of our plan. We have made bold moves to build scale by strengthening our market-leading position in the kids, women and family content space. Strong partnerships and our world-class production capabilities are vital to our success in this area.

We are proud of our long track record as partner-of-choice to many of the world's most influential brands. As the saying goes, "you are judged by the calibre of the company you keep." And the same can be said for Corus. This year, we were pleased to sign transformational long-term deals with powerhouse media giants Nickelodeon and Disney.

Our Nickelodeon partnership, is in one word, groundbreaking. It gives us all-encompassing distribution and licensing rights to Nick content on any platform and device in Canada, in both English and French. As well, this deal gives us the opportunity to produce content for placement around the world on Nickelodeon's channels, which in turn, increases our output and ability to own more content as Nickelodeon's partner.

Our landmark partnership with Disney makes us the official Canadian home for all of Disney's brands. In September, just a few months after signing the deal, we launched Disney Channel for the first time in Canada, securing excellent channel placement and broad distribution in close to 10 million homes. At the same time, Corus Média debuted La chaîne Disney to service Canada's French-language market. And in December, we roll out two more brands with the launch of Disney XD and Disney Junior to complete the suite of Disney offerings.

Critical to our content growth strategy, we are building our international presence as a producer and owner of high-quality content in the kids, women and family space.

Our Nelvana studio is the crown jewel in our content business. We are ramping up our production slate to meet growing international demand for high-quality kids content from an increasing pool of broadcasters and digital/SVOD platforms around the world. We have an ambitious pipeline of properties in place, including the promising preschool series *Little Charmers* which we rolled out this year. Additionally, our stake in the small screen version of Sony's *Hotel Transylvania* comes with enormous built-in brand equity and further deepens our relationships with key global players. As we accelerate our production pipeline, we also increase our at-bat opportunities to score break-out hits in the vast global consumer products marketplace.

Our unique position as an integrated broadcaster, distributor and producer of content — what we call the Corus Advantage — positions us well to extend our capabilities into new segments of content creation that will drive growth.

As market-leading broadcasters and creators of women's content, we are expanding to build a slate of owned content in the lifestyle arena. We made significant inroads this fall, introducing to the international market a strong slate of factual reality programming geared to women and families. We secured U.S. sales for two of our series, *Cheer Stars* to ABC Family, and *Masters of Flip* to Scripps Networks — an encouraging sign of things to come. This is an exciting area of growth for us as we build out our content slate for our domestic services and for placement internationally.

ENGAGE OUR AUDIENCES

Engaging our audiences is another key pillar of our growth strategy. We must follow our consumers, wherever they are, by offering compelling content and unique experiences that enhance the appeal and value proposition of our powerful brands. Our lens is always consumer first.

We are building direct two-way relationships with consumers to drive deeper engagement with our brands, as we transition from being a wholesaler to a retailer of channels and content.

We began to roll out our powerful suite of TV Everywhere kids apps, starting with TreehouseGO in the summer and, more recently, WATCH Disney Channel, NickelodeonGO and YTVGo. Response has been very positive to these portable and convenient apps, which give authenticated subscribers unprecedented access to live streaming and content on demand. We are redefining the way our audiences are experiencing our brands…and this is just the beginning.

Corus Radio also invested in digital and interactive platforms this year. These provide more points of entry to enhance the listener experience, build audiences and drive revenues. As a result, audio streaming through our websites is growing significantly — now representing six million hours every month, with 74% of all connections made through mobile devices. Close to a quarter of a million people have downloaded Corus Radio's new station apps and more than 1.6 million fans are connecting with Corus Radio on Facebook.

Whether it's on-air, at live events or on digital, we will be everywhere our audiences are.

EXPAND INTO NEW AND ADJACENT MARKETS

We are making progress expanding into adjacent and unregulated markets. By leveraging our extensive technological capabilities at Corus Quay, we are growing our just-launched technology and media services arm, Quay Media Services. As part of this expansion, we acquired Fastfile Media Services, one of Canada's leading entertainment accessibility providers. Fastfile bolsters Quay Media Services' offering, giving us access to the burgeoning closed-captioning, described video and subtitling business. This represents a domestic and international growth opportunity and a new revenue stream for the company.

We also continue to pursue a series of development opportunities that leverage the scale of Corus' broadcast assets. This will enable us to launch adjacent businesses which will fuel new sources of growth for the company. More to come on this.

LOOKING AHEAD

In conclusion, this is a transition year for us, as we focus on laying the groundwork and implementing strategies that will lead to long-term growth.

We are undeterred by the regulatory changes that came out of the CRTC's *Let's Talk TV* hearings. We recognize that the new, more flexible environment represents an excellent opportunity for our business and we moved quickly to redesign our Kids portfolio and optimize our other television offerings which will, ultimately, strengthen our position in the new regulatory landscape.

Our well-conceived plan will transform our business and position us for growth in the years to come. We have a stellar portfolio of brands and the best must-have content. We have world-class partners and we have the right team in place. We also have strong free cash flow to invest in the company and return growth to our shareholders.

We are well on our way to executing our strategic priorities. There is more to be done, but we are excited about the future.

We want to thank our team at Corus, our partners and our shareholders for their trust and confidence in us as we diligently execute our plans to return Corus to growth.

Heather Shaw

Douglas D. Murphy
President and CEO

Heather A. Shaw
Executive Chair

CORUS ENTERTAINMENT

CORUS TELEVISION

Women & Family

W Network
ABC Spark
CMT (Canada)
OWN: Oprah Winfrey Network (Canada)
Cosmopolitan TV
W Movies
Sundance Channel (Canada)

Kids

YTV
Treehouse
TELETOON
Nickelodeon (Canada)
Cartoon Network (Canada)
Nelvana
Disney Channel
Disney XD
Disney Junior
(Launching December 1, 2015)

Corus Média (Québec)

Historia
Séries+
TÉLÉTOON
La chaîne Disney

Pay TV

Movie Central
HBO Canada
Encore Avenue

Other

Kids Can Press
Telelatino (TLN)
CKWS TV Kingston
CHEX TV Peterborough
Channel 12 Durham
Toon Boom Animation Inc.
Quay Media Services
Bento Box Canada

STRATEGIC INVESTMENTS

SoCast SRM*
Fingerprint Digital, Inc.*
Kin Community*
Steamboat Ventures Fund V*
Execution Labs*
Gibraltar Ventures Fund I*
Relay Ventures Fund II*

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

CORUS RADIO

Vancouver, British Columbia

CHMJ-AM
AM730 All Traffic All The Time

CKNW-AM
News Talk 980 CKNW

CFMI-FM
Rock 101

CFOX-FM
The World Famous CFOX

Calgary, Alberta

CHQR-AM
News Talk 770

CFGQ-FM
Q107

CKRY-FM
Country 105

Edmonton, Alberta

CHED-AM
630 CHED

CHQT-AM
iNews880

CISN-FM
CISN COUNTRY 103.9

CKNG-FM
92.5 Fresh Radio

Winnipeg, Manitoba

CJOB-AM
680 CJOB

CJGV-FM
99.1 Fresh Radio

CJKR-FM
BIG 97.5

Barrie/Collingwood, Ontario

CHAY-FM
93.1 Fresh Radio

CIQB-FM
B101

CKCB-FM
95.1 The Peak FM

Cambridge/Kitchener, Ontario

CJDV-FM
107.5 DAVE ROCKS

CKBT-FM
91.5 The Beat

Cornwall, Ontario

CFLG-FM
104.5 Fresh Radio

CJSS-FM
boom 101.9

Guelph, Ontario

CJOY-AM
1460 CJOY

CIMJ-FM
Magic 106.1

Kingston, Ontario

CKWS-FM
104.3 Fresh Radio

CFMK-FM
BIG 96.3

Hamilton, Ontario

CHML-AM
AM 900 CHML

CING-FM
95.3 Fresh Radio

CJXY-FM
Y108

London/Woodstock, Ontario

CFPL-AM
AM980

CFHK-FM
103.1 Fresh Radio

CFPL-FM
FM96

CKDK-FM
Country 104

Ottawa, Ontario

CKQB-FM
JUMP! 106.9

CJOT-FM
boom 99.7

Peterborough, Ontario

CKRU-FM
100.5 Fresh Radio

CKWF-FM
THE WOLF 101.5

Toronto, Ontario

CFMJ-AM
Talk Radio AM640

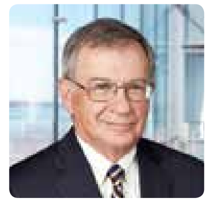
CFNY-FM
102.1 the Edge

CILQ-FM
Q107

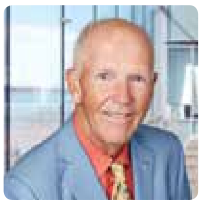
DIRECTORS

Douglas D. Murphy
Member of the
Executive Committee

Heather A. Shaw
Chair of the
Board of Directors
Chair of the
Executive Committee



Fernand Bélisle
Member of the
Human Resources
and Compensation
Committee

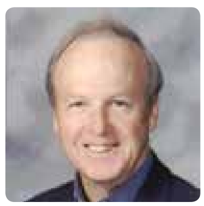


Dennis Erker
Chair of the
Corporate
Governance
Committee
Member of the
Executive Committee

Barry L. James
Chair of the
Audit Committee

Mark Hollinger
Member of the
Corporate
Governance
Committee

Wendy A. Leaney
Member of the
Audit Committee



Ronald D. Rogers
Member of the
Audit Committee
Member of the
Executive Committee

Catherine Roozen
Member of the
Human Resources
and Compensation
Committee

Julie M. Shaw
Vice Chair of the
Board of Directors
Member of the
Corporate Governance
Committee

Terrance Royer
Chair of the Human Resources
and Compensation Committee
Member of the Executive Committee
Serves as the Independent Lead
Director for Corus Entertainment Inc.

OFFICERS

Douglas D. Murphy
President and
Chief Executive Officer,
Corus Entertainment Inc.

Heather A. Shaw
Executive Chair,
Corus Entertainment Inc.

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

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

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

Kathleen McNair
Executive Vice President,
Special Advisor to the CEO
and Chief Integration Officer,
Corus Entertainment Inc.

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

CORUS ENTERTAINMENT INC.

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

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

Website
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Auditors
Ernst & Young LLP

Primary Bankers
The Toronto-Dominion Bank

Shareholder Services
For assistance with the following:

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

please contact our ***Transfer Agent and Registrar***:
CST Trust Company
PO Box 700, Station B
Montreal, Quebec H3B 3K3
Telephone: 1.800.387.0825
Facsimile:
1.888.249.6189 (in North America)
514.985.8843 (outside North America)
www.canstockta.com

Annual General Meeting
January 13, 2016
2 p.m. MT/4 p.m. ET
The Westin Calgary
Bow Valley Room
320 4 Avenue S.W.
Calgary, Alberta
T2P 2S6

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

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

Dividend Reinvestment Plan ("DRIP")
CST Trust Company acts as administrator of Corus Entertainment's Dividend Reinvestment Plan, which is available to the Company's registered Class A and Class B Shareholders residing in Canada.

To review the full text of the Plan and obtain an enrollment form, please visit the Plan Administrator's website at www.canstockta.com or contact them at 1.800.387.0825.

Corporate Social Responsibility ("CSR")
Since the Company's launch in 1999, Corus Entertainment ("Corus") has had a long and successful track record of corporate social responsibility (CSR) that encompasses community, employees, industry engagement and environmental initiatives. Corus and its employees have embraced the philosophy of giving back to the community by supporting worthwhile causes company-wide as well as individually. With the launch of our national initiative Corus Feeds Kids in 2012, which focuses on the well-being of children, Corus remains committed to making a difference and enriching the lives of the communities we serve.

For more information or to view Corus' CSR report, please visit the Corus Entertainment website (www.corusent.com).

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

The Company's Statement of Corporate Governance Practices and the Charter of the Board of Directors may be found in the Investor Relations section of Corus Entertainment's website (www.corusent.com).

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

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

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

Copyright and Sources

For specific copyright information on any images used in this Annual Report, or specific source information for any media research used in this Annual Report, please contact the Vice President, Communications at 416.479.7000.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the financial position and results of operations for the year ended August 31, 2015 is prepared at October 31, 2015. The following should be read in conjunction with the Company's August 31, 2015 audited consolidated financial statements and notes therein. All amounts are stated in Canadian dollars unless specified otherwise.

Corus Entertainment Inc. ("Corus" or the "Company") 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

The Management's Discussion and Analysis 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 the Report to Shareholders which is available on Corus' website at www.corusent.com.

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, Corus disclaims 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 financial operating performance of the Company.

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

OVERVIEW

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

Corus operates through two operating segments: Television and Radio. The Corporate results represent the incremental cost of corporate overhead in excess of the amount allocated to the operating divisions. Generally, Corus' financial results depend on a number of factors, including the strength of the Canadian national economy and the local economies of Corus' served markets, local and national market competition from other broadcasting stations, platforms and other advertising media, government regulation, market competition from other distributors of animated programming and Corus' ability to continue to provide popular programming.

TELEVISION

The Television segment is comprised of specialty television networks, pay television services, three conventional television stations and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, publishing and animation software. The Company's multimedia entertainment brands include: ABC Spark; Cartoon Network (Canada); Disney Channel (Canada) (launched September 1, 2015), Nickelodeon (Canada); OWN: Oprah Winfrey Network (Canada); Sundance Channel (Canada); TELETOON; Treehouse; W Network; W Movies; YTV; Historia and Séries+ (acquired January 1, 2014); La chaîne Disney (launched September 1, 2015); TÉLÉTOON; 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), CosmopolitanTV, and Telelatino (TLN, EuroWorld Sport, Mediaset Italia, Sky TG24, Teleniños, Univision (Canada) (formerly TLN en Español), Telebimbi).

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

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. Revenues are derived from advertising aired over these stations.

ANNUAL SELECTED FINANCIAL INFORMATION

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

(in millions of Canadian dollars, except percentages and per share amounts)				% Increase (Decrease)	
	2015	2014	2013[2]	2015 over 2014	2014 over 2013
Revenues	**815.3**	833.0	751.5	(2.1)	10.8
Segment profit[1]	**277.2**	289.6	251.0	(4.3)	15.4
Net (loss) income attributable to shareholders	**(25.2)**	150.4	159.9		
Adjusted net income attributable to shareholders[1]	**135.9**	150.3	138.6		
Basic earnings per share	**$ (0.29)**	$1.77	$1.91		
Adjusted basic earnings per share[1]	**$ 1.57**	$1.77	$1.65		
Diluted earnings per share	**$ (0.29)**	$1.76	$1.90		
Total assets	**2,632.1**	2,784.6	2,167.1		
Total bank debt and notes	**801.0**	874.3	539.0		
Cash dividends declared per share					
Class A Voting	**$1.1142**	$1.0558	$0.9900		
Class B Non-Voting	**$1.1192**	$1.0608	$0.9950		

Notes:
[1] As defined in "*Key Performance Indicators*" section.
[2] Restated to reflect retroactive application of IFRS 11 - *Joint Arrangements*

RESULTS OF OPERATIONS

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

(in thousands of Canadian dollars, except percentages)			% Increase (Decrease)
	2015	2014	2015 over 2014
Revenues			
Television	**653,770**	660,424	(1.0)
Radio	**161,545**	172,592	(6.4)
	815,315	833,016	(2.1)
Direct cost of sales, general and administrative expenses			
Television	**393,641**	387,151	1.7
Radio	**124,538**	127,105	(2.0)
Corporate	**19,949**	29,122	(31.5)
	538,128	543,378	(1.0)
Segment profit[(1)]			
Television	**260,129**	273,273	(4.8)
Radio	**37,007**	45,487	(18.6)
Corporate	**(19,949)**	(29,122)	(31.5)
	277,187	289,638	(4.3)
Depreciation and amortization	**24,057**	24,068	
Interest expense	**50,936**	48,320	
Broadcast license and goodwill impairment	**130,000**	83,000	
Intangible impairment	**51,786**	—	
Business acquisition, integration and restructuring costs	**19,032**	46,792	
Gain on acquisition	**—**	(127,884)	
Other (income) expense, net	**(10,117)**	5,740	
Income before income taxes	**11,493**	209,602	
Income tax expense	**30,993**	53,433	
Net income for the year	**(19,500)**	156,169	
Net income (loss) attributable to:			
Shareholders	**(25,154)**	150,408	(116.7)
Non-controlling interest	**5,654**	5,761	(1.9)
Net income for the year	**(19,500)**	156,169	(112.5)

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

FISCAL 2015 COMPARED TO FISCAL 2014

For a discussion on the Company's results of operations for the fourth quarter of fiscal 2015, we refer you to Corus' Fourth Quarter 2015 Management Discussion and Analysis, and Interim Financial Statements filed on SEDAR on October 22, 2015.

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

Net loss attributable to shareholders for the year ended August 31, 2015 was $25.2 million on revenues of $815.3 million, as compared to net income of $150.4 million on revenues of $833.0 million in the prior year. Consolidated segment profit decreased 4% from the prior year, with Television down 5% and Radio down 19%. Further analysis is provided in the discussions of segmented results.

For fiscal 2014, the operating results of TELETOON Canada Inc. ("TELETOON"), as well as its assets and liabilities, were fully consolidated effective September 1, 2013 as a consequence of meeting the definition of control under IFRS 10 – *Consolidated Financial Statements*. Further discussion is provided in note 26 of the Company's audited consolidated financial statements for the year ended August 31, 2014.

Free cash flow for the year ended August 31, 2015 was $201.2 million compared to $175.3 million in the prior year.

REVENUES

For the year ended August 31, 2015, revenues of $815.3 million were down 2% from $833.0 million in the prior year. On a consolidated basis, both subscriber revenues and merchandising, distribution and other revenues increased by 2% and 5%, respectively, while advertising revenues decreased by 7%. Refer to discussions of segmented results for additional analysis of revenues.

DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended August 31, 2015, expenses of $538.1 million were down 1% from $543.4 million in the prior year. On a consolidated basis, direct cost of sales increased 4%, employee costs decreased 8% and other general and administrative expenses decreased 3%. Further analysis of expenses is provided in the discussion of segmented results.

DEPRECIATION AND AMORTIZATION

For the year ended August 31, 2015, depreciation and amortization expense of $24.1 million was consistent with the prior year. Depreciation and amortization expense in the prior year includes a $1.2 million capital asset impairment charge in the Radio segment. Removing the impact of this item results in a decrease in amortization in property, plant and equipment in fiscal 2015, which is offset by higher amortization of intangible assets, specifically software.

INTEREST EXPENSE

Interest expense of $50.9 million for the year ended August 31, 2015 was $2.6 million higher than the prior year. The effective interest rate on bank loans and notes for fiscal 2015 was 4.1% compared to 4.2% in the prior year. The lower effective rates for fiscal 2015 results from a higher proportion of bank debt at lower floating rates. Interest expense on the credit facilities for fiscal 2015 was higher resulting primarily from increased average bank debt to finance business acquisitions made in the prior year.

On February 25, 2015, the Company's credit facility with a syndicate of banks was amended. The principal amendment was a two year extension of the maturity date on the $500.0 million revolving facility to February 25, 2019.

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. In the second quarter of fiscal 2015, 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 in the radio segment. As a result of these tests, the Company recorded broadcast license impairment charges of $23.0 million and a goodwill impairment charge of $107.0 million in the second quarter of fiscal 2015 (refer to note 10 of the consolidated financial statements for further details). In both the second and third quarters of fiscal 2014, the Company recorded impairment charges on broadcast licenses and goodwill totaling $83.0 million as a result of certain radio clusters having actual results and revised cash flow projections that fell short of previous estimates.

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, 2015.

INTANGIBLE IMPAIRMENTS

During the third quarter of fiscal 2015, the Company undertook a strategic, in-depth review of the television programming slate to determine what programming would best position its services in the new regulatory environment. Programs that were not delivering adequate audience ratings were considered impaired and were written down accordingly. In addition, certain equity film investments were also considered impaired and written down accordingly. These film investments primarily related to equity film investments made by the Pay TV vertical, and certain boys action properties from Nelvana which are no longer supported by merchandising sales as the current lifecycle of the toy properties have ended. As a result, the Company recorded non-cash impairment charges in program rights and film investments of $51.8 million in the third quarter of fiscal 2015. These charges are excluded from the determination of segment profit.

BUSINESS ACQUISITION, INTEGRATION AND RESTRUCTURING COSTS

For the year ended August 31, 2015, the Company incurred $19.0 million of business acquisition, integration and restructuring costs compared to $46.8 million in the prior year. The prior year included $14.9 million in restructuring costs and $31.9 million related to the present value of the CRTC tangible benefit obligations.

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.

OTHER (INCOME) EXPENSE, NET

For the year ended August 31, 2015, income of $10.1 million consists of proceeds of $18.5 million received from Steamboat Ventures relating to its disposal of an investment, of which $1.5 million related to a return on capital, which resulted in a gain of $17.0 million. This was offset by equity losses from investments in associates of $3.3 million and foreign exchange losses of $5.0 million. The prior year expense of $5.7 million included a cumulative increase of $3.3 million in the purchase obligation relating to the TELETOON acquisition, impairment charges on certain investments of $1.1 million and equity losses in associates of $2.4 million, offset by a recovery of an investment previously written down of $1.0 million.

INCOME TAX EXPENSE

The effective tax rate for the year ended August 31, 2015 was 269.7% compared to the Company's 26.5% statutory rate. This higher effective tax rate is primarily the result of the $107.0 million goodwill impairment charge recorded in the year, which is not a tax-deductible 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 (LOSS) AND EARNINGS (LOSS) PER SHARE

Net loss attributable to shareholders for the year ended August 31, 2015 was $25.2 million ($0.29 per share), as compared to earnings of $150.4 million ($1.77 per share) in the prior year. Net loss attributable to shareholders for the fiscal 2015 year includes radio broadcast license and goodwill impairment charges of $130.0 million ($1.44 per share), intangible impairment charges of $51.8 million ($0.44 per share), business acquisition, integration and restructuring costs of $19.0 million ($0.15 per share), offset by a gain on disposition of investment of $17.0 million ($0.17 per share). Removing the impact of these items results in an adjusted net income attributable to shareholders of $135.9 million ($1.57 per share basic) for the current year. Net income attributable to shareholders for the prior year includes a non-cash gain of $127.9 million ($1.51 per share) resulting from the remeasurement to fair value of Corus' 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). Removing the impact of these items results in an adjusted net income attributable to shareholders of $150.3 million ($1.77 per share).

The weighted average number of basic shares outstanding for the year ended August 31, 2015, was 86,441,000 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 income for the year ended August 31, 2015 was $4.3 million, compared to a loss of $0.1 million in the prior year. This increase of $4.4 million resulted primarily from higher unrealized gains from foreign currency translation adjustments and actuarial gains on defined benefit plans, offset by higher unrealized losses from hedges and available-for-sale investments in the current year.

TELEVISION

The Television segment is comprised of specialty television networks, pay television services, three conventional television stations and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, publishing and animation software. The Company's multimedia entertainment brands include: ABC Spark; Cartoon Network (Canada); Disney Channel (Canada) (launched September 1, 2015), Nickelodeon (Canada); OWN: Oprah Winfrey Network (Canada); Sundance Channel (Canada); TELETOON; Treehouse; W Network; W Movies; YTV; Historia and Séries+ (acquired January 1, 2014); La chaîne Disney (launched September 1, 2015); TÉLÉTOON; 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), CosmopolitanTV, and Telelatino (TLN, EuroWorld Sport, Mediaset Italia, Sky TG24, Teleniños, Univision (Canada) (formerly TLN en Español), Telebimbi).

FINANCIAL HIGHLIGHTS

	Year ended **August 31**,	
(thousands of Canadian dollars)	**2015**	2014
Revenues	**653,770**	660,424
Expenses	**393,641**	387,151
Segment profit[1]	**260,129**	273,273

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

As a result of 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 26 of the Company's audited consolidated financial statements for the year ended August 31, 2015 for further details on all acquisitions).

For the year ended August 31, 2015, total revenues were down 1%, reflecting a decrease in specialty advertising revenues of 6% offset by an increase in subscriber revenues of 2% and merchandising, distribution and other revenues of 7%. Although specialty advertising and subscriber revenues in fiscal 2015 benefited from four additional months of operating results from the acquisition of Historia and Séries+, this was offset by a general softness in the advertising market and a decline in Pay TV subscribers, as well as packaging and rate changes on certain specialty networks. The growth in merchandising, distribution and other revenues reflects higher Studio service work revenues which offset lower merchandising revenues.

For the year ended August 31, 2015, total expenses increased 2% from the prior year, primarily as a result of an increase to direct cost of sales of 5%, offset by a decrease of 3% to general and administrative expenses. Direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) were higher than the prior year, primarily as a result of the inclusion of Historia and Séries+ for a full year and higher cost of sales relating to Studio service work. General and administrative expenses, which reflects a full year inclusion of Historia and Séries+, were down from the prior year as a result of continued focus on cost control.

Segment profit decreased 5% in fiscal 2015. Segment profit margin for fiscal 2015 was 40%, down slightly from 41% in the prior year as the Company continued maintaining a focus on managing costs in a challenging revenue environment.

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

	Year ended **August 31**,	
(thousands of Canadian dollars)	**2015**	2014
Revenues	**161,545**	172,592
Expenses	**124,538**	127,105
Segment profit[1]	**37,007**	45,487

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

Revenues decreased 6% in fiscal 2015 compared to the prior year, as the segment experienced a soft advertising market in addition to ratings challenges in certain key markets. More than half of the revenue shortfall was driven by disappointing results from the Toronto radio cluster. However, in the recent ratings released in September 2015, 102.1 the Edge continued to improve its ranked position in A25-54 in the important Toronto market, while both the Edge and Q107 maintained the #2 position in their core demos. The Vancouver radio cluster delivered year-over-year revenue growth in fiscal 2015 as a result of the programming changes made in the fourth quarter of fiscal 2014. The recent ratings confirmed that Vancouver's Rock 101 and CFOX are continuing on the right track, with both of these stations ranked in the top five in A25-54.

Direct cost of sales, general and administrative expenses decreased 2% in fiscal 2015. Variable expenses decreased 9% for the year, driven mainly by lower costs directly correlated to revenue and lower commissions resulting from a realignment in the sales force during the year. Fixed expenses, which represent a much higher proportion of the cost structure, increased 1% for the fiscal year compared to the prior year, primarily as a result of incremental costs from the Ottawa radio stations that were acquired January 31, 2014 and increased investment in research, offset by general and administrative costs.

Segment profit decreased 19% for the year. Segment profit margin decreased from 26% to 23% for the year, as a result of the revenue softness and the investment in the Company's Ottawa radio stations.

The operating results finished significantly lower than planned. The key to recovery is regaining market share in the major markets. While the repositioning of Radio is translating into ratings improvement, the revenue recovery is taking longer than originally anticipated, particularly in Toronto, the Company's largest radio cluster. As a result, the Company recorded non-cash impairment charges in broadcast licenses and goodwill of $130.0 million in the second quarter of fiscal 2015. These charges are excluded from the determination of segment profit.

CORPORATE

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

FINANCIAL HIGHLIGHTS

	Year ended **August 31**,	
(thousands of Canadian dollars)	**2015**	2014
Share-based compensation	**2,723**	10,876
Other general and administrative costs	**17,226**	18,246
	19,949	29,122

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 share-based compensation in fiscal 2015 reflects a decrease in the number of units that achieved vesting targets and a lower share price compared to the prior year.

Other general and administrative costs decreased 6% in fiscal 2015 compared to the prior year, primarily as a result of a continued focus on cost controls and lower costs related to performance incentive plans.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

SEASONAL FLUCTUATIONS

Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. The Company's advertising revenues are dependent on general advertising revenues and retail cycles associated with consumer spending activity. The first and third quarter results tend to be the strongest and the second and fourth quarter results tend to be the weakest in a fiscal year. The Company's merchandising and distribution revenues are dependent on the number and timing of film and television programs delivered as well as the timing and level of success achieved of associated merchandise licensed in the market, which cannot be predicted with certainty. Consequently, the Company's results may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods.

The following table sets forth certain unaudited data derived from the interim condensed consolidated financial statements for each of the eight most recent quarters ended August 31, 2015. 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, 2015.

[thousands of Canadian dollars, except per share amounts]

	Revenues	Segment profit[1]	Net income (loss) attributable to shareholders	Adjusted net income attributable to shareholders	Earnings per share		
					Basic	Diluted	Adjusted
2015							
4th quarter	**193,599**	**55,493**	**17,835**	**23,967**	**$ 0.21**	**$ 0.21**	**$ 0.28**
3rd quarter	203,121	68,699	(8,109)	31,550	$ (0.09)	$ (0.09)	$ 0.36
2nd quarter	191,484	59,719	(86,786)	28,499	$ (1.01)	$ (1.01)	$ 0.33
1st quarter	227,111	93,276	51,906	51,906	$ 0.60	$ 0.60	$ 0.60
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

[1]As defined in "Key Performance Indicators"

SIGNIFICANT ITEMS CAUSING VARIATIONS IN QUARTERLY RESULTS

- Net income attributable to shareholders for the fourth quarter of fiscal 2015 was negatively impacted by restructuring costs of $8.3 million ($0.07 per share).
- Net income attributable to shareholders for the third quarter of fiscal 2015 was negatively impacted by non-cash impairment charges in program rights and film investments of $51.8 million ($0.44 per share) and restructuring costs of $2.7 million ($0.02 per share).
- Net income attributable to shareholders for the second quarter of fiscal 2015 was negatively impacted by non-cash radio broadcast license and goodwill impairment charges of $130.0 million ($1.44 per share), restructuring costs of $8.0 million ($0.07 per share) and positively impacted by a gain of $17.0 million ($0.17 per share) resulting from a gain on disposition of investment.
- 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).

FINANCIAL POSITION

Total assets at August 31, 2015 and August 31, 2014 were $2.6 billion and $2.8 billion, respectively. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2014.

Current assets at August 31, 2015 were $228.3 million, up $10.9 million from August 31, 2014. Cash and cash equivalents increased by $25.8 million. Refer to the discussion of cash flows in the next section.

Accounts receivable decreased $18.4 million during the year. The accounts receivable balance is subject to seasonal trends. Typically the balance is higher in the first and third quarters and lower in the second and fourth quarters as a result of the broadcast revenue cycle. Accounts receivable decreased as a result of lower revenues in the current year. The Company carefully monitors the aging of its accounts receivable.

Tax credits receivable decreased $3.1 million during the year as a result of receipts and tax credits applied against tax liabilities exceeding tax credit accruals related to film and interactive productions.

Intangibles, investments and other assets increased $13.0 million during the year, primarily as a result of increases in investments offset by equity losses from associates and amortization of intangibles.

Property, plant and equipment decreased $4.5 million during the year, as a result of depreciation expense exceeding additions for fiscal 2015.

Program and film rights decreased $14.5 million during the year, as additions of acquired rights of $229.6 million were offset by impairment charges of $30.7 million and amortization of $213.5 million during fiscal 2015.

Film investments decreased $26.9 million during the year, as film spending (net of tax credit accruals) of $22.1 million were offset by impairment charges of $21.1 million and film amortization of $27.9 million.

Broadcast licenses decreased $23.0 million during the year, while goodwill decreased $107.0 million from August 31, 2014 balances as a result of impairment charges related to the Radio segment recorded in the second quarter of fiscal 2015.

Accounts payable and accrued liabilities increased $40.6 million during the year, primarily as a result of higher current program rights payable, offset by reductions in accrued liabilities. The reductions in accrued liabilities relate primarily to accrual for performance incentive plans, short-term portion of stock-based compensation and third-party participations.

Provisions have increased $3.6 million during the year as a result of accruals exceeding payments made in the year relating to restructuring and the retirement of senior executives as well as early termination costs on an affiliation agreement.

Long-term debt at August 31, 2015 was $651.0 million, down $223.2 million compared to $874.3 million at August 31, 2014. During fiscal 2015, the Company paid down bank loans by $74.7 million and incurred amortization of deferred financing charges of $1.5 million. In addition, the $150.0 million Term Facility maturing February 3, 2016 has been classified as current on the statements of financial position.

Other long-term liabilities decreased by $33.0 million during the year, primarily from decreases in long-term program rights payable, long-term employee obligations as a result of retirement of senior executives, public benefits associated with acquisitions, and merchandising and intangibles liabilities.

Share capital increased $27.2 million, as the issuance of shares from treasury under the Company's dividend reinvestment plan and issuance of stock options added $20.5 million and $6.7 million, respectively, to share capital.

Contributed surplus increased $1.1 million due to share-based compensation expense of $2.2 million, offset by the issuance of shares under the stock option plan of $1.1 million.

LIQUIDITY AND CAPITAL RESOURCES

Overall, the Company's cash and cash equivalents position increased by $25.8 million during the year ended August 31, 2015. Free cash flow for the year ended August 31, 2015 was $201.2 million, compared to free cash flow of $175.3 million in the prior year. This increase in free cash flow primarily reflects higher cash provided by operating activities and proceeds from disposition of an investment, offset by higher capital additions and lower cash inflows from working capital. A reconciliation of free cash flow to the consolidated statements of cash flows is provided in the Key Performance Indicators section.

Cash provided by operating activities in the year ended August 31, 2015 was $210.4 million, compared to $194.5 million in the prior year. The increase of $15.9 million arises from lower program rights payments of $23.2 million, offset by higher additions to film investments of $9.6 million, lower cash inflows from working capital of $4.8 million and lower net income from operations before adjustments of $7.1 million.

Cash used in investing activities in the year ended August 31, 2015 was $28.9 million, compared to $526.2 million in the prior year. The prior year includes cash outflows of $497.4 million for business acquisitions in the prior year. The current year includes cash proceeds from disposition of an investment of $18.5 million, offset by net cash outflows for intangibles, investments and other assets of $24.8 million, additions to property, plant and equipment of $16.7 million and CRTC benefits payments of $5.9 million.

Cash used in financing activities in the year ended August 31, 2015 was $155.6 million, compared to cash provided by financing activities of $262.1 million in the prior year. In the current year, the Company paid down bank debt by $74.7 million, paid dividends of $81.8 million, made capital lease payments of $4.0 million and received $5.7 million from issuance of shares under the stock option plan. In the prior year, the Company incurred $333.2 million in bank loans to finance the business acquisitions, paid dividends of $72.2 million, made capital lease payments of $3.0 million and received $4.6 million from issuance of shares under the stock option plan.

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 to provide returns to its shareholders. The Company defines capital as the aggregate of its shareholders' equity and total bank debt and notes 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.

A syndicate of lenders has provided Corus with a senior secured revolving (the "Revolving Facility") and a senior secured term credit facility (the "Term Facility") under the Amended and Restated Credit Agreement dated February 3, 2014 as further amended February 25, 2015 (the "facility").

On February 25, 2015, the Company's $500.0 million Revolving Facility with a syndicate of banks was amended. The principal amendment was to extend the maturity date, on the $500.0 million Revolving Facility, to February 25, 2019.

On February 3, 2014, the Company's credit agreement was amended and restated to establish a two year $150.0 million Term Facility, which is incremental to the existing $500.0 million Revolving Facility. 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 at that time. The Term Facility matures February 3, 2016 and, as a result, is classified as current on the statements of financial position. As a term facility, the amount borrowed may be repaid but once repaid is no longer available to re-borrow.

As at August 31, 2015, the Company had available approximately $390.0 million under the Revolving Facility and was in compliance with all loan covenants. As at August 31, 2015, the Company had a cash balance of $37.4 million. Management believes that cash flow from operations and existing credit facilities will provide the Company with sufficient financial resources to fund its operations for the next 12 months.

NET DEBT TO SEGMENT PROFIT

As at August 31, 2015, net debt was $763.6 million, down from $862.7 million at August 31, 2014. Net debt to segment profit at August 31, 2015 was 2.8 times compared to 3.0 times at August 31, 2014. Segment profit for the net debt to segment profit calculation reflects aggregate amounts as reported by the Company for the most recent four quarters. Further discussion on this is contained in the Key Performance Indicators section.

TOTAL CAPITALIZATION

At August 31, 2015, total capitalization was $1,983.5 million, a decrease of $189.3 million from August 31, 2014. The decrease results from lower net income and debt levels.

OFF-BALANCE SHEET ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

On February 3, 2014, the Company entered into a Canadian interest rate swap agreement to fix the interest rate on the $150.0 million Term Facility at 1.375%, plus an applicable margin, to February 3, 2016. 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, 2015 is $0.4 million, which has been recorded in the audited consolidated statements of financial position as a liability.

CONTRACTUAL COMMITMENTS

The Company has the following undiscounted contractual obligations at August 31, 2015:

(thousands of Canadian dollars)	**Total**	**Less than one year**	**One to three years**	**Four to five years**	**Beyond five years**
Total debt and notes[1]	914,156	172,590	46,750	694,816	—
Purchase obligations[2]	803,259	275,524	280,293	145,796	101,646
Operating leases[3]	470,683	28,965	55,359	51,101	335,258
Other obligations[4]	238,660	52,202	68,886	63,363	54,209
Financing leases	5,310	3,170	1,872	268	—
Total contractual obligations	**2,432,068**	**532,451**	**453,160**	**955,344**	**491,113**

(1) Principal repayments and interest payments.

(2) Purchase obligations are contractual obligations under contracts relating to program rights, satellite and signal transport costs, and various other operating expenditures, that the Company has committed to for periods ranging from one to ten years.

(3) Operating leases include office, equipment and automobile leases.

(4) Other obligations include financial liabilities, trade marks, other intangibles and CRTC benefit commitments.

In addition to the contractual obligations in the table above, the Company will pay interest on any bank debt outstanding in future periods. In fiscal 2015, the Company incurred interest on bank debt of $10.8 million (2014 - $8.7 million).

KEY PERFORMANCE INDICATORS

The Company measures the success of its strategies using a number of key performance indicators. These have been outlined below, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions. In addition to disclosing results in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), the Company also provides supplementary non-IFRS measures as a method of evaluating the Company's performance. 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. These non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

REVENUE

Revenue is a measurement defined by IFRS. Revenue is the gross inflow of economic benefits arising in the course of the ordinary activities of an entity that results in increases in equity, such as cash, receivables or other consideration arising from the sale of products and services and is net of items such as trade or volume discounts and certain excise and sales taxes. It is one of the bases upon which free cash flow, a key performance indicator defined below, is determined; therefore, it measures the potential to deliver free cash flow as well as indicating the level of growth in a competitive marketplace.

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

The Company's sources of revenue are well diversified, with revenue streams for the year ended August 31, 2015, derived primarily from three areas: advertising 46%, subscriber fees 42% and merchandising, distribution and other 12% (2014 – 49%, 40% and 11%, respectively).

DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

Direct cost of sales, general and administrative expenses include amortization of program and film rights (costs of programming intended for broadcast, from which advertising and subscriber fee revenues are derived); amortization of film investments (costs associated with internally produced and acquired television and film programming, from which distribution and licensing revenues are derived); other cost of sales relating to merchandising, studio service work, publishing, marketing (research and advertising costs); employee remuneration; regulatory license fees; and, sales, general administration and overhead costs. For the year ended August 31, 2015, consolidated direct cost of sales, general and administrative expenses were comprised of direct cost of sales 49%, employee remuneration 26%, and general and administrative expenses 25% (2014 – 47%, 27%, and 26%, respectively).

SEGMENT PROFIT AND SEGMENT PROFIT MARGIN

Segment profit is calculated as revenues less direct cost of sales, general and administrative expenses as reported in the Company's consolidated statements of income and comprehensive income. Segment profit may be calculated and presented for an individual operating segment, a line of business, or for the consolidated Company. The Company believes this is an important measure as it allows the Company to evaluate the operating performance of its business segments or lines of business 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; significant intangible asset impairment; debt refinancing; non-cash gains or losses; business acquisition, integration and restructuring costs; and certain other income and expenses as included in note 19 to the audited consolidated financial statements. Segment profit is also one of the measures used by the investing community to value the Company and is included in note 21 to the audited consolidated financial statements. Segment profit margin is calculated by dividing segment profit by revenues. Segment profit and segment profit margin do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other companies. Segment profit and segment profit margin should not be considered in isolation or as a substitute for net income prepared in accordance with IFRS as issued by the IASB.

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:

	Year ended **August 31**,	
(thousands of Canadian dollars, except percentages)	**2015**	2014
Revenues	**815,315**	833,016
Direct cost of sales, general and administrative expenses	**538,128**	543,378
Segment profit	**277,187**	289,638
Segment profit margin	**34.0%**	34.8%

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)	Year ended **August 31**, **2015**	2014
Cash provided by (used in):		
Operating activities	**210,363**	194,477
Investing activities	**(28,915)**	(526,246)
	181,448	(331,769)
Add back: cash used for business combinations and strategic investments[1]	**19,765**	507,045
Free cash flow	**201,213**	175,276

[1] Strategic investments are comprised of investments in venture funds and associated companies.

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 are useful measures that facilitate 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 basic 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)	Year ended **August 31**, **2015**	2014
Net income (loss) attributable to shareholders	**(25,154)**	150,408
Adjustments, net of tax:		
Gain on remeasurement to fair value of original 50% of TELETOON	**—**	(127,884)
Broadcast license and goodwill impairment charge	**123,984**	78,460
Intangible asset impairment	**38,055**	—
Increase in purchase price obligation	**—**	3,336
Impact of business acquisition, integration and restructuring costs	**13,753**	42,820
Gain from disposition of investment	**(14,716)**	—
Impact of investment impairment charges	**—**	2,291
Capital asset impairment	**—**	913
Adjusted net income attributable to shareholders	**135,922**	150,344
Basic earnings (losses) per share	**($0.29)**	
Adjustments, net of tax:		$ 1.77
Gain on remeasurement to fair value of original 50% of TELETOON	**—**	
Broadcast license and goodwill impairment charge	**1.44**	(1.51)
Intangible asset impairment	**0.44**	0.92
Increase in purchase price obligation	**—**	0.04
Impact of business acquisition, integration and restructuring costs	**0.15**	0.51
Gain from disposition of investment	**(0.17)**	—
Impact of investment impairment charges	**—**	0.03
Capital asset impairment	**—**	0.01
Adjusted basic earnings per share	**$1.57**	$1.77

NET DEBT

Net debt is calculated as total bank debt and notes 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 does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies.

	Year ended **August 31**,	
(thousands of Canadian dollars)	**2015**	2014
Total bank debt and notes	**801,002**	874,251
Cash and cash equivalents	**(37,422)**	(11,585)
Net debt	**763,580**	862,666

NET DEBT TO SEGMENT PROFIT

Net debt to segment profit is calculated as net debt divided by segment profit. It is one of the key metrics used by the investing community to measure the Company's ability to repay debt through ongoing operations. Net debt to segment profit does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies.

	Year ended **August 31**,	
(thousands of Canadian dollars)	**2015**	2014
Net debt (numerator)	**763,580**	862,666
Segment profit (denominator)[1]	**277,187**	289,638
Net debt to segment profit	**2.8**	3.0

[1] 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.

ENTERPRISE RISK MANAGEMENT

Corus' enterprise risks are largely derived from the Company's business environment and are fundamentally linked to Corus' strategies and business objectives. Corus strives to proactively mitigate its risk exposures through rigorous performance planning and effective and efficient business operational management. Residual exposure for certain risks is mitigated through appropriate insurance coverage where this is judged to be efficient and commercially available.

Corus strives to avoid taking on undue risk exposures whenever possible and ensures any unnecessary risks are aligned with business strategies, objectives, values and risk tolerance.

RISK GOVERNANCE

The Board of Directors is responsible for overseeing management with respect to the management of the principal risks of the Company and ensuring that there are systems in place to effectively monitor and manage these risks. This includes oversight of the implementation of enterprise risk management procedures and the development of entity level controls. The Board carries out its risk management mandate primarily through the support of Board Committees and senior management as follows:

- The Audit Committee, which is responsible for overseeing the Company's policies and processes designed to mitigate and manage applicable regulatory compliance risk, including the adequacy of internal control over financial reporting;
- The Human Resources and Compensation Committee, which is responsible for the Company's policies and processes designed to mitigate and manage risks associated with the Company's compensation plans;
- The Corporate Governance Committee, which is responsible for maintaining and monitoring the Company's governance processes, including its Code of Conduct;
- The Executive Management Team, which is responsible for the establishment of enterprise risk management processes (which is carried out by the Company's Risk Management Committee).

In addition, entity level controls, including the Company's Code of Conduct (which is required to be reviewed and signed to confirm compliance annually by directors and officers of the Company), financial controls and other governance processes are in place and monitored regularly by the Company's Risk and Compliance group (which functions independently from management) who report to the Audit Committee on a quarterly basis.

RISK MANAGEMENT

The Company has established an Enterprise Risk Management Framework ("ERM") which includes identifying, assessing, managing and monitoring the significant risks that impact the Company.

A strategic risk assessment is conducted as part of the Company's strategic planning process to identify and assess the key business risks facing Corus and their potential impact on the achievement of the Company's strategic plans. Emerging risks are included in the assessment and risks are prioritized using standard risk assessment criteria.

The Risk Management Committee ("RMC"), which reports to the Executive Management Team, is mandated to maintain the Company's ERM for identifying, assessing, managing, monitoring and reporting the significant risks that impact the Company. The RMC is comprised of various senior managers from across the organization, with all key operating segments and functions represented. The Committee meets on a quarterly basis to review financial, hazard, operational and strategic risks to the Company. The likelihood and impact of these risks are ranked on a high, medium and low basis. These risks are reviewed by the Company's Disclosure Committee, the Chief Financial Officer and the Chief Executive Officer and finally, with the Board as part of the quarterly risk review process.

RISKS AND UNCERTAINTIES

This section describes the principal risks and uncertainties that could have a material adverse effect on the business and financial results of the Company and its subsidiaries.

IMPACT OF REGULATION ON CORUS' RESULTS OF OPERATIONS

Corus' Radio and Television business activities are regulated by the Canadian Radio-television and Telecommunications Commission ("CRTC" or the "Commission") under the *Broadcasting Act* and, accordingly, Corus' results of operations may be adversely affected by changes in regulations, policies and decisions by the CRTC. The CRTC, among other things, issues licenses to operate radio and television stations. Corus' radio stations must also meet technical operating requirements under the *Radiocommunications Act* and regulations promulgated under the *Broadcasting Act*.

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

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

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

Corus' radio, conventional television, specialty television and pay television undertakings rely upon blanket licenses held by rights-holding collectives to make use of the music component of the programming that is used. The royalties payable for these blanket licenses are determined by tariffs set by the Copyright Board under a regime established by the Copyright Act. These royalties are paid by these undertakings on a monthly basis in the normal course of their business.

The levels of the royalties payable by Corus are subject to change upon application by the collecting societies and approval by the Copyright Board. The Government of Canada may, from time to time, make amendments to the *Copyright Act* to implement Canada's international treaty obligations and for other obligations and purposes. Any such amendments could result in Corus' broadcasting undertakings being required to pay additional royalties for these licenses or be subject to additional administrative costs associated with the tariffs.

Refer also to the *Canadian Communications Industry – Regulatory Environment* section of the Company's Annual Information Form for further information.

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.

A series of CRTC policy statements and substantive decisions under the overall mantle known as "Let's Talk TV" have introduced several changes to the regulatory framework governing Broadcasting Distribution Undertakings ("BDUs") and Broadcasting Undertakings. Some of these could affect the Company. Most of these policies have not as yet appeared as draft regulations that will be subject to a public comment process. This should occur through the balance of this calendar year.

What follows is a précis of changes that could affect the Company. The reader should review the CRTC source documents at www.CRTC.gc.ca for a complete understanding of the proposed changes.

On January 29, 2015, the CRTC asked the industry to examine the process of simultaneous substitution of US network stations by Canadian stations carrying the same program at the same time. The Commission also suggested that substitution of the NFL Super Bowl would be prohibited in 2017. This ban has been subject to a legal challenge by the Canadian rights holder network CTV which supplies the Company's local broadcast stations with programming as of August 30, 2015.

On March 12, 2015, the CRTC eliminated genre protection which allows the Company to adapt the nature of service for its television services according to market conditions. The Commission also established on this date an open entry licensing system, with Canadian ownership status and carriage in more than 200,000 subscriber homes being effectively the only conditions required to be licensed as a Broadcasting Undertaking. The Commission also proposed an open entry system for video on demand services that meet certain criteria.

On March 19, 2015, the CRTC issued a policy statement regarding the revision of the carriage rules for adoption by BDUs. These policy statements will require regulations to implement which have not been released yet. These draft regulations will be subject to a public process.

The proposals include requiring BDUs to offer an entry level basic service of local broadcast stations and certain mandatory distribution specialty services at a maximum price of C$25 retail a month. This will commence March 2016.

The Commission also proposed to group all services into three license categories: basic; discretionary; and on-demand services.

At this time, the CRTC proposed that all BDUs would be required to offer all discretionary services on an à la carte basis, or "build your own package" or in theme pack packages of 10 services. In December 2016, BDUs will be required to expand consumer choice to pure à la carte.

However, the BDU can offer, and a consumer can maintain, their status quo packages. The Commission also proposed an oversight over wholesale pricing and negotiations related thereto but the final policy is not yet in effect and it remains to be seen how this will unfold.

The Commission also proposed changes to the level of linear Canadian Content requirements to commence in 2017. This would reduce the Canadian Content obligations of the Company's services.

On March 26, 2015, the Commission published a draft Television Service Provider Code of Conduct and requested comments. This code mandates clear language on customer agreements, transparency in charges, promotion of new packaging rules, service call scheduling, and rebates for service outages.

On July 9, 2015, the Commission published draft Broadcasting Distribution Regulations for public comment. These draft amendments were to implement the carriage provisions of the Let's Talk TV policies published earlier in the year.

On September 24, 2015, the CRTC published the Wholesale Code. The CRTC stated it's goals for the code: "*The Wholesale Code governs certain aspects of the commercial arrangements between broadcasting distribution undertakings (BDUs), programming undertakings, and exempt digital media undertakings. It will ensure that subscribers have greater choice and flexibility in the programming services they receive, that programming services are diverse, available and discoverable on multiple platforms, and that negotiations between programming services and BDUs are conducted in a fair manner*."

These changes in the regulatory regime may adversely affect the Company's business and operating results.

COMPETITION

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

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

RADIO

The financial success of each of Corus' radio stations is dependent principally upon its share of the overall advertising revenues within its geographic market, its promotional and other expenses incurred to obtain the revenues and the economic strength of its geographic market. Radio advertising revenues are highly dependent upon audience share. Audience share is derived from interest in on-air talent, music formats, and other intangible factors. This can be influenced by the competition. Other stations may change programming formats to compete directly with Corus' stations for listeners and advertisers or launch aggressive promotional campaigns in support of already existing competitive formats. If a competitor, particularly one with substantial financial resources, were to attempt to compete in either of these fashions, ratings at Corus' affected stations could be negatively impacted, resulting in lower net revenues.

Radio broadcasting is also subject to competition from other broadcast, online and print media. Potential advertisers can substitute advertising through the broadcast television system (which can offer concurrent exposure on a number of networks to enlarge the potential audience), daily, weekly and free-distribution newspapers, outdoor billboard advertising, magazines, other print media, direct mail marketing, the Internet and mobile advertising. Competing media commonly target the customers of their competitors, and advertisers regularly shift dollars from radio to these competing media and vice versa. In markets near the U.S. border, such as Kingston, Corus also competes with U.S. radio stations. Accordingly, there can be no assurance that any of Corus' radio stations will be able to maintain or increase their current audience share and advertising revenue share.

Television – broadcast business

The financial success of Corus' specialty and pay television business depends on obtaining revenues from subscription fees and advertising as well as effectively managing programming costs.

i) Advertising and subscriber revenues

Numerous broadcast and specialty television networks compete with Corus for advertising revenues. The CRTC continues to grant new specialty television licenses which further increase competition. Corus' services also compete with a number of foreign programming services which have been authorized for distribution in Canada by the CRTC, such as A&E and CNN. Corus' pay television services are providers of premium movies and series, and also offer classic movies to western Canadian subscribers. These services compete with pay-per-view movie offerings as well as video-on-demand offerings. Moreover, increasingly, Corus' specialty, pay and conventional television services are competing with alternative forms of entertainment that are not regulated by the CRTC (see Technological Developments). This competition takes the form of competition for the supply of programming and also for audiences. This can affect both the costs and revenues of a network. In addition, competition among specialty television services in Canada is highly dependent upon the offering of prices, marketing and advertising support and other incentives to cable operators and other distributors for carriage so as to favourably position and package the services to subscribers to achieve high distribution levels. Any failure by Corus to compete effectively in the areas of specialty and pay television services could materially adversely affect Corus' results of operations.

ii) Programming expenditures

Programming costs are one of the most significant expenses in the Television segment. Although the Company has processes to effectively manage these costs, increased competition in the television broadcasting industry due to factors mentioned above, changes in viewer preferences and other developments could impact the availability and cost of programming content. In addition, programming content may be purchased or commissioned for broadcast one or two years in advance, making it more difficult to predict how such content will perform.

Television – content business

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

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

PRODUCTION OF FILM AND TELEVISION PROGRAMS

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

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

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

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

Consequently, revenue from production and distribution may fluctuate materially from period to period and the results of any one period are not necessarily indicative of results for future periods. Cash flows may also fluctuate and are not necessarily closely correlated with revenue recognition.

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

MERCHANDISING

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

INTELLECTUAL PROPERTY RIGHTS

Corus' trade marks, copyrights and other proprietary rights are important to the Company's competitive position. In particular, the Content group must be able to protect its trade marks, copyrights and other proprietary rights to competitively produce, distribute and license its television programs and published materials and market its merchandise. Accordingly, Corus devotes the Company's resources to the establishment and protection of trade marks, copyrights and other proprietary rights on a worldwide basis. However, from time to time, various third parties may contest or infringe upon the Company's intellectual property rights.

The Company reviews these matters to determine what, if any, actions may be required or should be taken, including legal action or negotiated settlement. There can be no assurance that the Company's actions to establish and protect trade marks, copyrights and other proprietary rights will be adequate to prevent imitation or unauthorized reproduction of the Company's products by others or prevent third parties from seeking to block sales, licensing or reproduction of these products as a violation of their trade marks, copyrights and proprietary rights.

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

PRODUCTION OF WEBSITES

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

TECHNOLOGICAL DEVELOPMENTS

New or alternative media technologies and business models, such as video-on-demand, subscription-video-on-demand, high-definition television, personal video recorders, mobile television, internet protocol television, over-the-top internet-based video entertainment services, digital radio services, satellite radio and direct-to-home satellite have recently begun to compete, or may in the future compete, for programming and audiences. As well, mobile devices like smart phones and tablets are allowing consumers to access content anywhere, anytime. These technologies and business models may increase audience fragmentation, reduce the Company's ratings or have an adverse effect on advertising revenues from local and national audiences. These or other technologies and business models may have a material adverse effect on Corus' business, results of operations or financial condition.

ACQUISITIONS AND OTHER STRATEGIC TRANSACTIONS

The Company may, from time to time, make acquisitions and enter into other strategic transactions which involve significant risks and uncertainties. As such, the Company may experience difficulties in realizing the anticipated benefits, incur unanticipated expenses and/or have difficulty incorporating or integrating the acquired business, the occurrence of which could have a material adverse effect on the Company.

DISTRIBUTION

Corus enters into long-term agreements with various cable and satellite providers for the distribution of its television services. As the contracts expire, there could be a negative impact on revenues if the Company is unable to renew them on acceptable terms which include revenues per subscriber and packaging that ultimately determines the networks' household reach.

ECONOMIC CONDITIONS

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

CAPITAL MARKETS

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

INTEREST RATE AND FOREIGN EXCHANGE RISK

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

Interest rates

The Company utilizes long-term financing extensively in its capital structure, which includes a banking facility, as more fully described in note 13 to the audited consolidated financial statements. Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR.

The Company manages its exposure to floating interest rates through maintaining a balance of fixed rate and floating rate debt. As at August 31, 2015, 87% (2014 – 79%) of the Company's consolidated long-term debt was fixed with respect to interest rates. From time-to-time, Corus also manages this risk through the use of interest rate swap contracts to fix the interest rate on its floating rate debt.

Foreign exchange

A portion of the Company's revenues and expenses is in currencies other than Canadian dollars and, therefore, is subject to fluctuations in exchange rates. Approximately 5% of Corus' total revenues in fiscal 2015 (2014 – 4%) were in foreign currencies, the majority of which was U.S. dollars.

The impact of foreign exchange gains and losses are described in note 23 to the audited consolidated financial statements.

INFORMATION SYSTEMS AND INTERNAL BUSINESS PROCESSES

The day-to-day operations of the Company are highly dependent on information technology systems and internal business processes. An inability to operate or enhance information technology systems could have an adverse impact on the Company's ability to produce accurate and timely invoices, manage operating expenses and produce accurate and timely financial reports. Although the Company has taken steps to reduce these risks, there can be no assurance that potential failures of, or deficiencies in, these systems or processes will not have an adverse effect on the Company's operating results.

HOLDING COMPANY STRUCTURE

Substantially all of Corus' business activities are operated by its subsidiaries. As a holding company, the Company's ability to meet its financial obligations is dependent primarily upon the receipt of interest and principal payments on intercompany advances, management fees, cash dividends and other payments from its subsidiaries together with proceeds raised by the Company through the issuance of equity and the incurrence of debt, and from proceeds received on the sale of assets. The payment of dividends and making of loans, advances and other payments to the Company by its subsidiaries may be subject to statutory or contractual restrictions, are contingent upon the earnings of those subsidiaries and are subject to various business and other considerations.

DIVIDEND PAYMENTS

The Company currently pays monthly share dividends on both its Class A and Class B shares in amounts approved quarterly by the Board of Directors. While the Company expects to generate sufficient free cash flow in fiscal 2016 to fund these dividend payments, if actual results are different from expectations there can be no assurance that the Company will continue common share dividend payments at the current level.

CONTINGENCIES

The Company and its subsidiaries are involved in litigation arising in the ordinary course and conduct of its business. The Company recognizes liabilities for contingencies when a loss is probable and capable of being estimated. As at August 31, 2015, there were no actions, suits or proceedings pending or against the Company or its subsidiaries which would, in management's estimation, likely be determined in such a manner as to have a material adverse effect on the business of the Company.

2015 FINANCIAL GUIDANCE

At its annual Investor Day on November 20, 2014, the Company confirmed its previously announced fiscal 2015 guidance of $300.0 million to $320.0 million in consolidated segment profit and free cash flow in excess of $180.0 million.

In the second quarter of fiscal 2015, the Company announced that it did not expect to achieve the low end of the segment profit guidance for the fiscal year. In the third quarter based on the year-to-date financial results, the Company confirmed that it would not meet the low end of the segment profit guidance for the fiscal year; however free cash flow guidance would remain unchanged. As expected, actual segment profit of $277.2 million was below fiscal 2015 guidance of $300.0 million to $320.0 million due to economic headwinds that negatively impacted advertising market confidence and revenues including a decline in the Canadian dollar since January 1, 2015, a surprise interest rate cut, a plunge in oil prices and the closure of large retail stores such as Target Canada. Actual free cash flow for fiscal 2015 was a record $201.2 million, exceeding the guidance of in excess of $180.0 million originally set, as the Company did an excellent job managing working capital and benefitted from a gain on a strategic investment in the second quarter.

The Company will not provide specific financial guidance for fiscal 2016.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions are reviewed by Corus' Corporate Governance Committee which is comprised mainly of independent directors. The following sets forth the certain transactions in which the Company is involved.

TRANSACTIONS

The Company has transacted business in the normal course with Shaw Communications Inc. and with entities over which the Company exercises significant influence and joint control. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and have normal trade terms.

SHAW COMMUNICATIONS INC. ("SHAW")

The Company and Shaw are subject to common voting control. During the year, the Company received cable subscriber, programming and advertising fees of $111.4 million (2014 - $118.5 million), and $0.3 million of production and distribution revenues (2014 - nil) from Shaw. In addition, the Company paid cable and satellite system distribution access fees of $5.7 million (2014 - $5.6 million) and administrative and other fees of $2.7 million (2014 - $1.9 million) to Shaw. At August 31, 2015, the Company had $21.4 million (2014 - $22.3 million) receivable from Shaw.

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

SPECIALTY CHANNELS

During the year, the Company received administrative and other fees of $5.0 million (2014 - $4.9 million) from its non-wholly owned specialty channels including CMT (Canada), Cosmopolitan TV, and TLN. At August 31, 2015, the Company had $0.1 million (2014 - $0.1 million) receivable from these entities.

KEY MANAGEMENT PERSONNEL

Key management personnel consist of the Board of Directors and the Executive Management Team, who have the authority and responsibility for planning, directing and controlling the activities of the Company. The Executive Management Team are also officers of the Company.

Included in other investments (note 5 to the audited consolidated financial statements) is a loan of nil (2014 - $0.2 million) made to the former Chief Executive Officer of the Company for housing purposes prior to July 31, 2002. As part of the retirement arrangement for this executive, the Company waived the repayment of the loan on the date of retirement, March 30, 2015.

CONTROL OF THE COMPANY BY THE SHAW FAMILY

As at October 31, 2015, JR Shaw and members of his family, and the corporations owned and/or controlled by JR Shaw and members of his family (the "Shaw Family Group") own approximately 85% of the outstanding Class A Voting Shares of the Company. The Class A Voting Shares are the only shares entitled to vote in all shareholder matters except in limited circumstances as described in the Company's Annual Information Form. All of the Class A Voting Shares held by the Shaw Family Group are voted as determined by JR Shaw. Accordingly, the Shaw Family Group is, and as long as it owns a majority of the Class A Voting Shares will continue to be, able to elect a majority of the Board of Directors of the Company and to control the vote on matters submitted to a vote of the Company's Class A shareholders.

OUTSTANDING SHARE DATA

As at October 31, 2015, 3,425,792 Class A Voting Shares and 83,952,854 Class B Non-Voting Shares were issued and outstanding. Class A Voting Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. The Class B Non-Voting Shares are convertible into an equivalent number of Class A Voting Shares in limited circumstances as described in the Company's most recent Annual Information Form.

IMPACT OF NEW ACCOUNTING POLICIES

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 Cash Generating Unit ("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 costs to sell ("FVLCS"). The amendment was effective for annual periods beginning on or after January 1, 2014, retrospectively, with early adoption permitted. The Company elected to early adopt the provisions of these amendments in its annual audited 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 was effective for annual periods beginning on or after January 1, 2014, which was September 1, 2014 for Corus and was applied retrospectively. The adoption of this standard had no impact on the Company's consolidated financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 9 - Financial Instruments: Classification and Measurement

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments which reflects all phases of the financial instrument project and replaces IAS 39 – *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for recognition and measurement impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers*, 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, 2018, which will be September 1, 2018 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 on 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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company's significant accounting policies are described in note 3 to the fiscal 2015 audited consolidated financial statements and notes thereto, which have been prepared in accordance with IFRS. The preparation of these fiscal 2015 consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, and related disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods.

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

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

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

FILM INVESTMENTS

The individual-film-forecast-computation method is used to determine amortization. Under this method, capitalized costs and the estimated total costs of participations and residuals, net of anticipated federal and provincial program contributions, production tax credits and co-producers' share of production costs for an individual film or television program, are charged to amortization expense on a series or program basis in the same ratio that current period actual revenues bear to management's estimates of the total future revenue expected to be received from such film or television program over a period not to exceed 10 years from the date of delivery. Future revenues are based on historical sales performance for the genre of series or program, the number of episodes produced and the availability of rights in each territory. Estimates of future revenues can change significantly due to the level of market acceptance of film and television products. Accordingly, revenue estimates are reviewed periodically and amortization is adjusted prospectively. In addition, if revenue estimates change significantly with respect to a film or television program, the Company may be required to write down all or a portion of the unamortized costs of such film or television program, therefore impacting direct cost of sales, general and administrative expenses and profitability.

IMPAIRMENT OF LONG-LIVED ASSETS

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

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

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

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

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

During fiscal 2015, the Company recorded impairment charges totaling $181.8 million. In the third quarter, the Company recorded non-cash impairment charges of $51.8 million in program rights and film investments. These charges related to a strategic, in-depth review of the television programming slate to determine what programming would best position its television services in the new regulatory environment. Programs that were not delivering adequate audience ratings were considered impaired and were written down accordingly. In addition, certain film investments were also considered impaired and written down accordingly. These film investments primarily related to certain boys action properties from Nelvana which were no longer supported by merchandising sales as the current lifecycle of the toy properties had ended. In addition, equity film investments made by the Pay TV vertical were written down as well, as the present value of the expected cash flows for these investments no longer supported their carrying value.

In the second quarter, the Company recorded non-cash impairment charges of $130.0 million related to certain broadcast licenses and goodwill related to the radio business. 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 not have resulted in a material change in either the broadcast license or goodwill impairment in the Radio segment.

The Company has completed its annual impairment testing of goodwill and indefinite lived intangible assets in the fourth quarter of fiscal 2015 and concluded that there were no additional impairment charges required. The Company also assessed for indicators that previous impairment losses had decreased. There were no previously recorded impairment charges reversed.

INCOME TAXES

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

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

EMPLOYMENT BENEFIT PLANS

The Company has four defined benefit plans for certain unionized and non-unionized employees and two supplementary executive retirement plans which provide pension benefits to certain of its key senior executives. The amounts reported in the consolidated financial statements related to these plans are determined using actuarial valuations that are based on several assumptions. The assumptions and estimates include the discount rate, rate of compensation increase, trend in healthcare costs and expected average remaining years of service of employees. Changes to these assumptions and estimates and plan asset performance that differs from the discount rate used would impact the amounts recorded in the consolidated financial statements related to these plans. As well, market-driven changes may result in changes in the discount rates and other variables which would result in the Company being required to make contributions in the future that differ significantly from the current contributions and assumptions incorporated into the actuarial valuation process.

The significant assumptions used on the benefit obligation are disclosed in note 28 of the audited consolidated financial statements.

SHARE-BASED COMPENSATION

In the evaluation of the fair value of stock options, Deferred Share Units ("DSUs"), Performance Share Units ("PSUs"), and Restricted Share Units ("RSUs") granted to eligible officers, directors and employees, the Company makes estimates and assumptions. Critical estimates and assumptions related to stock options include their expected life, the risk-free interest rate and the expected volatility of the market price of the shares. Critical estimates and assumptions related to DSUs, PSUs and RSUs include number of units expected to vest, the estimated dividend equivalents, and the achievement of specific vesting conditions. The Company believes that the assumptions used are reasonable based on information currently available, but changes to these assumptions could impact the fair value of stock options, DSUs, PSUs and RSUs and therefore, the share-based compensation costs recorded in direct cost of sales, general and administrative expenses.

CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer, together with management, are responsible for establishing and maintaining disclosure controls and procedures (as defined in National Instrument 52-109) and have designed such disclosure controls and procedures (or have caused it to be designed under their supervision) to provide reasonable assurance that material information with respect to Corus, including its consolidated subsidiaries, is made known to them. Disclosure controls and procedures ensure that information required to be disclosed by Corus in the reports that it files or submits under the provincial securities legislation is recorded, processed, summarized and reported within the time periods required. Corus has adopted or formalized such disclosure controls and procedures as it believes are necessary and consistent with its business and internal management and supervisory practices.

The Company's Chief Executive Officer and Chief Financial Officer, supported by Corus' management, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by these annual filings, and have concluded that, as of August 31, 2015, the Company's disclosure controls and procedures were effective.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any of the effectiveness of internal control are subject to the risk that the controls or that the degree of compliance with the policies and procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

The Chief Executive Officer and Chief Financial Officer, supported by the Company's management, evaluated the effectiveness of the Company's internal control over financial reporting, as of August 31, 2015, based on the framework set forth in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on its evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective as of that date.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting that occurred during fiscal 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

ADDITIONAL INFORMATION

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

Corus maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, and that the Company's assets are appropriately accounted for and adequately safeguarded. During the past year, management has maintained the operating effectiveness of internal control over external financial reporting. As at August 31, 2015, the Company's Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation of under their direct supervision, the design and operation of the Company's internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) and, based on that assessment, determined that the Company's internal controls over financial reporting were appropriately designed and operating effectively.

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

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

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditors on behalf of the shareholders. Ernst & Young LLP has full and free access to the Committee.

Douglas D. Murphy
President and
Chief Executive Officer

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

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CORUS ENTERTAINMENT INC.

We have audited the accompanying consolidated financial statements of Corus Entertainment Inc., which comprise the consolidated statements of financial position as at August 31, 2015 and 2014, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Corus Entertainment Inc**. as at August 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada,
November 4, 2015

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)	**As at August 31, 2015**	As at August 31, 2014
ASSETS		
Current		
Cash and cash equivalents	**37,422**	11,585
Accounts receivable *(note 4 and 23)*	**164,600**	183,009
Income taxes recoverable *(note 20)*	**12,439**	9,768
Prepaid expenses and other	**13,855**	13,032
Total current assets	**228,316**	217,394
Tax credits receivable	**25,958**	29,044
Intangibles, investments and other assets *(note 5)*	**60,589**	47,630
Property, plant and equipment *(note 6)*	**139,140**	143,618
Program and film rights *(note 7)*	**315,899**	330,437
Film investments *(note 8)*	**36,549**	63,455
Broadcast licenses *(notes 9 and 10)*	**956,984**	979,984
Goodwill *(notes 9 and 10)*	**827,859**	934,859
Deferred tax assets *(note 20)*	**40,815**	38,161
	2,632,109	2,784,582
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities *(note 11)*	**210,971**	170,411
Provisions *(note 12)*	**8,930**	5,314
Current portion of long-term debt *(note 13)*	**150,000**	—
Total current liabilities	**369,901**	175,725
Long-term debt *(note 13)*	**651,002**	874,251
Other long-term liabilities *(note 14)*	**138,833**	171,793
Deferred tax liabilities *(note 20)*	**252,462**	252,687
Total liabilities	**1,412,198**	1,474,456
Share capital *(note 15)*	**994,571**	967,330
Contributed surplus	**9,471**	8,385
Retained earnings	**191,182**	313,361
Accumulated other comprehensive income *(note 16)*	**7,353**	3,767
Total equity attributable to shareholders	**1,202,577**	1,292,843
Equity attributable to non-controlling interest	**17,334**	17,283
Total shareholders' equity	**1,219,911**	1,310,126
	2,632,109	2,784,582

See accompanying notes

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the years ended August 31,

(in thousands of Canadian dollars except per share amounts)	**2015**	2014
Revenues	**815,315**	833,016
Direct cost of sales, general and administrative expenses *(note 17)*	**538,128**	543,378
Depreciation and amortization *(notes 5 and 6)*	**24,057**	24,068
Interest expense *(note 18)*	**50,936**	48,320
Broadcast license and goodwill impairment *(notes 9 and 10)*	**130,000**	83,000
Intangible impairment *(notes 7 and 8)*	**51,786**	—
Business acquisition, integration and restructuring costs *(notes 12 and 26)*	**19,032**	46,792
Gain on acquisition *(note 26)*	**—**	(127,884)
Other (income) expense, net *(note 19)*	**(10,117)**	5,740
Income (loss) before income taxes	**11,493**	209,602
Income tax expense *(note 20)*	**30,993**	53,433
Net income (loss) for the year	**(19,500)**	156,169
Net income (loss) attributable to:		
Shareholders	**(25,154)**	150,408
Non-controlling interest	**5,654**	5,761
	(19,500)	156,169
Earnings (loss) per share attributable to shareholders:		
Basic	**$ (0.29)**	$ 1.77
Diluted	**$ (0.29)**	$ 1.76
Net income (loss) for the year		156,169
Other comprehensive income (loss), net of tax: *(note 16)*	**(19,500)**	
Items that may be reclassified subsequently to income:		
Unrealized foreign currency translation adjustment	**4,158**	1,720
Unrealized change in fair value of available-for-sale investments	**(306)**	446
Unrealized change in fair value of cash flow hedges	**(266)**	(52)
Actuarial (loss) gain on employee future benefits	**686**	(2,188)
	4,272	(74)
Comprehensive income (loss) for the year	**(15,228)**	156,095
Comprehensive income (loss) attributable to:		
Shareholders	**(20,882)**	150,334
Non-controlling interest	**5,654**	5,761
	(15,228)	156,095

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)	Share capital *(note 15)*	Contributed surplus *(note 15)*	Retained earnings	Accumulated other comprehensive income (loss) *(note 16)*	Total equity attributable to shareholders	Non-controlling interest	Total equity
At August 31, 2014	967,330	8,385	313,361	3,767	1,292,843	17,283	1,310,126
Comprehensive income	—	—	(25,154)	4,272	(20,882)	5,654	(15,228)
Actuarial loss transfer	—	—	686	(686)	—	—	—
Dividends declared	—	—	(97,711)	—	(97,711)	(5,603)	(103,314)
Issuance of shares under stock option plan	6,741	(1,090)	—	—	5,651	—	5,651
Issuance of shares under dividend reinvestment plan	20,500	—	—	—	20,500	—	20,500
Share-based compensation expense	—	2,176	—	—	2,176	—	2,176
At August 31, 2015	**994,571**	**9,471**	**191,182**	**7,353**	**1,202,577**	**17,334**	**1,219,911**
At August 31, 2013	937,183	7,221	256,517	1,653	1,202,574	18,259	1,220,833
Comprehensive income	—	—	150,408	(74)	150,334	5,761	156,095
Actuarial gain transfer *(note 16)*	—	—	(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

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended August 31,

(in thousands of Canadian dollars)	2015	2014
OPERATING ACTIVITIES		
Net income (loss) for the year	**(19,500)**	156,169
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization *(notes 5 and 6)*	**24,057**	24,068
Broadcast license and goodwill impairment *(notes 9 and 10)*	**130,000**	83,000
Intangible asset impairment *(notes 7 and 8)*	**51,786**	—
Amortization of program and film rights *(notes 7 and 17)*	**213,457**	207,639
Amortization of film investments *(notes 8 and 17)*	**27,851**	19,808
Deferred income taxes *(note 20)*	**(2,970)**	5,638
Increase in purchase price obligation *(note 26)*	**—**	3,336
Share-based compensation expense *(note 15)*	**2,176**	2,026
Imputed interest *(note 18)*	**14,620**	14,698
Tangible benefit obligation *(note 26)*	**—**	31,916
Gain on disposition of investment *(notes 5 and 19)*	**(16,964)**	—
Gain on acquisition *(note 26)*	**—**	(127,884)
Other	**5,360**	2,402
Net change in non-cash working capital balances related to operations *(note 24)*	**18,183**	22,945
Payment of program and film rights	**(202,728)**	(225,935)
Net additions to film investments	**(34,965)**	(25,349)
Cash provided by operating activities	**210,363**	194,477
INVESTING ACTIVITIES		
Additions to property, plant and equipment *(note 6)*	**(16,671)**	(11,976)
Business combinations *(note 26)*	**—**	(497,393)
Proceeds from disposition of investment *(note 5 and 19)*	**18,490**	—
Net cash flows for intangibles, investments and other assets *(notes 5 and 19)*	**(24,829)**	(11,493)
Other	**(5,905)**	(5,384)
Cash used in investing activities	**(28,915)**	(526,246)
FINANCING ACTIVITIES		
Increase (decrease) in bank loans	**(74,670)**	333,243
Financing fees *(note 13)*	**(750)**	(587)
Issuance of shares under stock option plan	**5,651**	4,603
Dividends paid	**(76,228)**	(65,474)
Dividends paid to non-controlling interest	**(5,603)**	(6,737)
Other	**(4,011)**	(2,960)
Cash provided by (used in) financing activities	**(155,611)**	262,088
Net change in cash and cash equivalents during the year	**25,837**	(69,681)
Cash and cash equivalents, beginning of the year	**11,585**	81,266
Cash and cash equivalents, end of the year	**37,422**	11,585

Supplemental cash flow disclosures *(note 24)*
See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. CORPORATE INFORMATION

Corus Entertainment Inc. (the "Company" or "Corus") is a Canadian-based integrated media and content 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 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 specialty, pay and conventional television networks; the operation of radio stations; 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. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have been prepared using the accounting policies in Note 3.

These consolidated financial statements have been authorized for issue in accordance with a resolution from the Board of Directors on October 22, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

BASIS OF CONSOLIDATION

Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, which are the entities over which the Company has control. Control exists when the entity is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The non-controlling interest component of the Company's subsidiaries is included in equity.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The determination of control is assessed either through share ownership and/or control of the subsidiaries board of directors, which may require significant judgment.

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

Associates and joint arrangements

Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement in which the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control or significant influence are similar to those necessary to determine control over subsidiaries. The Company accounts for investments in associates and joint ventures using the equity method.

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

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

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

BUSINESS COMBINATIONS

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

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

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

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

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

REVENUE RECOGNITION

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

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

The Company's revenues related to production and distribution revenues from the distribution and licensing of film rights; royalties from merchandise licensing, publishing and music contracts; sale of licenses, customer support, training and consulting related to the animation software business; revenues from customer support; and sale of books are recognized when the significant risks and rewards of ownership have transferred to the buyer; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; the stage of completion of the transaction at the end of the reporting period can be measured reliably; the costs incurred for the transaction and the costs to complete the transaction can be measured reliably; and the Company does not retain either continuing managerial involvement or effective control.

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

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term deposits with maturities of less than three months at the date of purchase. Cash that is held in escrow, or otherwise restricted from use, is excluded from current assets and is reported separately from cash and cash equivalents.

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

BORROWING COSTS

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

PROGRAM RIGHTS

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

The amortization period and the amortization method for program rights are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization of program rights is included in direct cost of sales, general and administrative expenses and has been disclosed separately in the consolidated statements of cash flows.

FILM INVESTMENTS

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

The individual-film-forecast-computation method is used to determine amortization. Under this method, capitalized costs and the estimated total costs of participations and residuals, net of anticipated federal and provincial program contributions, production tax credits and co-producers' share of production costs, are charged to amortization expense on a series or program basis in the same ratio that current period actual revenues (numerator) bears to estimated remaining unrecognized future revenues as of the beginning of the current fiscal year (denominator). Future revenues are projected for periods generally not exceeding 10 years from the date of delivery or acquisition. For episodic television series, future revenues include estimates of revenues over a period generally not exceeding 10 years from the date of delivery of the first episode or, if still in production, five years from the date of delivery of the most recent episode, if later. Future revenues are based on historical sales performance for the genre of series or program, the number of episodes produced and the availability of rights in each territory. Estimates of future revenues can change significantly due to the level of market acceptance of film and television products. Accordingly, revenue estimates are reviewed periodically and amortization is adjusted prospectively. In addition, if revenue estimates change significantly with respect to a film or television program, the Company may be required to write down all or a portion of the unamortized costs of such film or television program, therefore impacting direct cost of sales, general and administrative expenses and profitability.

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

Completed project and distribution rights are stated at the lower of unamortized cost and recoverable amount as determined on a series or program basis. Revenue and cost forecasts for each production are evaluated at each reporting date in connection with a comprehensive review of the Company's film investments, on a title-by-title basis. When an event or change in circumstances indicates that the recoverable amount of a film is less than its unamortized cost, the carrying value is compared to the recoverable amount and if the carrying value is higher, the carrying value is written down to the recoverable amount. The recoverable amount of the film is determined using management's estimates of future revenues under a discounted cash flow approach.

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

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

GOODWILL AND INTANGIBLE ASSETS

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

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

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

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

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

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

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

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

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

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

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

CGUs for broadcast license impairment testing

For the Television segment, the Company has determined that there are two CGUs: (1) Managed Brands consisting of specialty and pay television networks that are operated and managed directly by the Company; and (2) Other, as these are the levels at which independent cash inflows have been identified.

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

Groups of CGUs for goodwill impairment testing

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

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

GOVERNMENT FINANCING AND ASSISTANCE

The Company has access to several government programs that are designed to assist film and television production in Canada. Funding from certain programs provides a supplement to a series' Canadian license fee and is recorded as revenue when cash has been received. Government assistance with respect to federal and provincial production tax credits is recorded as a reduction of film investments when eligible expenditures are made and there is reasonable assurance of realization. Assistance in connection with internally produced film investments is recorded as a reduction in film investments. The accrual of production tax credits on a contemporaneous basis with production expenditures is based on a five-year historical trending of the ratio of actual production tax credits received to total production tax credits applied for.

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

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

FOREIGN CURRENCY TRANSLATION

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

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

INCOME TAXES

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

Current income tax

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

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

Deferred income tax

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

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

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

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

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

PROVISIONS

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

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

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

FINANCIAL INSTRUMENTS

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

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

The Company has classified its financial instruments as follows:

Fair value through profit or loss	**Loans and receivables**	**Available-for-sale**	**Other financial liabilities**	**Derivatives**
• Cash and cash equivalents	• Accounts receivable • Loans and other receivables included in "investments and intangibles"	• Other portfolio investments included in "investments and intangibles" • Third-party-produced equity film investments	• Accounts payable, accrued liabilities, and provisions • Long-term debt • Other long-term financial liabilities included in "Other long-term liabilities"	• Derivatives that are part of a cash flow hedging relationship

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried at fair value. Changes in fair value are recognized in other income (expense) in the consolidated statements of income and comprehensive income.

Loans and receivables

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

Financial assets classified as AFS

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

Other financial liabilities

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

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

Derivatives

Derivatives that are part of an established and documented cash flow hedging relationship, such as interest rate swap agreements and forward currency contracts, are initially presented at their fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Gains or losses arising from the revaluation are included in other comprehensive income (loss) to the extent of hedge effectiveness.

Instruments that have been entered into by the Company to hedge exposure to interest rate risk or foreign currency risks are reviewed on a regular basis to ensure the hedges are still effective and that hedge accounting continues to be appropriate.

Derecognition

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

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

Determination of fair value

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

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

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

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

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

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

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

The fair value of portfolio investments measured at fair value are classified within Level 2 because even though the security is listed, it is not actively traded. The Company determines the fair value for interest rate swaps as the net discounted future cash flows using the implied zero-coupon forward swap yield curve. The change in the difference between the discounted cash flow streams for the hedged item and the hedging item is deemed to be hedge ineffectiveness and is recorded in the consolidated statements of income. The fair value of the interest rate swap is based on forward yield curves, which are observable inputs provided by banks and available in other public data sources, and are classified within Level 2.

The fair value of the 4.25% Senior Unsecured Guaranteed Notes ("2020 Notes") are classified within Level 2 because they are traded, however, in what is not considered an active market.

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

The fair value of investments in venture funds are not reliably measured because their fair value is neither evidenced by a quoted price in an active market for an identical asset nor based on a valuation technique that uses only data from unobservable markets. Given the early stage nature of the underlying investments of the venture funds, they are measured at cost.

HEDGES

Hedge accounting is applied to interest rate swap agreements to fix the interest rate on the term facility. In order to apply hedge accounting, a high correlation (which indicates effectiveness) is required in the offsetting changes in the values of the financial instruments (the hedging items) used to establish the designated hedging relationships at inception and actual effectiveness for each reporting period thereafter. A designated hedging relationship is assessed at inception for its anticipated effectiveness and actual effectiveness for each reporting period thereafter. Any ineffectiveness is reflected in the consolidated statements of income and other comprehensive income as financing costs within other expense (income), net.

In the application of hedge accounting, an amount (the hedge value) is recorded on the consolidated statements of financial position in respect of the fair value of the hedging item. The net difference, if any, between the amount recognized in the determination of net income and the amounts necessary to reflect the fair value of the designated cash flow hedging items on the consolidated statexments of financial position is recognized as a component of OCI.

SHARE-BASED COMPENSATION

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

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

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

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

Eligible executives may be granted awards of DSUs, PSUs and RSUs equivalent in value to Class B Non-Voting Shares of the Company. DSUs, PSUs and RSUs vest after three to five years and are settled in cash at the end of the restriction period or, in the case of DSUs, when the executive is no longer employed with the Company. DSUs, PSUs and RSUs are accrued over the three to five-year vesting period as share-based compensation expense and a related liability.

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

Each DSU, PSU and RSU entitles the participant to receive a cash payment in an amount equal to the 20-day volume weighted average price ("VWAP") of Class B Non-Voting Shares of the Company traded on the TSX at the end of the restriction period, multiplied by the number of vested units determined by achievement of vesting conditions.

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

EMPLOYEE BENEFITS

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

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

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

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

IMPAIRMENT OF LONG-LIVED ASSETS

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

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

Goodwill

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

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

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

Broadcast licenses

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

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

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

Intangible assets and property, plant and equipment

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

LEASES

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

EARNINGS PER SHARE

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

USE OF ESTIMATES AND JUDGMENTS

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

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

- future revenue projections used in determining amortization of film investments;
- the recoverability of long-lived assets including property, plant and equipment, program and film rights, film investments, goodwill, broadcast licenses and intangible assets;
- determining fair value of share-based compensation;
- certain actuarial and economic assumptions used in determining defined benefit pension costs, accrued pension benefit obligations and pension plan assets;
- the estimated useful lives of assets; and
- tax provisions and uncertain tax positions in each of the jurisdictions in which the Company operates.

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

- assessments about whether line items are sufficiently material to warrant separate presentation in the primary financial statements and, if not, whether they are sufficiently material to warrant separate presentation in the financial statement notes;
- identifying CGUs;
- the allocation of the Company's net assets, including shared corporate and administrative assets, to the Company's CGUs when determining their carrying amounts;
- determining that broadcast licenses have indefinite lives;
- determining control for purposes of consolidation of an investment; and
- determining tax rate for recognition of deferred income tax on broadcast licenses.

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

CHANGES IN ACCOUNTING POLICIES

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 Cash Generating Unit ("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 costs to sell ("FVLCS"). The amendment was effective for annual periods beginning on or after January 1, 2014, retrospectively, with early adoption permitted. The Company elected to early adopt the provisions of these amendments in its annual audited 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 was effective for annual periods beginning on or after January 1, 2014, which was September 1, 2014 for Corus and was applied retrospectively. The adoption of this standard had no impact on the Company's consolidated financial statements.

PENDING ACCOUNTING CHANGES

IFRS 9 – *Financial Instruments: Classification and Measurement*

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* which reflects all phases of the financial instrument project and replaces IAS 39 – *Financial Instruments*: *Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for recognition and measurement impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 15 – *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers*, 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, 2018, which will be September 1, 2018 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 on 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.

4. ACCOUNTS RECEIVABLE

	2015	2014
Trade	**155,232**	168,969
Other	**12,523**	19,840
	167,755	188,809
Less allowance for doubtful accounts	**3,155**	5,800
	164,600	183,009

5. 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	4,268	5,006	13,708
Investment impairment	—	(706)	—	(706)
Equity loss in associates	—	(1,685)	—	(1,685)
Amortization of intangibles	(7,177)	—	—	(7,177)
Fair value adjustment	—	—	515	515
Balance — August 31, 2014	16,983	8,587	22,060	47,630
Increase in investment	8,070	10,884	7,717	26,671
Equity loss in associates	—	(3,299)	—	(3,299)
Return of capital from venture funds	—	—	(2,569)	(2,569)
Amortization of intangibles	(7,422)	—	—	(7,422)
Fair value adjustment	—	—	(422)	(422)
Balance — August 31, 2015	**17,631**	**16,172**	**26,786**	**60,589**

INTANGIBLES

Intangible assets are comprised of software, patents, customer lists, brand names, trade marks and digital rights. The Company expects the net book value of intangible assets with a finite life to be amortized by December 2020.

OTHER

Other is primarily comprised of investments in venture funds totaling $21,194 (2014 – $17,880). These venture funds invest in early growth stage companies that are pursuing opportunities in technology, mobile media and consumer sectors.

INVESTMENTS IN ASSOCIATES

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

KIN (formerly Digital Entertainment Company of America)

KIN is a digital media production company structured around digital video content, its creators, and the platforms that enable the creation and distribution of content. KIN owns and operates KIN Community, a women-targeted multi-channel network on YouTube, KIN Studios and a portfolio of brands.

Fingerprint Digital Inc.

Fingerprint is a technology company providing a turnkey mobile solution to content creators and distributors seeking to link mobile offerings within one branded network. Its focus is educational gaming platforms for kids and their parents across any connected device.

SoCast Inc. (formerly Supernova Interactive Inc.)

SoCast Inc. is a digital media company that develops and creates software service platforms, including its social relationship management platform for entertainment companies.

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

	2015	2014
Assets	**18,372**	8,926
Liabilities	**(2,200)**	339
Net assets	**16,172**	8,587

For the year ended August 31,	2015	2014
Revenues	**4,397**	885
Expenses	**7,696**	2,570
Net (loss) income for the year	**(3,299)**	(1,685)

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Broadcasting and computer equipment	Buildings and leasehold improvements	Furniture and fixtures	Other	Total
Cost						
Balance — August 31, 2013	5,539	140,872	106,101	18,787	2,463	273,762
Addition	—	9,049	1,124	318	2,109	12,600
Acquisitions	—	783	—	37	80	900
Disposals and retirements	—	(4,414)	(154)	(383)	(92)	(5,043)
Balance — August 31, 2014	5,539	146,290	107,071	18,759	4,560	282,219
Additions	—	11,014	3,797	388	1,727	16,926
Disposals and retirements	—	(32,059)	(686)	(1,377)	(215)	(34,337)
Balance — August 31, 2015	**5,539**	**125,245**	**110,182**	**17,770**	**6,072**	**264,808**
Accumulated depreciation						
Balance — August 31, 2013	—	89,085	23,110	9,139	1,236	122,570
Depreciation	—	11,858	5,650	2,595	90	20,193
Impairments	—	—	1,240	—	—	1,240
Disposals and retirements	—	(4,886)	(123)	(369)	(24)	(5,402)
Balance — August 31, 2014	—	96,057	29,877	11,365	1,302	138,601
Depreciation	—	12,241	5,297	2,453	63	20,054
Disposals and retirements	—	(31,039)	(461)	(1,335)	(152)	(32,987)
Balance — August 31, 2015	**—**	**77,259**	**34,713**	**12,483**	**1,213**	**125,668**
Net book value						
August 31, 2014	5,539	50,233	77,194	7,394	3,258	143,618
August 31, 2015	**5,539**	**47,986**	**75,469**	**5,287**	**4,859**	**139,140**

Included in property, plant and equipment are assets under finance lease with a cost of $26,526 at August 31, 2015 (2014 – $28,297) and accumulated depreciation of $19,489 (2014 – $19,080).

7. PROGRAM AND FILM RIGHTS

Balance — August 31, 2013	232,587
Additions	220,966
Transfers from film investments	6,984
Acquisitions (note 26)	77,539
Amortization	(207,639)
Balance — August 31, 2014	330,437
Additions	222,586
Transfers from film investments	7,011
Impairment charges	(30,678)
Amortization	(213,457)
Balance — August 31, 2015	**315,899**

	2015	2014
Cost	**1,021,096**	967,159
Accumulated amortization and impairments	**705,197**	636,722
Net book value	**315,899**	330,437

During the third quarter of fiscal 2015, the Company undertook a strategic, in depth review of the television programming slate to determine what programming will best position its television services in the new regulatory environment. Programs that were not delivering adequate audience ratings were considered impaired and were written down accordingly. As a result, the Company has recorded non-cash impairment charges in program rights of $30,678 in the third quarter of fiscal 2015. These charges are excluded from the determination of segment profit.

The Company expects that 47% of the net book value of program and film rights will be amortized during the year ended August 31, 2016. The Company expects the net book value of program and film rights to be amortized by September 2021.

8. FILM INVESTMENTS

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

Balance — August 31, 2013	62,274
Additions	47,774
Tax credit accrual	(19,801)
Transfer to program and film rights	(6,984)
Amortization	(19,808)
Balance — August 31, 2014	63,455
Additions	43,650
Tax credit accrual	(14,586)
Transfer to program and film rights	(7,011)
Impairment charges	(21,108)
Amortization	(27,851)
Balance — August 31, 2015	**36,549**

During the third quarter of fiscal 2015, the Company undertook a strategic, in depth review of film investments and, as a result, certain film investments were considered impaired and written down accordingly. These film investments, primarily related to equity film investments made by the Pay TV vertical, and certain boys action properties from Nelvana which were no longer supported by merchandising sales as the current lifecycle of the toy properties has ended. As a result, the Company has recorded non-cash impairment charges in film investments of $21,108 in the third quarter of fiscal 2015. These charges are excluded from the determination of segment profit.

At August 31, 2015, the Company performed an impairment test on certain third-party-produced equity film investments and determined no further impairments were present based on expected future cash flows.

	2015	2014
Cost	**981,341**	953,238
Accumulated amortization and impairments	**944,792**	889,783
Net book value	**36,549**	63,455

The Company expects that 43% of the net book value of film investments will be amortized during the year ended August 31, 2016. The Company expects the net book value of film investments to be fully amortized by August 2023.

9. BROADCAST LICENSES AND GOODWILL

Broadcast licenses and goodwill are tested for impairment annually as at August 31, or more frequently if events or changes in circumstances indicate that they may be impaired. During the second quarter of fiscal 2015, the Company concluded that interim impairment tests were required for goodwill for the Radio segment and for broadcast licenses for certain Radio CGUs. As a result of these tests, the Company recorded goodwill and broadcast license impairment charges of $107,000 and $23,000 in fiscal 2015, respectively, as certain radio CGUs had actual results that fell short of previous estimates and the outlook for these markets was less robust.

At August 31, 2015, the Company performed its annual impairment test for fiscal 2015 and determined that there were no further impairments, other than those recorded in the second quarter of fiscal 2015, for the year then ended.

During the second and third quarters of fiscal 2014, the Company concluded that interim impairment tests were required for goodwill for the Radio segment and for broadcast licenses for certain Radio CGUs. As a result of these tests, the Company recorded goodwill and broadcast license impairment charges of $65,549 and $17,451 in fiscal 2014, respectively, as certain radio CGUs had actual results that fell short of previous estimates and the outlook for these markets was less robust.

The changes in the book value of broadcast licenses were as follows:

	Total
Balance — August 31, 2013	515,036
Acquisitions *(note 26)*	482,399
Impairments *(note 10)*	(17,451)
Balance — August 31, 2014	979,984
Impairments *(note 10)*	(23,000)
Balance — August 31, 2015	**956,984**

The changes in the book value of goodwill were as follows:

	Total
Balance — August 31, 2013	646,045
Acquisitions *(note 26)*	354,363
Impairments *(note 10)*	(65,549)
Balance — August 31, 2014	934,859
Impairments *(note 10)*	(107,000)
Balance — August 31, 2015	**827,859**

Broadcast licenses and goodwill are located primarily in Canada.

10. IMPAIRMENT TESTING

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

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

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

The test for impairment of either an intangible asset or goodwill is to compare the recoverable amount of the asset or CGU to the carrying value. The recoverable amount is the higher of an asset's or CGU's FVLCS and its 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 VIU cannot be determined to equal its FVLCS. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

The Company has determined the VIU calculation is higher than FVLCS and therefore, the recoverable amount for all CGUs or groups of CGUs is based on VIU with the exception of two Radio CGUs.

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

The VIU 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 assumptions in the VIU calculations are segment profit growth rates (for periods within the cash flow projections and in perpetuity for the calculation of the terminal value), future levels of capital expenditures and discount rates.

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

- The discount rate applied to each asset, CGU or group of CGUs to determine VIU is a pre-tax rate that reflects an optimal debt-to-equity ratio and considers the risk-free rate, market equity risk premium, size premium and the risks specific to each asset or CGU's cash flow projections.
- In calculating the VIU, the Company uses an appropriate range of discount rates in order to establish a range of values for each CGU or group of CGUs.

The pre-tax discount and growth rates used by the Company for the purpose of its VIU calculations performed for each of the following groups of CGUs in the following years were:

	2015	2014
Television		
Managed brands	**11.0% — 13.0%**	11.0% — 13.0%
Pre-tax discount rate	**1.0% — 11.3%**	4.3% — 13.6%
Earnings growth rate	**2.0%**	2.0%
Terminal growth rate	**11.0% — 13.0%**	11.0% — 13.0%
Other	**1.0% — 11.3%**	4.3% — 13.6%
Pre-tax discount rate	**2.0%**	2.0%
Earnings growth rate		
Terminal growth rate		
Radio		
Pre-tax discount rate	**13.0% — 16.0%**	13.0% — 15.0%
Earnings growth rate	**0.0% — 5.3%**	2.0% — 8.1%
Terminal growth rate	**2.0%**	2.0%

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

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

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

In the second quarter of fiscal 2015, operating results in the Radio segment fell below previous estimates, as the Radio segment experienced 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 an interim impairment assessment needed to be done on certain broadcast licenses, as well as goodwill in the Radio segment group of CGUs overall.

In the second quarter, the Company determined that there were broadcast license impairments in three Radio CGUs in Ontario and one in British Columbia. For three CGUs, the Company used VIU to determine the recoverable amount, which resulted in an impairment charge of $19,500, while FVLCS was used for the remaining CGU, which resulted in an impairment charge of $3,500 that reduced the carrying value of these CGUs to their recoverable amount. The recoverable amount for the Radio segment group of CGUs' overall goodwill impairment test was based on VIU. In the second quarter of fiscal 2015, the Company recognized an impairment charge of $107,000 based on the conclusions stated in the preceding paragraph. The recoverable amount of these CGUs after the impairment charges was $246,600.

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 not have resulted in a material change in either the broadcast license or goodwill impairment in the Radio segment.

The Company has completed its annual impairment testing of goodwill and intangible assets for fiscal 2015. There were no additional impairment losses to be recorded as a result of the testing. The Company also assessed for any indicators of whether previous impairment losses had decreased. No previously recorded impairment losses on broadcast licenses were reversed.

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

	2015	2014
Broadcast licenses		
Television		
Managed brands		
Other	**825,000**	825,000
Radio	**7,424**	7,424
Calgary	**31,341**	31,341
Edmonton	**21,851**	21,851
Toronto	**21,775**	32,275
Vancouver	**21,303**	23,303
Other[1]	**28,290**	38,790
	956,984	979,984

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

	2015	2014
Goodwill		
Television	**760,760**	760,760
Radio	**67,099**	174,099
	827,859	934,859

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	2015	2014
Trade accounts payable and accrued liabilities	**80,646**	86,023
Program rights payable	**107,842**	63,061
Film investment accruals	**2,752**	3,111
Dividends payable	**16,561**	15,578
Financing lease accruals	**3,170**	2,638
	210,971	170,411

12. PROVISIONS

The Company recorded business acquisition, integration and restructuring charges of $19,032 (2014 – $3,930) primarily related to severance and employee related costs as a result of changes to the management structure and business operations. The Company anticipates that these provisions will be substantially paid during fiscal 2016.

The continuity of provisions for the years ended August 31, is as follows:

	2015	2014
Business acquisition, integration and restructuring charges		
Balance, beginning of year	**5,295**	4,441
Additions	**19,032**	3,930
Payments	**(14,003)**	(3,076)
Balance, end of year	**10,324**	5,295
Long term portion	**(1,600)**	(630)
Total current provision	**8,724**	4,665
Legal claims	**206**	649
Total current provision balance, end of year	**8,930**	5,314

13. LONG-TERM DEBT

	2015	2014
Bank loans	**258,968**	333,677
Senior unsecured guaranteed notes	**550,000**	550,000
Unamortized financing fees	**(7,966)**	(9,426)
	801,002	874,251
Less: current portion of bank loans	**(150,000)**	—
	651,002	874,251

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at August 31, 2015, the weighted average interest rate on the outstanding bank loans and Notes was 3.9% (2014 – 3.9%). Interest on the bank loans and Notes averaged 4.1% for fiscal 2015 (2014 – 4.2%).

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, 2015.

A syndicate of lenders has provided Corus with a senior secured revolving (the "Revolving Facility") and a senior secured term credit facility (the "Term Facility") under the Amended and Restated Credit Agreement dated February 3, 2014 as further amended February 25, 2015 (the "facility").

On February 25, 2015, the Company's credit agreement was amended to extend the maturity date of the Revolving Facility which consists of a committed credit of $500,000 from February 11, 2017 to February 25, 2019. As a revolving facility, amounts borrowed may be repaid and re-borrowed as required through the term of the Revolving Facility. The commitment expires at the maturity date and there are no mandatory reductions to the committed amount, subject to certain covenants, during the term of the facility. As at August 31, 2015, approximately $110,000 of the Revolving Facility was utilized.

On February 3, 2014, the Company's credit agreement was amended and restated to establish a two year $150,000 Term Facility, which is incremental to the existing $500,000 Revolving Facility. The $150,000 Term Facility was fully drawn on inception and the proceeds were used to reduce the amount drawn on the Revolving Facility at that time. The Term Facility matures on February 3, 2016 and, as a result, is classified as current on the statements of financial position. As a term facility, the amount borrowed may be repaid but once repaid is no longer available to re-borrow. As at August 31, 2015, the Term Facility was fully drawn.

On February 3, 2014, the Company entered into Canadian dollar interest rate swap agreements to fix the interest rate on the $150,000 Term Facility 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. 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.

The Company's $550,000 principal amount of 4.25% Senior Unsecured Guaranteed Notes ("Notes") are due on February 11, 2020.

14. OTHER LONG-TERM LIABILITIES

	2015	2014
Public benefits associated with acquisitions	**26,116**	27,604
Unearned revenue	**6,147**	6,611
Program rights payable	**54,094**	71,926
Long-term employee obligations	**27,092**	34,451
Deferred leasehold inducements	**16,730**	16,052
Derivative fair value	**435**	72
Merchandising and trademark liabilities	**6,079**	11,021
Finance lease accrual	**2,140**	4,056
	138,833	171,793

15. SHARE CAPITAL

AUTHORIZED

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

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

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

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

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

ISSUED AND OUTSTANDING

No Class A Preferred Shares, Class 1 Preferred Shares or Class 2 Preferred Shares are outstanding at August 31, 2015.

	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
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(2,500)	(20)	2,500	20	—
Issuance of shares under stock option plan	—	—	320,200	6,741	6,741
Issuance of shares under dividend reinvestment plan	—	—	1,096,494	20,500	20,500
Balance – August 31, 2015	**3,425,792**	**26,529**	**83,754,787**	**968,042**	**994,571**

EARNINGS (LOSS) PER SHARE

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

	2015	2014
Net income (loss) attributable to shareholders (numerator)	**(25,154)**	150,408
Weighted average number of shares outstanding (denominator)		
Weighted average number of shares outstanding - basic	**86,441**	84,993
Effect of dilutive securities	**38**	334
Weighted average number of shares outstanding - diluted	**86,479**	85,327

The calculation of diluted earnings (losses) per share for fiscal 2015 excluded 2,161 (2014 – 12,618) weighted average Class B Non-Voting Shares issuable under the Company's Stock Option Plan because these options were not "in-the-money".

STOCK OPTION PLAN

Under the Company's Stock Option Plan (the "Plan"), the Company may grant options to purchase Class B Non-Voting Shares to eligible officers, directors and employees of or consultants to the Company. The number of Class B Non-Voting Shares which the Company is authorized to issue under the Plan is 10% of the issued and outstanding Class B Non-Voting Shares. All options granted are for terms not to exceed 10 years from the grant date. The exercise price of each option equals the closing market price on the TSX of the Company's stock on the trading date immediately preceding the date of the grant. Options vest 25% on each of the first, second, third and fourth anniversary dates of the date of grant.

A summary of the changes to the stock options outstanding is presented as follows:

	Number of options	Weighted average exercise price per share
	(#)	($)
Outstanding — August 31, 2013	2,158,073	20.17
Granted	662,800	23.72
Exercised	(259,500)	17.73
Outstanding — August 31, 2014	2,561,373	21.33
Granted	742,600	22.86
Exercised	(320,200)	17.66
Forfeited or expired	(422,900)	22.95
Outstanding — August 31, 2015	**2,560,873**	**21.97**

As at August 31, 2015, the options outstanding and exercisable consist of the following:

	Options outstanding			Options exercisable	
Range of exercise price ($)	Number outstanding (#)	Weighted average remaining contractual life (years)	Weighted average exercise price ($)	Number outstanding (#)	Weighted average exercise price ($)
17.50 - 20.80	593,973	3.3	18.85	445,998	18.85
20.81 - 22.16	595,900	4.3	22.00	297,950	22.00
22.17 - 23.47	708,200	5.1	22.91	261,900	22.31
23.48 - 25.40	662,800	4.9	23.72	165,700	23.72
	2,560,873	**4.4**	**21.97**	**1,171,548**	**21.11**

The fair value of each option granted since September 1, 2003 was estimated on the date of the grant using the Black-Scholes option pricing model. The estimated fair value of the options is amortized to income over the options' vesting period on a straight-line basis. In fiscal 2015, the Company has recorded share-based compensation expense related to stock options of $2,176 (2014 – $2,026). This charge has been credited to contributed surplus. Unrecognized share-based compensation expense at August 31, 2015 related to the Plan was $1,159 (2014 – $1,847).

The fair value of each option granted in fiscals 2015 and 2014 was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Granted in the third quarter 2015 and vesting in:

	2015	2016	2017	2018
Fair value	$ 1.21	$ 1.20	$ 1.43	$ 1.79
Risk-free interest rate	1.0%	1.0%	1.0%	1.1%
Expected dividend yield	6.5%	6.5%	6.5%	6.5%
Expected share price volatility	21.8%	21.8%	24.0%	27.2%
Expected time until exercise (years)	6	6	7	7

Granted in the first quarter 2015 and vesting in:

	2015	2016	2017	2018
Fair value	$ 2.63	$ 2.80	$ 3.03	$ 3.31
Risk-free interest rate	1.6%	1.6%	1.6%	1.6%
Expected dividend yield	4.7%	4.7%	4.7%	4.7%
Expected share price volatility	22.5%	23.4%	24.7%	26.2%
Expected time until exercise (years)	6	6	6	7

Granted in the second quarter 2014 and vesting in:

	2014	2015	2016	2017
Fair value	$ 4.11	$ 4.32	$ 4.09	$ 4.48
Risk-free interest rate	1.9%	1.9%	2.0%	2.0%
Expected dividend yield	4.1%	4.1%	4.1%	4.1%
Expected share price volatility	26.5%	27.4%	26.0%	27.7%
Expected time until exercise (years)	6	6	7	7

Granted in the first quarter 2014 and vesting in:

	2014	2015	2016	2017
Fair value	$ 3.78	$ 3.86	$ 3.71	$ 3.50
Risk-free interest rate	1.8%	1.9%	1.9%	2.0%
Expected dividend yield	4.3%	4.3%	4.3%	4.3%
Expected share price volatility	27.0%	27.3%	26.3%	24.9%
Expected time until exercise (years)	6	6	7	7

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

DIVIDENDS

The holders of Class A Voting Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors determines to declare on a share-for-share basis, as and when any such dividends are declared or paid. The holders of Class B Non-Voting Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Voting Shares, a dividend which is $0.005 per share per annum higher than that received on the Class A Voting Shares. This higher dividend rate is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After payment or setting aside for payment of the additional non-cumulative dividends on the Class B Non-Voting Shares, holders of Class A Voting Shares and Class B Non-Voting Shares participate equally, on a share-for-share basis, on all subsequent dividends declared.

Date of record	Date paid	Class A Amount paid	Class B Amount paid
September 15, 2014	September 30, 2014	**$0.090417**	**$0.090833**
October 15, 2014	October 31, 2014	**$0.090417**	**$0.090833**
November 14, 2014	November 28, 2014	**$0.090417**	**$0.090833**
December 15, 2014	December 30, 2014	**$0.090417**	**$0.090833**
January 15, 2015	January 30, 2015	**$0.090417**	**$0.090833**
February 13, 2015	February 27, 2015	**$0.094583**	**$0.095000**
March 16, 2015	March 31, 2015	**$0.094583**	**$0.095000**
April 15, 2015	April 30, 2015	**$0.094583**	**$0.095000**
May 15, 2015	May 29, 2015	**$0.094583**	**$0.095000**
June 15, 2015	June 30, 2015	**$0.094583**	**$0.095000**
July 15, 2015	July 31, 2015	**$0.094583**	**$0.095000**
August 17, 2015	August 31, 2015	**$0.094583**	**$0.095000**
		$1.114166	**$1.119165**

2015 Dividend yield of Class B shares	**7.83%**

Date of record	Date paid	Class A Amount paid	Class B Amount paid
September 16, 2013	September 30, 2013	$0.084583	$0.085000
October 15, 2013	October 31, 2013	$0.084583	$0.085000
November 15, 2013	November 29, 2013	$0.084583	$0.085000
December 13, 2013	December 30, 2013	$0.084583	$0.085000
January 15, 2014	January 31, 2014	$0.084583	$0.085000
February 14, 2014	February 28, 2014	$0.090417	$0.090833
March 14, 2014	March 31, 2014	$0.090417	$0.090833
April 15, 2014	April 30, 2014	$0.090417	$0.090833
May 15, 2014	May 30, 2014	$0.090417	$0.090833
June 16, 2014	June 30, 2014	$0.090417	$0.090833
July 15, 2014	July 31, 2014	$0.090417	$0.090833
August 15, 2014	August 29, 2014	$0.090417	$0.090833
		$1.055834	$1.060831

2014 Dividend yield of Class B shares	4.34%

The total amount of dividends declared in fiscal 2015 was $97,711 (2014 – $91,376).

On October 22, 2015 the Company declared dividends of $0.094583 per Class A Voting Share and $0.095000 per Class B Non-Voting Share payable on each of November 30, 2015, December 30, 2015 and January 29, 2016 to the shareholders of record at the close of business on November 16, 2015, December 15, 2015 and January 15, 2016, respectively.

SHARE-BASED COMPENSATION

The following table provides additional information on the employee DSUs, PSUs and RSUs:

	PSUs \#	DSUs \#	RSUs \#
Balance — August 31, 2013	910,301	738,516	138,618
Additions	313,736	86,890	52,250
Deemed dividend equivalents	36,657	35,896	—
Forfeitures	(30,250)	—	(10,520)
Payments	(275,980)	—	(38,035)
Balance — August 31, 2014	954,464	861,302	142,313
Additions	351,465	104,979	60,595
Deemed dividend equivalents	48,906	49,217	—
Forfeitures	(89,453)	(217,233)	(7,320)
Payments	(309,486)	(57,927)	(46,020)
Balance — August 31, 2015	**955,896**	**740,338**	**149,568**

Share-based compensation expense recorded for the year in respect of these plans was $1,147 (2014 – $8,850). As at August 31, 2015, the carrying value of these units at the end of the fiscal year that have vested multiplied by the closing share price at the end of the fiscal year was $19,820 (2014 – $32,568).

DIVIDEND REINVESTMENT PLAN

The Company's Board of Directors has approved a discount of 2% for Class B Non-Voting Shares issued from treasury pursuant to the terms of its Dividend Reinvestment Plan. In fiscal 2015, the Company issued 1,096,494 (2014 – 1,024,947) Class B Non-Voting Shares, resulting in an increase in share capital of $20,500 (2014 – $24,682).

16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Unrealized Foreign currency translation adjustment	Unrealized change in fair value of available-for-sale investments	Unrealized change in fair value of cash flow hedges	Actuarial (losses) gains on defined benefit plans	Total
Balance — August 31, 2013	1,267	386	—	—	1,653
Items that may be subsequently reclassified to income:					
Amount	1,720	515	(71)	—	2,164
Income tax	—	(69)	19	—	(50)
	1,720	446	(52)	—	2,114
Items that will never be subsequently reclassified to income:					
Amount	—	—	—	(2,977)	(2,977)
Income tax	—	—	—	789	789
	—	—	—	(2,188)	(2,188)
Transfer to retained earnings	—	—	—	2,188	2,188
Balance — August 31, 2014	2,987	832	(52)	—	3,767
Items that may be subsequently reclassified to income:					
Amount	4,158	(422)	(362)	—	3,374
Income tax	—	116	96	—	212
	4,158	(306)	(266)	—	3,586
Items that will never be subsequently reclassified to income:					
Amount	—	—	—	934	934
Income tax	—	—	—	(248)	(248)
	—	—	—	686	686
Transfer to retained earnings	—	—	—	(686)	(686)
Balance — August 31, 2015	**7,145**	**526**	**(318)**	**—**	**7,353**

17. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
Direct cost of sales		
Amortization of program rights	**213,457**	
Amortization of film investments	**27,851**	207,639
Other cost of sales	**24,802**	19,808
General and administrative expenses		27,615
Employee costs	**137,430**	149,459
Other general and administrative	**134,588**	138,857
	538,128	543,378

18. INTEREST EXPENSE

	2015	2014
Interest on long-term debt	**34,558**	32,121
Imputed interest on long-term liabilities	**14,620**	14,698
Other	**1,758**	1,501
	50,936	48,320

19. OTHER EXPENSE (INCOME), NET

	2015	2014
Interest income	**(225)**	(722)
Foreign exchange loss	**5,034**	649
Equity loss of investees	**3,299**	2,391
Investment in associates recovery of impairment charges	**—**	(962)
Increase in purchase price obligation	**—**	3,336
Venture fund distribution	**(16,964)**	—
Other	**(1,261)**	1,048
	(10,117)	5,740

During the year, the Company received cash proceeds of $18,490 from Steamboat Ventures relating to its disposal of an investment, of which $1,526 relates to a return on capital.

20. INCOME TAXES

The significant components of income tax expense are as follows:

	2015	2014
Current tax expense	**33,963**	47,796
Deferred tax expense (recovery)		
Resulting from temporary differences	**1,168**	5,687
Resulting from the recognition of tax losses	**(4,673)**	(1,641)
Resulting from tax rate changes	**442**	—
Resulting from the creation (reversal) of various future tax reserves	**98**	2,085
Other	**(5)**	(494)
Income tax expense reported in the consolidated statements of income and comprehensive income	**30,993**	53,433

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

	Fiscal 2015		Fiscal 2014	
	$	**%**	$	%
Tax at combined federal and provincial rates	**3,047**	26.5	55,641	26.6
Loss subject to tax at less than statutory rates	**1,902**	16.5	632	0.3
Non-taxable portion of capital gains	**(2,236)**	(19.5)	(34,063)	(16.3)
Goodwill impairment	**28,394**	247.0	17,340	8.3
Transaction costs	**(465)**	(4.1)	9,949	4.7
Increase (recovery) of various tax reserves	**(1,570)**	(13.7)	2,505	1.2
Increase in deferred taxes from statutory rate changes	**442**	3.8	—	—
Miscellaneous differences	**1,479**	12.9	1,429	0.7
	30,993	269.7	53,433	25.5

The movement in the net deferred tax asset (liability) was as follows:

	Broadcast licenses and other intangibles $	Accrued compensation $	Fixed assets and film assets $	Program rights $	Non-capital loss carry forwards $	Investments $	Financing and debt retirement $	Other $	Total $
Balance — August 31, 2013	(146,575)	10,496	16,716	838	2,719	(508)	4,144	5,920	(106,250)
Recognized in profit or loss	10,665	1,180	(3,741)	(3,994)	1,641	(9,557)	(2,118)	290	(5,634)
Recognized in OCI	—	789	—	—	—	(68)	19	—	740
Recognized in equity	—	—	—	—	—	—	—	(1)	(1)
Acquisitions / (dispositions)	(126,595)	—	941	11,868	—	9,536	—	869	(103,381)
Balance — August 31, 2014	(262,505)	12,465	13,916	8,712	4,360	(597)	2,045	7,078	(214,526)
Recognized in profit or loss	4,277	(1,503)	900	(2,575)	4,672	(1,613)	(1,313)	126	2,971
Recognized in OCI	—	(248)	—	—	—	116	96	—	(36)
Recognized in equity	—	—	—	—	—	—	—	(56)	(56)
Balance — August 31, 2015	**(258,228)**	**10,714**	**14,816**	**6,137**	**9,032**	**(2,094)**	**828**	**7,148**	**(211,647)**

At August 31, 2015, the Company had approximately $46,398 (2014 – $19,582) of non-capital loss carryforwards available which expire between the years 2026 and 2035. A deferred tax asset of $9,032 (2014 – $4,360) has been recognized in respect of these losses and a tax benefit of $1,754 (2014 – $525) has not been recognized.

At August 31, 2015, the Company had approximately $28,922 (2014 – $28,691) of capital loss carryforwards available which have no expiry date. No tax benefit has been recognized in respect of these losses.

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

There are no income tax consequences attached to the payment of dividends, in either 2015 or 2014, by the Company to its shareholders.

21. 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 and amortization, interest expense, impairments, restructuring, gain on acquisition 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 annual audited consolidated financial statements.

REVENUES AND SEGMENT PROFIT

Year ended August 31, 2015

	Television	Radio	Corporate	Consolidated
Revenues	653,770	161,545	—	**815,315**
Direct cost of sales, general and administrative expenses	393,641	124,538	19,949	**538,128**
Segment profit (loss)	260,129	37,007	(19,949)	**277,187**
Depreciation and amortization				**24,057**
Interest expense				**50,936**
Broadcast license and goodwill impairment				**130,000**
Intangible asset impairment				**51,786**
Business acquisition, integration and restructuring costs				**19,032**
Other expense (income), net				**(10,117)**
Income before income taxes				**11,493**

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
Gain on acquisition				(127,884)
Business acquisition, integration and restructuring costs				46,792
Other expense (income), net				5,740
Income before income taxes				209,602

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

Revenues are derived from the following areas:

	2015	2014
Advertising	**377,375**	404,344
Subscriber fees	**340,320**	335,274
Merchandising, distribution and other	**97,620**	93,398
	815,315	833,016

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

	2015	2014
Canada	**773,044**	801,862
International	**42,271**	31,154
	815,315	833,016

SEGMENT ASSETS AND LIABILITIES

	2015	2014
Assets		
Television	**2,167,342**	2,222,597
Radio	**264,730**	386,454
Corporate	**200,037**	175,531
	2,632,109	2,784,582
Liabilities		
Television	**460,800**	427,965
Radio	**72,976**	71,609
Corporate	**878,422**	974,882
	1,412,198	1,474,456

Assets and liabilities are located primarily within Canada.

CAPITAL EXPENDITURES BY SEGMENT

	2015	2014
Television	**5,101**	3,133
Radio	**9,895**	3,857
Corporate	**1,675**	4,986
	16,671	11,976

Property, plant and equipment are located primarily within Canada.

22. CAPITAL MANAGEMENT

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

Total managed capital is as follows:

	2015	2014
Total bank debt and notes	**801,002**	874,251
Cash and cash equivalents	**(37,422)**	(11,585)
Net debt	**763,580**	862,666
Shareholders' equity	**1,219,911**	1,310,126
	1,983,491	2,172,792

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 on a number of bases, including: net debt to segment profit ratio and dividend yield. The Company's stated objectives are not to exceed a net debt to segment profit ratio of 3.5 times, and maintain a dividend yield in excess of 2.5%. The Company believes that these objectives provide a reasonable framework for providing a return to shareholders. The Company is currently operating within these internally imposed objectives.

The Company is not subject to any externally imposed capital requirements, and there has been no change in the Company's capital management approach during the year.

23. FINANCIAL INSTRUMENTS

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

As at August 31, 2015	**Fair value through profit or loss**	**Loans and receivables**	**Available-for-sale**	**Other financial liabilities**	**Non-financial**	**Total carrying amount**
Cash and cash equivalents	**37,422**	**—**	**—**	**—**	**—**	**37,422**
Accounts receivable	**—**	**164,600**	**—**	**—**	**—**	**164,600**
Investments and intangibles	**—**	**—**	**24,940**	**—**	**35,649**	**60,589**
Other assets	**—**	**—**	**—**	**—**	**2,369,498**	**2,369,498**
Total assets	**37,422**	**164,600**	**24,940**	**—**	**2,405,147**	**2,632,109**
Accounts payable, accrued liabilities and provisions	**—**	**—**	**—**	**219,901**	**—**	**219,901**
Long-term debt	**—**	**—**	**—**	**801,002**	**—**	**801,002**
Other long-term liabilities	**—**	**—**	**—**	**132,320**	**6,513**	**138,833**
Other liabilities	**—**	**—**	**—**	**—**	**252,462**	**252,462**
Total liabilities	**—**	**—**	**—**	**1,153,223**	**258,975**	**1,412,198**

As at August 31, 2014	Fair value through profit or loss	Loans and receivables	Available-for-sale	Other financial liabilities	Non-financial	Total carrying amount
Cash and cash equivalents	11,585	—	—	—	—	11,585
Accounts receivable	—	183,009	—	—	—	183,009
Investments and intangibles	—	190	19,047	—	28,393	47,630
Other assets	—	—	5,354	—	2,537,004	2,542,358
Total assets	11,585	183,199	24,401	—	2,565,397	2,784,582
Accounts payable, accrued liabilities and provisions	—	—	—	175,725	—	175,725
Long-term debt	—	—	—	874,251	—	874,251
Other long-term liabilities	—	—	—	160,700	11,093	171,793
Other liabilities	—	—	—	—	252,687	252,687
Total liabilities	—	—	—	1,210,676	263,780	1,474,456

FAIR VALUES

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

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

The fair value of bank loans is estimated based on discounted cash flows using year-end market yields, adjusted to take into account the Company's own credit risk. On February 3, 2014, the Company's bank loans were amended and, as a result, the Company has estimated the fair value of its bank debt to be approximately equal to its carrying amount as at August 31, 2015.

Contemporaneously with the amendment of the bank loans, the Company entered into Canadian dollar interest rate swap agreements. The fair value of the interest rate swap agreements is calculated by way of discounted cash flows, using market interest rates and applicable credit spreads.

The fair value of the Company's Notes is based on the trading price of the Notes, which takes into account the Company's own credit risk. At August 31, 2015, the Company has estimated the fair value of its Notes to be approximately $521,125 (2014 – $543,400).

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

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

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

As at August 31, 2015	Quoted prices in active markets for identical assets or liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Assets			
Cash and cash equivalents	37,422	—	—
Investments	—	746	—
Assets carried at fair value	37,422	746	—
Liabilities			
Interest rate swap	—	435	—
Liabilities carried at fair value	—	435	—

As at August 31, 2014	Quoted prices in active markets for identical assets or liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Cash and cash equivalents	11,585	—	—
Investments	—	1,167	—
Other non-financial assets	—	—	5,354
Assets carried at fair value	11,585	1,167	5,354
Liabilities			
Interest rate swap	—	72	—
Liabilities carried at fair value	**—**	**72**	**—**

Excluded from the above tables are the Company's investments that are measured at cost, as fair value is not reliably measured.

RISK MANAGEMENT

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

Credit risk

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

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

The details of the aging of accounts receivable and allowance for doubtful accounts as at August 31 are as follows:

	2015	2014
Trade		
Current	**84,201**	91,798
One to three months past due	**54,052**	58,867
Over three months past due	**16,979**	18,304
	155,232	168,969
Other	**12,523**	19,840
	167,755	188,809
Less allowance for doubtful accounts	**3,155**	5,800
	164,600	183,009

The following table sets out the continuity for the allowance for doubtful accounts:

	2015	2014
Balance, beginning of year	**5,800**	2,489
Provision for doubtful accounts	**1,155**	2,692
Acquisitions	**—**	1,683
Write-off of bad debts	**(3,800)**	(1,064)
Balance, end of year	**3,155**	5,800

The Company invoices 14% of its revenues to one related party (2014 – 14%). This related party comprises 13% of the accounts receivable balance as at August 31, 2015 (2014 – 12%).

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial obligations. The Company manages liquidity risk primarily by maintaining sufficient unused capacity within its long-term debt facility, and by continuously monitoring forecast and actual cash flows. The unused capacity at August 31, 2015 was approximately $390,000 (2014 – $315,000). Further information with respect to the Company's long-term debt facility is provided in note 13.

The following table sets out the undiscounted contractual obligations as at August 31, 2015:

	Total	Less than one year	One to three years	Beyond three years
Total debt and notes[1]	**914,156**	172,590	46,750	694,816
Accounts payable	**210,971**	210,971	—	—
Other obligations[2]	**104,922**	15,767	66,608	22,547

[1] Principal repayments and interest payments.

[2] Other obligations include program rights, CRTC benefit commitments, and other financial liabilities.

In fiscal 2015, the Company incurred interest on bank loans, swap on credit facilities and Notes of $34,558 (2014 – $32,121).

Market risk

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

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

	2015	2014
Direct cost of sales, general and administrative expenses	**80**	362
Other expense, net	**5,034**	649
	5,114	1,011

An assumed 10% increase or decrease in exchange rates as at August 31, 2015 would not have had a material impact on net income or other comprehensive income for the year.

The Company is exposed to interest rate risk on the bankers' acceptances issued at floating rates under its bank loan facility. An assumed 1% increase or decrease in short-term interest rates during the year ended August 31, 2015 would not have had a material impact on net income for the year.

Other considerations

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

24. CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

	2015	2014
Accounts receivable	**20,188**	22,061
Prepaid expenses and other	**(821)**	3,461
Accounts payable and accrued liabilities	**(2,844)**	(6,900)
Income taxes payable and recoverable	**(2,471)**	(9,549)
Other long-term liabilities	**(11,916)**	(3,897)
Other	**16,047**	17,769
	18,183	22,945

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

	2015	2014
Interest paid	**36,175**	33,667
Interest received	**225**	722
Income taxes paid	**27,676**	50,249

25. GOVERNMENT FINANCING AND ASSISTANCE

Revenues include $4,414 (2014 – $2,542) of production financing obtained from government programs. This financing provides a supplement to a production series' Canadian license fees and is not repayable.

As well, revenues include $1,001 (2014 – $935) of government grants relating to the marketing of books in both Canada and international markets. The majority of the grants are repayable if the average profit margin for the three-year period following receipt of the funds equals or is greater than 15%.

26. 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.

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, 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 were settled in cash, with a corresponding $3,336 income adjustment included in other (income) expense, net (note 19) in the consolidated statements of income and comprehensive income.

27. COMMITMENTS, CONTINGENCIES AND GUARANTEES

LEASES

The Company enters into operating leases for the use of facilities and equipment. During fiscal 2015, rental expenses in direct cost of sales, general and administrative expenses totalled approximately $21,344 (2014 – $21,422). Future minimum rentals payable under non-cancellable operating leases at August 31, are as follows:

	2015	2014
Within one year	**28,965**	25,430
After one year but not more than five years	**106,460**	97,722
More than five years	**335,258**	290,617
	470,683	413,769

The Company has entered into finance leases for the use of computer equipment and software, telephones, furniture and broadcast equipment. The leases range between three and five years and bear interest at rates varying from 2.1% to 8.0%. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2015		2014	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	**3,387**	**3,170**	2,921	2,638
After one year but not more than five years	**2,315**	**2,140**	4,362	4,056
Total minimum lease payments	**5,702**	**5,310**	7,283	6,694
Less amounts representing finance charges	**392**	**—**	589	—
Present value of minimum lease payments	**5,310**	**5,310**	6,694	6,694

PURCHASE COMMITMENTS

The Company has entered into various purchase commitments at August 31, 2015 as detailed in the following table:

(thousands of Canadian dollars)	Total	Within 1 year	2-3 years	4-5 years	More than 5 years
Purchase obligations[1]	803,259	275,524	280,293	145,796	101,646
Other obligations[2]	238,660	52,202	68,886	63,363	54,209
	1,041,919	**327,726**	**349,179**	**209,159**	**155,855**

[1] Purchase obligations are contractual obligations under contracts relating to program rights, satellite and signal transport costs and various other operating expenditures, that the Company has committed to for periods ranging from one to ten years.

[2] Other obligations include financial liabilities, trade marks, other intangibles and CRTC benefit commitments that the Company has committed to for periods ranging from one to ten years.

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

LITIGATION

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

OTHER MATTERS

Many of the Company's agreements, specifically those related to acquisitions and dispositions of business assets, included indemnification provisions where the Company may be required to make payments to a vendor or purchaser for breach of fundamental representation and warranty terms in the agreements with respect to matters such as corporate status, title of assets, environmental issues, consents to transfer, employment matters, litigation, taxes payable and other potential material liabilities. The maximum potential amount of future payments that the Company could be required to make under these indemnification provisions is not reasonably quantifiable, as certain indemnifications are not subject to a monetary limitation. As at August 31, 2015, management believed there was only a remote possibility that the indemnification provisions would require any material cash payment.

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

28. RELATED PARTY TRANSACTIONS

CONTROLLING SHAREHOLDER

JR Shaw and members of his family, and the corporations owned and/or controlled by JR Shaw and members of his family (the "Shaw Family Group") own a majority of the outstanding Class A Voting Shares of the Company. The Class A Voting Shares are the only shares entitled to vote in all shareholder matters except in limited circumstances as described in the Company's Annual Information Form. All of the Class A Voting Shares held by the Shaw Family Group are voted as determined by JR Shaw. Accordingly, the Shaw Family Group is, and as long as it owns a majority of the Class A Voting Shares will continue to be, able to elect a majority of the Board of Directors of the Company and to control the vote on matters submitted to a vote of the Company's Class A shareholders. The Shaw Family Group is represented as Directors of the Company.

The Shaw Family Group is also the controlling shareholder of Shaw Communications Inc. ("Shaw"). As a result, Shaw and Corus are subject to common voting control.

TRANSACTIONS

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

Shaw Communications Inc. ("Shaw")

The Company and Shaw are subject to common voting control. During the year, the Company received subscriber, programming licensing and advertising fees of $111,384 (2014 – $118,452), and $260 (2014 – nil) of production and distribution revenues from Shaw. In addition, the Company paid cable and satellite system distribution access fees of $5,670 (2014 – $5,578) and administrative and other fees of $2,720 (2014 – $1,941) to Shaw. At August 31, 2015, the Company had $21,441 (2014 – $22,303) receivable from Shaw.

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

SIGNIFICANT SUBSIDIARIES

The following table includes the significant subsidiaries of the Company:

		Equity interest	
Name	**Jurisdiction**	**2015**	2014
3924181 Canada Inc. ("ABC Spark")	Canada	**100%**	100%
Cosmopolitan Television Canada Company ("Cosmo")	Nova Scotia	**54%**	54%
Corus Premium Television Ltd.	Canada	**100%**	100%
Corus Radio Company	Nova Scotia	**100%**	100%
Country Music Television Ltd. ("CMT")	British Columbia	**80%**	80%
Encore Avenue Ltd.	Canada	**100%**	100%
8504644 Canada Inc. ("Historia")	Canada	**100%**	100%
Movie Central Ltd.	Canada	**100%**	100%
Nelvana Limited	Ontario	**100%**	100%
8504652 Canada Inc. ("Séries+")	Canada	**100%**	100%
Telelatino Network Inc. ("TLN")	Canada	**50.5%**	50.5%
TELETOON Canada Inc.	Canada	**100%**	100%
OWN Inc.	Ontario	**100%**	100%
W Network Inc.	Canada	**100%**	100%
YTV Canada Inc.	Canada	**100%**	100%

SPECIALTY TELEVISION NETWORKS

During the year, the Company received administrative and other fees of $4,945 (2014 – $4,910) from its non-wholly owned specialty networks including CMT, Cosmo, and TLN. At August 31, 2015, the Company had $93 (2014 – $79) receivable from these entities.

EMPLOYEE BENEFITS

The Company has a defined contribution plan for qualifying full-time employees. Under the plan, the Company contributes up to 6% (2014 – 6%) of an employee's earnings, not exceeding the limits set by the *Income Tax Act* (Canada). The amount contributed in fiscal 2015 related to the defined contribution plan was $6,003 (2014 – $6,072). The amount contributed is approximately the same as the expense included in the consolidated statements of income and comprehensive income.

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

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

The net defined benefit obligation, as determined by independent actuaries as at August 31, 2015, amounted to $16,751 (2014 – $16,555). The net benefit expense included in the consolidated statements of income for the year amounted to $1,957 (2014 – $1,665). The net actuarial gain recognized in the consolidated statements of comprehensive income for the year amounted to $686 (2014 – $2,188 actuarial loss). The remaining change in the liability relates to contributions made in the year. The discount rate used to measure the benefit obligations was between 3.00% and 4.25% (2014 – 3.25% to 4.25%).

KEY MANAGEMENT PERSONNEL

Key management personnel consist of the Board of Directors and the Executive Management Team who have the authority and responsibility for planning, directing and controlling the activities of the Company. The Executive Management Team are also officers of the Company.

Included in other investments (note 5) is a loan of nil (2014 – $190) made to the former Chief Executive Officer of the Company for housing purposes prior to July 31, 2002. The loan was collateralized by charges on the officers' personal residence. As part of the arrangement for this executive, the Company waived the repayment of the loan on the date of retirement, March 30, 2015.

Key management personnel compensation, including the Executive Management Team, officers and directors of the Company, is as follows:

	2015	2014
Salaries and benefits	**7,022**	7,428
Post-employment benefits	**1,683**	1,588
Share-based compensation *(note 14)*	**2,852**	6,138
	11,557	15,154

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

The employment agreement with the current President and Chief Executive Officer provides for a severance payment if the executive's employment is terminated without cause or within six months of a change of control: equal to two times the aggregate amount of his annual salary and short-term incentive bonus at target at a payout percentage of 90%; a provision for the vesting of all previously awarded but unvested stock options; all PSUs and DSUs would be payable if vested; and the SERP would vest immediately, including if termination occurs prior to age 55, and accrue up to two years of additional service, to a maximum age of 65.

29. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2015 consolidated financial statements.

corus

ENTERTAINMENT

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