annual report 2019

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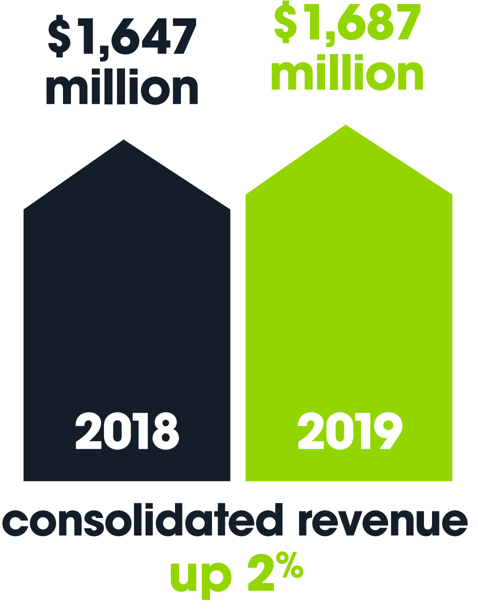
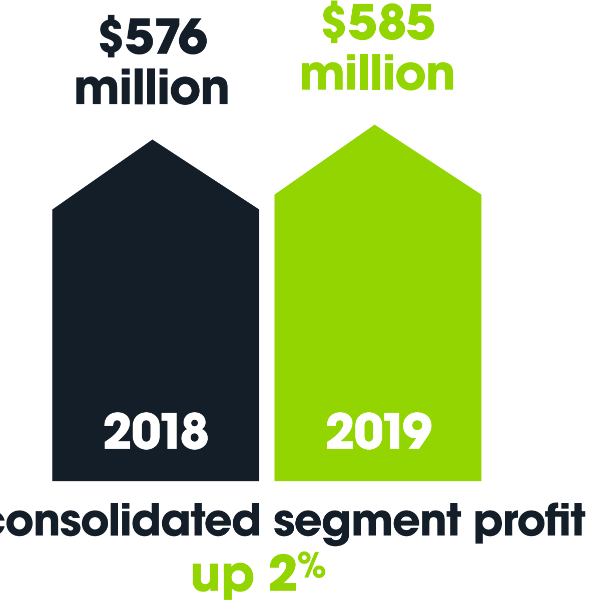
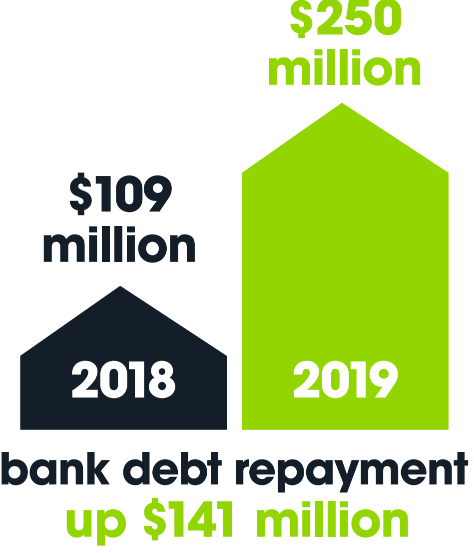


$1,647 million
$1,687 million
2018
2019
consolidated revenue
up 2%



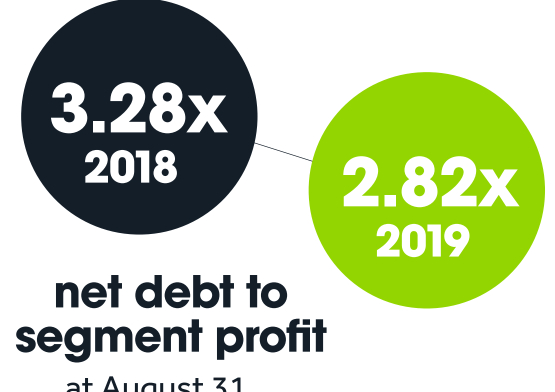
$576 million
$585 million
2018
2019
consolidated segment profit
up 2%

$310 million
free cash flow
2019



$250 million
$109 million
2018
2019
bank debt repayment
up $141 million

financial highlights



3.28x
2018
2.82x
2019
net debt to segment profit
at August 31

ANNUAL SELECTED FINANCIAL INFORMATION[1]

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

(in millions of Canadian dollars, except per share amounts)

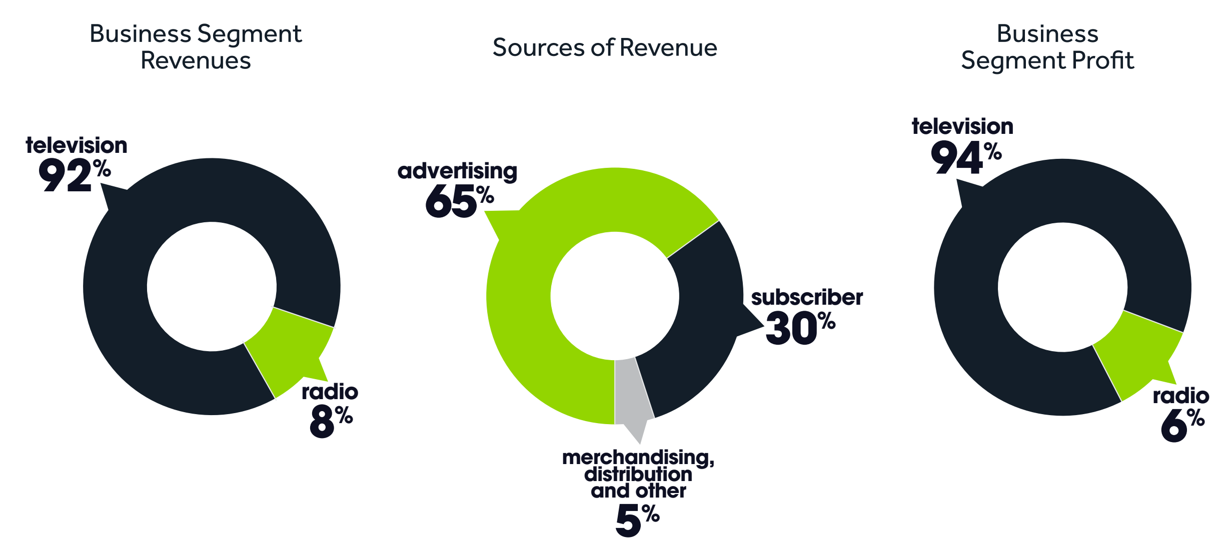
	2019	2018
Revenues	**1,687.5**	1,647.3
Segment profit [2]	**585.1**	575.6
Net income (loss) attributable to shareholders	**156.1**	(784.5)
Adjusted net income attributable to shareholders [2]	**181.0**	238.4
Basic earnings (loss) per share	**$0.74**	$(3.77)
Adjusted basic earnings per share [2]	**$0.85**	$1.14
Diluted earnings (loss) per share	**$0.74**	$(3.77)
Free cash flow[2]	**310.0**	349.0
Total assets	**4,672.3**	4,883.0
Long-term debt (inclusive of current portion)	**1,731.7**	1,983.9
Cash dividends declared per share		
Class A Voting	**$0.1763**	$1.1350
Class B Non-Voting	**$0.1800**	$1.1400

Notes:

[1] For further information, refer to the Management's Discussion and Analysis on page 15.

[2] Segment profit, adjusted net income attributable to shareholders, adjusted basic earnings per share, and free cash flow do not have standardized meanings prescribed by IFRS. The Company believes these non-IFRS measures are frequently used as key measures to evaluate performance. For definitions, explanations and reconciliations refer to the "*Key Performance Indicators*" section of Management's Discussion and Analysis on page 26.

FISCAL 2019 FINANCIAL PROFILE



message to shareholders.

What a tremendous year it has been for our company. Our industry continues to evolve at a rapid pace and so does Corus, as we meet challenges head on while finding new opportunities for growth. Guided by three foundational first principles – to maximize our audiences, to monetize our audiences, and to rationalize and evolve our operating model – our many achievements this year underscore the successful execution of our strategy to optimize our core business and build for the future while making progress on revenue diversification.

Our results speak for themselves. The disciplined execution of our strategy produced record consolidated revenues of $1,687 million and consolidated segment profit of $585 million in fiscal 2019. We grew Television advertising revenue every single quarter, up an impressive 7% for the year. Our strong free cash flow of $310 million in fiscal 2019 demonstrates the powerful ability of our portfolio to generate cash, and we used this cash wisely. Corus' revised Capital Allocation Policy delivered its intended results, enabling us to pay down $250 million in bank debt and decrease our leverage to 2.82 times net debt to segment profit in the fiscal year. This increased financial flexibility provides us with the continued ability to make targeted organic investments in the core business that will contribute to future revenue growth, while paying an attractive dividend. Recently, we instituted a share buyback program as yet another way to increase value to shareholders.

The core of our business is our Global television brand, our powerful suite of 35 specialty television services and 39 radio stations, and an expanding slate of owned content from Nelvana and Corus Studios which we are deploying into the global marketplace.

We continue to optimize our Television portfolio, with fewer, bigger channels that stand out in a crowded marketplace and attract valuable audiences. We are investing in winning content to grow audiences on our bigger specialty channels and provide increased value to our distribution partners.

This year we deepened our partnership with Warner Media, striking a multi-year, multi-platform deal to bring the first 24/7 Adult Swim channel to Canada. This is a great example of portfolio optimization in action – we rebranded an existing legacy network in order to attract the highly coveted younger audiences sought by advertisers, further strengthening Corus' presence as a leader in specialty entertainment.

As the exclusive Canadian TV partner for Crown Media Networks' iconic Hallmark Channel, we acquired the multi-platform licensing rights to all movies and series produced for Hallmark. Last year, this content drove tremendous success for W Network, which claimed the top spot among specialty channels across key demographics during the holiday season, driven by the Hallmark Channel's *Countdown to Christmas*.[1]

In today's world of choice, we are making targeted investments to provide audiences more flexibility when it comes to how, when and where they watch our premium content and engage with our brands.

This year we launched STACKTV. Available in Canada via virtual distributor Amazon Prime Video Channels and a first offering of its kind, STACKTV is an example of how we are delivering our diverse portfolio of premium broadcast content and brands to new audiences and a growing segment of the population that are turning to streaming platforms. STACKTV offers access to 12 of our most popular broadcast networks, providing an array of lifestyle, drama and kids networks as well as Global, both live and On Demand.

Global TV, available on mobile, web and connected TVs, is yet another way we reach audiences on a multitude of platforms. This year, in addition to our presence on Chromecast, iOS and Apple TV, we expanded onto Amazon Fire, Android TV, and, a first for a Canadian broadcaster, Global TV launched on Roku – the leader in the U.S. connected TV streaming market. Globalnews.ca is the #1 private broadcaster online news site in Canada and continues to grow, now reaching 13.3 million unique visitors on average each month.[2]

Corus' commitment to innovation is on full display in our work to fundamentally transform how TV is sold.

Audience-based buying is an example of how targeted investments and operating discipline generate results. We were the first broadcaster in Canada to offer audience-based buying and it has proven to be a clear differentiator for Corus in the marketplace. In Q4 of fiscal 2019, audience-based buying accounted for 22% of English TV advertising revenue as compared to 13% in the prior year quarter.

Cynch provides a new platform for advertisers to buy audience segments in the brand-safe and trusted environment of television, while at the same time providing more timely reports on the performance of their campaigns and improving transactional efficiency, making it easier than ever to complete an advertising buy.

In addition, we are advocating for an industry wide solution for common television audience segments in Canada and we are making progress. This would create a more robust and effective ecosystem for advertisers and agencies to target audiences for maximum campaign impact.

As demand for great video content grows, we are creating new types of short form content as we follow our audiences into these growing digital and social markets.

Our social digital agency so.da is building on emerging opportunities in custom social video, offering advertisers new ways to engage with audiences on social platforms. This year, so.da announced the launch of so.da originals – premium, short form social content series that run across Corus' powerful brands and platforms. We have also deepened our partnership with Twitter with the launch of *Twitter Originals*, *fueled with so.da*. This next phase of our strategic partnership sees custom content for advertisers built exclusively for Twitter.

Corus extended its reach this year, embarking on a new comprehensive partnership with global media company Complex Networks. Considered to be one of the biggest youth culture brands in the world, Complex offers a portfolio of premium video-first brands, delivering Corus significant reach with Millennials and Gen Zed and reaches more Males 18-34 in Canada than Sportsnet, ESPN, and NHL Network.[3] As the exclusive ad sales partner for Complex Networks in Canada, Corus licenses content from their diverse library for distribution on both linear television and On Demand.

Corus also acquired the Canadian operations of Kin Community Canada, providing us with a social media creator network where we can leverage great short-form content.

We've made purposeful investments to advance our Own More Content strategy, significantly growing our Nelvana and Corus Studios content slate for sale in the global content marketplace.

Building scale through partnerships is a key strategy in our content business. We are scaling our production partnerships with second seasons of *Corn & Peg* (Nickelodeon) and Emmy-nominated *Esme and Roy* (Sesame Workshop). Nelvana and Discovery's joint venture 'redknot' greenlit its first two new animated preschool series – *The Dog & Pony Show* and *Agent Binky: Pets of the Universe*, while Sumitomo and Nelvana announced development of their first series – *Geki Drive*.

Increasing our slate of Nelvana content will continue to diversify our revenue base through international sales and support future merchandising revenue growth. Building on the successful premiere of *Bakugan: Battle Planet* on Cartoon Network in the U.S. and TELETOON in Canada, we have successfully achieved world-wide distribution of the TV series in partnership with Spin Master and TMS Entertainment to support the merchandise launch for the return of this powerhouse property.

Corus Studios has announced the production of 19 series for fiscal 2020 as compared to 11 series last year, providing an impressive slate of original programming to grow this emerging business in the international market, including new seasons of *Backyard Builds*, *Save my Reno*, and *Home to Win*. Since the launch of Corus Studios in 2015, our impressive catalogue of content has grown to more than 500 episodes for sale, including HGTV's highest rated series in over a decade, *Island of Bryan*.

Our results this year have validated that our plan at Corus is working. We have faithfully executed our Optimize the Core strategy – and our talented team is building for the future. The purposeful combination of targeted investments and the significant progress we are making towards our leverage goals are building a stronger, more resilient Corus.

Doug Murphy
President and CEO

Heather Shaw
Executive Chair

Source

1. Numeris PPM Data. Oct 29/18 – Dec 30/18 – confirmed data. Total Canada/AMA(000). Mo-Su 2a-2a. CDN SPEC COM ENG. Ind.2+, A18-49, A25-54, F18-49, F25-54.
2. comScore Media Metrix, Multi-Platform data, 3-month average ending October 2019, Base: Total Canada, All Locations, 2+ digital audience. Ranking based on October 2019 data.
3. comScore Media Metrix, Multi-Platform data, September 2019, Base: Total Canada, All Locations, digital audience.

our achievements in 2019

extending our powerful portfolio into new places and in new ways

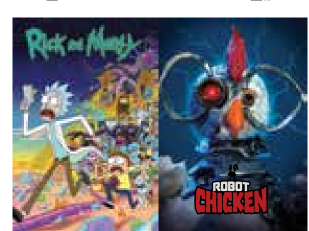
powerful portfolio

The core of our television business is the strength of Global and our powerful suite of specialty television services.

building partnerships

Our commitment to building scale through partnership is essential to delivering great results in today's changing market.

[adult swim]



new places and new ways

We are committed to following our viewers and listeners across new and growing platforms, and making smart investments to build our future.

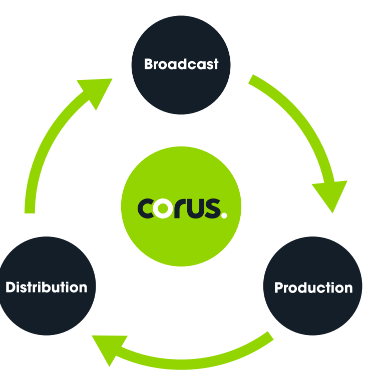
expanding short-form content offerings

We are creating more great content and making it available in more places as we follow our audiences into growing digital and social markets.

so.da Originals

expanding our presence around the world

The Corus Advantage is a pillar of our Own More Content strategy, where we maximize our required Canadian programming spending to build an ever-growing slate of programming that drives ratings on our networks in Canada while delivering revenue diversification through increased sales in international markets.



changing the way television is sold

Corus' commitment to innovation is an integral part of its evolving business as a progressive leader in Ad Tech. We are making steady progress on our goal to fundamentally transform how television is sold through our advanced data and advertising initiatives. Advocating for an industry solution for common audience segments is fundamental to creating a more robust and effective ecosystem for advertisers and agencies to target audiences for maximum campaign impact.

values

At Corus, we believe that a strong corporate culture drives our success. Every day, we support the well-being of our people in a values-based culture, where employees have the full opportunity to show their value and develop their potential.

Our corporate values — **Win Together**. **Learn Every Day**. **Make It Happen**. **Think Beyond**. **Show We Care** — reflect both the company we are today, and the company we aspire to be. Corus' values live in hiring processes, training and development, performance coaching, internal communications, employee recognition and more.

awards

Through well-being initiatives, employee engagement opportunities, volunteerism, strong leadership, a commitment to diversity and inclusion, and a high-performance workplace, our people continue to foster an award-winning corporate culture.

In 2019, Corus was recognized as one of **Canada's Best Diversity Employers**, **Canada's Top Employers for Young People**, **Greater Toronto's Top Employers**, and by Waterstone as one of **Canada's Most Admired Corporate Cultures**.

corporate social responsibility

Enriching our communities through corporate donations, sponsorship and volunteer opportunities is an integral part of our DNA. Our people have embraced the philosophy of giving back by supporting meaningful causes and working together to make a difference on a local and national level.

Inaugural staff fundraiser for the Toronto Professional Fire Fighters' Toy Drive

Since the company's launch in 1999, Corus has had a long and successful track record of corporate social responsibility in the local communities where we operate. Through our philanthropic efforts, we have contributed over **$327 million** in donated airtime, in-kind support and fundraising.

Corus Cares is our commitment to bring together the company's charitable, environmental, community efforts, and employee activities. Under this banner, our approach has four pillars:

PEOPLE	COMMUNITIES	INDUSTRY	ENVIRONMENT
Support the well-being of our people in a values-based culture where people have full opportunity to show their value and develop their potential	Strengthen the communities where we live with a focus on supporting the health and well-being of families and children	Strengthen the media and entertainment industry in Canada – with a focus on supporting Canadian content creators	Build a green, sustainable environment for our people, and the guests and clients we welcome into our workplaces

$27 million

in annual support for charitable organizations across Canada

193,000

public service announcements

aired on our television and radio stations in fiscal 2019

over 200

Canadian charitable organizations received Corus support last year

Corus Television

Conventional Stations

B.C.	Calgary	Regina	Durham	Montreal
Okanagan	Edmonton	Winnipeg	Peterborough	New Brunswick
Lethbridge	Saskatoon	Toronto	Kingston	Halifax

Lifestyle

Drama

Kids

Original Content

Multi-Platform Presence

*Channel to be discontinued effective December 31, 2019

Corus Radio

Vancouver, British Columbia

CHMJ-AM
AM730 All Traffic All The Time

CKNW-AM
Global News Radio 980 CKNW

CFMI-FM
Rock 101

CFOX-FM
The World Famous CFOX

Calgary, Alberta

Global News RADIO
770 CHQR

CHQR-AM
Global News Radio 770 CHQR

CFGQ-FM
Q107

CKRY-FM
Country 105

Edmonton, Alberta

CHED-AM
630 CHED

Global News RADIO
880 Edmonton

CHQT-AM
Global News Radio 880 Edmonton

CISN-FM
CISN Country 103.9

CKNG-FM
92.5 The CHUCK

Winnipeg, Manitoba

Global News RADIO
680 CJOB

CJOB-AM
Global News Radio 680 CJOB

CJGV-FM
Peggy @ 99.1

CJKR-FM
Power 97

Barrie/Collingwood, Ontario

CHAY-FM
Fresh 93.1

CIQB-FM
Big 101

CKCB-FM
95.1 The Peak FM

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

Global News RADIO
900 CHML

CHML-AM
Global News Radio 900 CHML

CING-FM
Energy 95.3

CJXY-FM
Y108

London/Woodstock, Ontario

Global News RADIO
980 CFPL

CFPL-AM
Global News Radio 980 CFPL

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 FM

Toronto, Ontario

CFMJ-AM
Global News Radio 640 Toronto

CFNY-FM
102.1 the Edge

CILQ-FM
Q107

board of directors

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

Doug Murphy
Member of the Executive Committee

Fernand Bélisle
Independent Lead Director
Member of the Human Resources and Compensation Committee

Michael Boychuk
Member of the Audit Committee
Member of the Corporate Governance Committee

Michael D'Avella
Member of the Audit Committee
Member of the Executive Committee

John Frascotti
Member of the Human Resources and Compensation Committee

Mark Hollinger
Chair of the Corporate Governance Committee
Member of the Audit Committee
Member of the Executive Committee

Barry James
Chair of the Audit Committee
Member of the Executive Committee

Catherine Roozen
Chair of the Human Resources and Compensation Committee
Member of the Executive Committee

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

officers

Heather Shaw
Executive Chair

Doug Murphy
President and Chief Executive Officer

John Gossling, FCPA, FCA
Executive Vice President and Chief Financial Officer

Dale Hancocks
Executive Vice President and General Counsel

Greg McLelland
Executive Vice President and Chief Revenue Officer

executive leadership team

Doug Murphy
President and Chief Executive Officer

Colin Bohm
Executive Vice President,
Content and Corporate Strategy

Cheryl Fullerton
Executive Vice President,
People and Communications

John Gossling, FCPA, FCA
Executive Vice President and Chief Financial Officer

Dale Hancocks
Executive Vice President and General Counsel

Shawn Kelly
Executive Vice President, Technology

Greg McLelland
Executive Vice President and Chief Revenue Officer

Troy Reeb
Executive Vice President Broadcast Networks

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the financial position and results of operations for the year ended August 31, 2019 is prepared at October 17, 2019. The following should be read in conjunction with the Company's August 31, 2019 audited consolidated financial statements and notes therein. The financial highlights included in the discussion of the segmented results are derived from the audited consolidated financial statements. 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-IFRS FINANCIAL MEASURES

The Management's Discussion and Analysis contains references to certain measures that do not have a standardized meaning under IFRS as prescribed by the International Accounting Standards Board and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing a further understanding of operations from management's perspective. Accordingly, non-IFRS measures should not be considered in isolation nor as a substitute for analysis of financial information reported under IFRS. The Company presents non-IFRS measures, specifically, segment profit, adjusted segment profit, adjusted net income attributable to shareholders, adjusted basic earnings per share, free cash flow, net debt and net debt to segment profit.

The Company believes these non-IFRS measures are frequently used by securities analysts, investors and other interested parties as measures of financial performance and to provide supplemental measures of operating performance and thus highlight trends that may not otherwise be apparent when relying solely on IFRS financial measures. A reconciliation of the Company's non-IFRS measures is included in this report which is available on Corus' website at www.corusent.com.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

To the extent any statements made in this document 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 information"). Forward-looking information relates 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, currency value fluctuations and interest rates. Forward-looking information is predictive in nature and can generally be identified by the use of words such as "believe", "anticipate", "expect", "intend", "plan", "will", "may" and other similar expressions. The forward looking information contained in this document includes, but is not limited to: expected timing for certain legislative changes; Corus' anticipated indebtedness and pro forma leverage and dividend yield targets. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances may be considered forward-looking information.

Although Corus believes that the expectations reflected in such forward-looking information are reasonable, such statements involve assumptions and risks and uncertainties and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied with respect to the forward-looking information above, including without limitation: the estimates and judgments set out under the heading "*Use of Estimates and Judgments*", in this document; factors and assumptions regarding general market conditions and general outlook for the industry, interest rates, stability of the advertising, distribution, merchandise and subscription markets, operating costs and tariffs, taxes and fees, currency value fluctuations, interest rates, technology developments and assumptions regarding the stability of laws and governmental regulation and policies and the interpretation or application of those laws and regulations, consistent application of accounting policies, segment profit growth rates, future levels of capital expenditures, expected future cash flows and discount rates, 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 and subscriber 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, regulations and policies 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 information are set out under the heading "Risks and Uncertainties" in this document and under the heading "Risk Factors" 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 information to make decisions with respect to Corus, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise specified, all forward-looking information in this document speaks as of the date of this document. Unless otherwise required by applicable securities laws, Corus disclaims any intention or obligation to publicly update or revise any forward-looking information whether as a result of new information, events or circumstances that arise after the date thereof or otherwise.

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

OVERVIEW

Corus Entertainment Inc. ("Corus" or the "Company") is a diversified Canadian-based integrated media and content company that creates and delivers high quality brands and content across platforms for audiences in Canada and around the world. The Company's portfolio of multimedia offerings encompasses 35 specialty television networks, 15 conventional television stations, 39 radio stations and a global content business, digital assets, book publishing, animation software, a social digital agency, a social influencer network, and media and technology services.

Corus operates through two reporting segments: Television and Radio. The Corporate results represent the incremental cost of corporate overhead in excess of the amount allocated to the operating segments. 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 and unscripted lifestyle programming and Corus' ability to continue to provide popular programming.

TELEVISION

The Television segment is comprised of 35 specialty television networks, 15 conventional television stations and the Corus content business, which includes the production and distribution of films and television programs, merchandise licensing, book publishing, animation software, and media and technology services. On September 30, 2019, Corus ceased operation of the Cosmo TV and IFC channels. On March 22, 2019, Corus sold its interest in the Telelatino ("TLN") group of 7 networks. On February 28, 2018, Corus ceased operation of the Sundance Channel.

Revenues for the specialty television networks are generated from both advertising and subscribers, while revenues from the conventional television stations are derived primarily from advertising. Revenues for the content business are generated from the licensing of proprietary films and television programs, merchandise licensing, book publishing, animation software, and media and technology service sales. For both advertising and subscriber revenues, it is critical that the Company offer Canadians entertaining content that engages them. The Company's content is available to Canadians through a variety of platforms, including conventional or specialty television, online websites, mobile apps and connected TVs. Catering to consumer demand for quality and choice, the Company strives to offer the best content available to Canadians when and where they choose to consume it.

RADIO

The Radio segment is comprised of 39 radio stations across Canada situated primarily in high-growth urban centres in English Canada, with a concentration in the densely populated area of Southern Ontario. The Company's primary method of distribution is over-the-air, analog radio transmission, with additional delivery platforms including HD Radio, websites and mobile apps.

Revenues for the Company's radio business are derived primarily from advertising.

KEY FINANCIAL INFORMATION

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

(in millions of Canadian dollars, except per share amounts)

	2019	2018
Revenues		
Television	**1,544.9**	1,499.3
Radio	**142.6**	148.0
Consolidated revenues	**1,687.5**	1,647.3
Segment profit [1]		
Television	**573.5**	541.8
Radio	**34.6**	40.3
Corporate	**(23.1)**	(6.5)
Consolidated segment profit [1]	**585.1**	575.6
Depreciation and amortization	**182.4**	81.9
Interest expense	**117.7**	127.3
Broadcast license and goodwill impairment	**—**	1,013.7
Gain on debt modification	**(3.9)**	—
Business acquisition, integration and restructuring costs	**26.3**	17.1
Other expense, net	**10.5**	5.7
Income (loss) before income taxes	**252.1**	(670.0)
Income tax expense	**71.4**	88.1
Net income (loss) for the year	**180.7**	(758.2)
Net income (loss) attributable to:		
Shareholders	**156.1**	(784.5)
Non-controlling interest	**24.6**	26.3
Net income (loss) for the year	**180.7**	(758.2)
Adjusted net income attributable to shareholders [1]	**181.0**	238.4
Basic earnings (loss) per share	**$0.74**	$(3.77)
Adjusted basic earnings per share [1]	**$0.85**	$1.14
Diluted earnings (loss) per share	**$0.74**	$(3.77)
Free cash flow [1]	**310.0**	349.0
Total assets	**4,672.3**	4,883.0
Long-term debt (inclusive of current portion)	**1,731.7**	1,983.9
Cash dividends declared per share		
Class A Voting	**$0.1763**	$1.1350
Class B Non-Voting	**$0.1800**	$1.1400

Notes:

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

FISCAL 2019 COMPARED TO FISCAL 2018

For a discussion on the Company's results of operations for the fourth quarter of fiscal 2019, we refer you to Corus' Fourth Quarter 2019 Report to Shareholders filed on SEDAR on October 18, 2019.

The following discussion describes the significant changes in the consolidated results from operations for the year ended August 31, 2019 compared to the prior year.

REVENUES

For the year ended August 31, 2019, consolidated revenues of $1,687.5 million increased 2% from $1,647.3 million in the prior year. On a consolidated basis, advertising revenues increased 6%, while subscriber revenues decreased 2% and merchandising, distribution and other revenues decreased by 7%, from the prior year. For the year, revenues increased by 3% in Television and decreased by 4% in Radio compared to the prior year. Further analysis of revenue is provided in the discussions of segmented results.

DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended August 31, 2019, direct cost of sales, general and administrative expenses of $1,102.4 million increased 3% from $1,071.7 million in the prior year. On a consolidated basis, employee costs increased 6%, direct cost of sales increased 1% and other general and administrative expenses increased by 2%. The increase in employee costs was primarily due to increases in share-based compensation expense, commissions and short-term compensation accruals. Further analysis of expenses is provided in the discussion of segmented results.

SEGMENT PROFIT

For the year ended August 31, 2019, consolidated segment profit was $585.1 million, which was up 2% from $575.6 million in the prior year. Segment profit margin of 35% for the year ended August 31, 2019 was consistent with the prior year. Further analysis is provided in the discussion of segmented results.

DEPRECIATION AND AMORTIZATION

For the year ended August 31, 2019, depreciation and amortization expense was $182.4 million, an increase from $81.9 million in the prior year. The increase from the prior year principally arises from the change in estimated useful lives of certain television brand assets from indefinite life intangible assets to finite life intangible assets, effective September 1, 2018. As a result, amortization increased for the year by $103.2 million compared to the prior year, partially offset by decreases in depreciation on property, plant and equipment which reflects the reduced capital spending in fiscal 2018. Further discussion of the change in estimates of certain television brand assets can be found in the *Impact of New Accounting Policies and Changes in Estimates* section of this report.

INTEREST EXPENSE

Interest expense for the year ended August 31, 2019, was $117.7 million, down from $127.3 million in the prior year. The decrease reflects lower interest on bank debt of $6.7 million, $0.8 million of amortization of a deferred gain from other comprehensive income on interest rate swaps settled on November 28, 2017, and lower imputed interest of $2.0 million on long-term liabilities associated with program rights. Interest on bank debt is lower due to lower debt levels.

The effective interest rate on bank loans for both the year ended August 31, 2019 and the prior year was 4.3%. The effective interest rate was consistent as higher fixed interest rates on interest rate swaps were offset by a lower interest margin resulting from reduced leverage.

BROADCAST LICENCE AND GOODWILL IMPAIRMENT

Broadcast licences 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 third quarter of fiscal 2018, management identified indicators of impairment at the enterprise level, notably a significant decline in the Company's share price from August 31, 2017, which resulted in the Company's carrying value being significantly greater than its current market enterprise value. Accordingly, interim goodwill impairment testing was required for both the Television and Radio cash generating units ("CGUs"). As a result of these tests, the Company recorded a non-cash goodwill impairment charge of $1.0 billion in the Television operating segment in the third quarter of fiscal 2018. No goodwill impairment was identified in the Radio operating segment CGU (refer to note 11 of the audited consolidated financial statements for further details).

In addition, certain Radio markets had actual results and revised financial projections that fell short of previous estimates, indicating that interim broadcast licence impairment testing was required. As a result of these tests, the Company recorded non-cash broadcast licence impairment charges of $13.7 million in the Radio segment in the third quarter of fiscal 2018 (refer to note 11 of the audited consolidated financial statements for further details).

The Company has completed its annual impairment testing of broadcast licences and goodwill and determined that there were no impairment charges required or recoveries as at August 31, 2019.

GAIN ON DEBT MODIFICATION

The gain on debt refinancing of $3.9 million in fiscal 2019 relates to the amendment of the Company's long-term credit facility agreement on May 31, 2019 (refer to note 14 of the audited consolidated financial statements for further details).

BUSINESS ACQUISITION, INTEGRATION AND RESTRUCTURING COSTS

For the year ended August 31, 2019, the Company incurred $26.3 million of business acquisition, integration and restructuring costs compared to $17.1 million in the prior year. The current fiscal year costs are related to restructuring costs associated with employee exits, as well as onerous lease provision costs of $3.4 million for office space vacated in Vancouver, $2.6 million of costs to decommission certain transmitter sites, additional asset retirement obligations of $1.7 million for the former Shaw Media headquarters in Toronto, costs associated with the rebranding of the ACTION channel to the Adult Swim channel, and costs associated with the shut down of the Cosmo TV and IFC channels. The prior year costs were attributable to restructuring costs associated with employee exists as well as costs associated with the denial of the sale of Historia and Séries+, and shut down of the Sundance Channel. These costs are excluded from the determination of segment profit.

OTHER EXPENSE, NET

Other expense for the year ended August 31, 2019 was $10.5 million compared to $5.7 million in the prior year. In the current year, other expense includes an impairment charge related to an investment in an associate of $8.7 million, equity losses from associates of $0.9 million, net foreign exchange loss of $0.9 million, a $0.3 million loss on the disposition of TLN, offset by income of $1.2 million from insurance proceeds and miscellaneous interest income. The prior year includes a foreign exchange loss of $5.4 million, and equity losses from associates of $1.6 million, offset by income of $1.2 million from the settlement of certain regulatory fees and the benefit of miscellaneous interest and other income. For the year ended August 31, 2019, forward foreign exchange contracts resulted in unrealized foreign exchange gains of $2.2 million, which offset foreign exchange losses recorded related to the period end revaluation of USD denominated long-term liabilities. Further discussion of this can be found in the *Liquidity and Capital Resources* section of this report under the heading *Derivative Financial Instruments*.

INCOME TAX EXPENSE

The effective tax rate for the year ended August 31, 2019 was 28.3% as compared with the Company's 26.5% statutory tax rate. The higher effective tax rate in the current year is primarily a result of the Company's disposition of its interest in TLN. The effective tax rate for the year ended August 31, 2018 was (13.2%) compared to the Company's 26.5% statutory rate. The significant difference in the statutory rates and effective tax rate resulted from the impairment charge recorded on goodwill in the television segment in the third quarter of the prior year.

NET INCOME (LOSS) ATTRIBUTABLE TO SHAREHOLDERS AND EARNINGS (LOSS) PER SHARE

Net income attributable to shareholders for the year ended August 31, 2019 was $156.1 million ($0.74 per share basic), as compared to a net loss attributable to shareholders of $784.5 million ($3.77 loss per share basic) in the prior year. Net income attributable to shareholders for fiscal 2019 includes business acquisition, integration and restructuring costs of $26.3 million ($0.09 per share) and an impairment of investment in associates of $8.7 million ($0.03 per share basic), a gain on debt modification of $3.9 million ($0.01 per share basic), and a loss on the disposition of TLN of $0.3 million ($nil per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of $181.0 million ($0.85 per share basic) for the current fiscal year. Net loss attributable to shareholders for the year ended August 31, 2018 includes broadcast licence and goodwill impairment charges of $1.0 billion ($4.85 per share), and business acquisition, integration and restructuring costs of $17.1 million ($0.06 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of $238.4 million ($1.14 per share basic) for the prior year.

The weighted average number of basic shares outstanding for the year ended August 31, 2019, was 211,997,000 compared to 208,257,000 in the prior year. The number of shares outstanding increased from the issuance of shares from treasury in the prior year under the Company's dividend reinvestment plan.

OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAX

Other comprehensive loss for the year ended August 31, 2019 was $43.0 million, compared to income of $25.1 million in the prior year. For the year ended August 31, 2019, other comprehensive loss includes an unrealized loss on the fair value of cash flow hedges of $31.5 million, an actuarial loss on the remeasurement of post-employment benefit plans of $9.3 million, and an unrealized loss on the fair value of financial assets of $2.4 million, offset by an unrealized gain from foreign currency translation adjustments of $0.3 million. The prior year other comprehensive income includes an unrealized gain on the fair value of cash flow hedges of $12.9 million, an actuarial gain on post-employment benefit plans of $11.6 million and an unrealized gain from foreign currency translation adjustments of $0.7 million, offset by an unrealized loss on the fair value of available-for-sale investments of $0.1 million.

TELEVISION

The Television segment is comprised of 35 specialty television services (37 prior to September 30, 2019; 44 prior to March 22, 2019; 45 prior to February 28, 2018), 15 conventional television stations and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, book publishing, animation software, a social digital agency, a social influencer network, and media and technology services.

FINANCIAL HIGHLIGHTS

(thousands of Canadian dollars)	Year ended August 31, 2019	2018
Revenues		
Advertising	**966,983**	903,420
Subscriber	**496,447**	507,756
Merchandising, distribution and other	**81,462**	88,146
Total revenues	**1,544,892**	1,499,322
Expenses	**971,368**	957,533
Segment profit [1]	**573,524**	541,789
Segment profit margin [1]	**37%**	36%

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

For the year ended August 31, 2019, total revenues increased 3% from the prior year as a result of a 7% increase in advertising revenues, partially offset by a 2% decrease in subscriber revenues and a decrease in merchandising, distribution and other revenues of 8%. The increase in advertising revenues was driven by improved yield from better inventory utilization and increased demand, partially offset by lower demand throughout the year in the automotive category. The decrease in subscriber revenues is attributable to the sale of TLN in the current year, the shut down of the Sundance Channel in the second quarter of the prior year, and retroactive adjustments that occurred upon renewal of large distribution agreements in the prior year. Merchandising, distribution and other revenues decreased from the prior year as a result of lower subscription video-on-demand licensing and royalties, partially offset by higher software, merchandising and publishing revenues.

Total expenses for the year ended August 31, 2019 were up 1% from the prior year. Direct cost of sales increased 1% while general and administrative expenses increased 2%. The increase in direct cost of sales is principally driven by increased costs associated with certain sales initiatives, while amortization of program rights remained consistent with the prior year, with increased Canadian costs offsetting reduced foreign programming costs on Specialty services. The increase in general and administrative costs in the current year is attributable to increases related to commissions, pension costs, marketing costs, copyright fees, and short-term variable compensation incentives, offset by lower transmission and distribution costs, repairs and maintenance costs as well as rent and utility costs associated with the shut down of 44 over-the-air Global transmitter sites.

Segment profit[1] increased 6% in fiscal 2019, principally as a result of increases in advertising revenues exceeding increases in expenses. Segment profit margin[1] was 37% for the year compared to 36% in the prior year.

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

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)	**2019**	2018
Revenues	**142,590**	148,025
Expenses	**107,944**	107,717
Segment profit [1]	**34,646**	40,308
Segment profit margin [1]	**24%**	27%

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

For the year ended August 31, 2019, revenues decreased 4% compared to the prior year. The decline in advertising revenues in the year was driven primarily by continued lower demand from the automotive category and ongoing economic pressures and ratings challenges in Alberta.

Direct cost of sales, general and administrative expenses were flat for fiscal 2019. This reflects a continued focus on cost containment and synergies with Global News.

For the year ended August 31, 2019, segment profit[1] decreased $5.7 million and segment profit margin[1] of 24% was a decrease from 27% in the prior year.

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

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)	**2019**	2018
Share-based compensation	**5,347**	(7,818)
Other general and administrative costs	**17,738**	14,287
	23,085	6,469

Share-based compensation includes expenses related to the Company's stock options and other long-term incentive plans (such as Performance Share Units - "PSUs", Deferred Share Units – "DSUs", and Restricted Share Units – "RSUs"). The expense fluctuates with changes in assumptions, primarily regarding the Company's share price and number of units estimated to vest.

The increase in share-based compensation expense for the year ended August 31, 2019 reflects the improvement in the Company's share price from August 31, 2018, partially offset by the change in the fair value of the total return swaps (refer to the *Liquidity and Capital Resources* section of this report for further details on this swap arrangement). The prior year included expense recoveries of approximately $7.8 million resulting from a significant decline in the share price from August 31, 2017 to August 31, 2018.

Other general and administrative costs for fiscal 2019 were higher compared to the prior year, principally related to Directors fees for those Directors that have elected to receive their remuneration in DSUs, which are revalued at the Company's closing share price at the end of each period, as well as short-term variable compensation accruals due to higher achievement against performance targets in the current year.

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, accordingly the first and third quarter results tend to be the highest and second and fourth quarter results tend to be the lowest 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 Company's interim condensed consolidated financial statements for each of the eight most recent quarters ended August 31, 2019. In Management's opinion, these unaudited interim condensed consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements in the Company's Annual Report for the years ended August 31, 2019 and August 31, 2018.

(thousands of Canadian dollars, except per share amounts)

	Revenues	Segment profit [1]	Net income (loss) attributable to shareholders	Adjusted net income attributable to shareholders [1]	Earnings per share			Free cash flow [1]
					Basic	Diluted	Adjusted [1]	
2019								
4th quarter	**377,479**	**109,776**	**22,947**	**27,930**	**$ 0.11**	**$ 0.11**	**$ 0.13**	**93,554**
3rd quarter	458,417	170,523	66,378	66,077	$ 0.31	$ 0.31	$ 0.31	90,101
2nd quarter	384,115	113,148	6,344	15,733	$ 0.03	$ 0.03	$ 0.07	83,909
1st quarter	467,471	191,638	60,415	70,111	$ 0.28	$ 0.28	$ 0.33	42,406
2018								
4th quarter	379,084	114,561	33,675	39,534	$ 0.16	$ 0.16	$ 0.19	95,966
3rd quarter	441,410	170,421	(935,899)	78,112	$ (4.49)	$ (4.49)	$ 0.37	87,753
2nd quarter	369,465	112,759	40,042	41,880	$ 0.19	$ 0.19	$ 0.20	82,073
1st quarter	457,388	177,887	77,673	78,885	$ 0.38	$ 0.38	$ 0.38	83,215

[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 2019 was negatively impacted by additional amortization from a change in estimate for the useful lives of television brand assets of $16.7 million ($0.06 per share) and business acquisition, integration and restructuring costs of $6.8 million ($0.02 per share).
- Net income attributable to shareholders for the third quarter of fiscal 2019 was negatively impacted by additional amortization from a change in estimate for the useful lives of television brand assets of $16.7 million ($0.06 per share), business acquisition, integration and restructuring costs of $2.3 million ($0.01 per share) and a $0.3 million ($nil per share) loss on disposal of the Company's 50.5% interest in TLN, offset by a gain on debt modification of $3.9 million ($0.01 per share).
- Net income attributable to shareholders for the second quarter of fiscal 2019 was negatively impacted by additional amortization from a change in estimate for the useful lives of television brand assets of $34.9 million ($0.12 per share), business acquisition, integration and restructuring costs of $4.0 million ($0.01 per share) and an impairment on an investment in an associate of $8.7 million ($0.03 per share).
- Net income attributable to shareholders for the first quarter of fiscal 2019 was negatively impacted by additional amortization from a change in estimate for the useful lives of television brand assets of $34.9 million ($0.12 per share) and business acquisition, integration and restructuring costs of $13.2 million ($0.05 per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2018 was negatively impacted by business acquisition, integration and restructuring costs of $7.7 million ($0.03 per share).

- Net loss attributable to shareholders for the third quarter of fiscal 2018 was negatively impacted by non-cash radio broadcast licence and television goodwill impairment charges of $1,013.7 million ($4.84 per share) and business acquisition, integration and restructuring costs of $5.3 million ($0.02 per share).
- Net income attributable to shareholders for the second quarter of fiscal 2018 was negatively impacted by business acquisition, integration and restructuring costs of $2.5 million ($0.01 per share).
- Net income attributable to shareholders for the first quarter of fiscal 2018 was negatively impacted by business acquisition, integration and restructuring costs of $1.6 million ($nil per share).

FINANCIAL POSITION

Total assets at August 31, 2019 were $4.7 billion compared to $4.9 billion at August 31, 2018. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2018.

On March 22, 2019, the Company sold its 50.5% interest in TLN. In accordance with IFRS 10 - *Consolidated Financial Statements*, as of the disposition date, the carrying amounts associated with TLN have been removed from the statement of financial position and have been factored into the loss on disposal in the audited consolidated financial statements. In addition, an adjustment has been made to remove the carrying amount of the non-controlling interest related to TLN in the audited consolidated financial statements (refer to note 27 of the Company's audited consolidated financial statements for the period ended August 31, 2019 for further discussion).

Current assets at August 31, 2019 were $488.7 million, down $18.9 million from August 31, 2018.

Cash and cash equivalents decreased by $12.2 million from August 31, 2018. Refer to the discussion of cash flows in the next section. Accounts receivable decreased $15.9 million from August 31, 2018. The accounts receivable balance is subject to seasonal trends. Typically, the balance is higher at the end of the first and third quarters and lower at the end of the second and fourth quarters as a result of the broadcast advertising revenue seasonality. The Company carefully monitors the aging and collection performance of its accounts receivable.

Tax credits receivable increased $7.0 million from August 31, 2018 as a result of accruals relating to film productions exceeding tax credit receipts.

Investments and other assets decreased $30.5 million from August 31, 2018, primarily as a result of the unrealized value related to interest rate swaps now being in a net liability position, an impairment charge related to an investment in associates and equity losses from associates, a reduction in the net asset position of certain post employment benefit plans, offset by unrealized net gains related to the fair value remeasurement of investments in venture funds and unrealized gains related to forward foreign exchange contracts. The increases to investments in venture funds relate primarily to the initial implementation of IFRS 9 - *Financial Instruments,* which was implemented on September 1, 2018. Further discussion of this can be found in the *Impact of New Accounting Policies and Change in Estimates* section of this report.

Property, plant and equipment decreased $5.3 million from August 31, 2018 as a result of depreciation expense exceeding additions.

Program rights decreased $30.4 million from August 31, 2018, as additions of acquired rights of $492.8 million were offset by amortization of $516.4 million, reductions of $1.8 million associated with the shutdown of the Cosmo TV and IFC channels and $5.0 million related to the disposition of TLN.

Film investments increased $9.9 million from August 31, 2018, as film additions (net of tax credit accruals) of $25.9 million were offset by film amortization of $16.0 million.

Intangibles decreased $135.9 million from August 31, 2018, primarily as a result of a change in estimated useful lives of certain television brand assets from indefinite life to finite life effective September 1, 2018, which resulted in amortization of finite life intangibles exceeding additions, as well as the disposition of TLN, offset by additions related to trade mark licences, and KIN Canada intangibles acquired. Further discussion of the change in estimated useful lives can be found in the *Impact of New Accounting Policies and Change in Estimates* section of this report.

Goodwill decreased $3.7 million from August 31, 2018, primarily as a result of the disposition of TLN.

Accounts payable and accrued liabilities increased $23.7 million from August 31, 2018, as a result of higher accrued dividends payable, trade marks, film production, and other accrued liabilities. The increase in other accrued liabilities relates primarily to increases in accounts payable, short-term compensation accruals, and capital asset purchases, offset by other working capital accruals, decreases to tangible benefits, and lower CRTC fees.

Provisions, including the long-term portion, at August 31, 2019 were $18.0 million compared to $19.0 million at August 31, 2018. The decrease of $1.0 million from August 31, 2018 is primarily a result of restructuring related payments, offset by additional provisions for onerous lease obligations of $6.0 million for office space vacated in Vancouver and decommissioned broadcast tower sites, as well as additional asset retirement obligations of $1.7 million for the former Shaw Media headquarters in Toronto.

Long-term debt, including the current portion, as at August 31, 2019 was $1,731.7 million compared to $1,983.9 million as at August 31, 2018. As at August 31, 2019, the $76.3 million classified as the current portion of long-term debt reflects the mandatory repayments on the debt in the next 12 months. During the year ended August 31, 2019, the Company repaid bank loans of $249.9 million and amortized $5.0 million of deferred financing charges.

Other long-term liabilities decreased $17.1 million from August 31, 2018, primarily from decreases in trade marks payable, long-term program rights payable, the long-term portion of tangible benefits, unearned revenues, and finance lease accruals, offset by adjustments to the fair value of interest rate swap derivatives and long-term employee obligations.

Share capital decreased by $1.5 billion from August 31, 2018 as a result of the reduction in stated capital approved at the Company's Annual and Special Meeting of Shareholders on January 16, 2019. Contributed surplus increased predominantly from this reduction in stated capital.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Overall, the Company's cash and cash equivalents position decreased by $12.2 million from the prior year end. Free cash flow for the year ended August 31, 2019 decreased to $310.0 million, from $349.0 million in the prior year. 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 for the year ended August 31, 2019 was $343.6 million, compared to $370.9 million in the prior year. The decrease of $27.3 million from the prior year arises from lower cash flow from operations as the prior year included proceeds of $24.6 million from the termination of interest rate swap agreements, higher spend on program rights of $24.8 million and film investment of $11.8 million, offset by lower cash used in working capital of $31.5 million.

Cash used in investing activities for the year ended August 31, 2019 was $30.2 million, compared to $25.6 million in the prior year. In the current year, the Company had additions to property, plant and equipment, and software intangibles of $30.1 million, paid $6.0 million for the acquisition of certain KIN Canada assets, and had net cash outflows of $6.7 million for intangibles, investments and other assets, offset by the proceeds from the disposal, net of divested cash and prepaid revenue from certain service arrangements, of $12.5 million for the sale of TLN. The prior year includes additions to property, plant and equipment of $16.1 million, offset by proceeds of $0.8 million on the disposal of surplus land, and net cash outflows for intangibles, investments and other assets of $10.3 million.

Cash used in financing activities for the year ended August 31, 2019 was $325.6 million, compared to $344.2 million in the prior year. The decrease in the current year of $18.6 million is primarily due to the reduction in dividends paid during the fiscal 2019 year, offset by increased repayments of bank debt.

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 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 a leverage target (net debt to segment profit ratio) below 3.0 times and to maintain a dividend yield in excess of 2.5%. In the short term, the Company may permit the long-term leverage range to be exceeded (for long-term investment opportunities), but endeavours

to return to the leverage target 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. As at August 31, 2019, the Company's leverage ratio was 2.82 times net debt to segment profit, down from 3.28 times at August 31, 2018. The Company met its target of deleveraging below 3.0 times net debt to segment profit as at May 31, 2019, which has improved the Company's financial flexibility.

As at August 31, 2019, the Company had available approximately $300.0 million under the Revolving Facility, all of which could be drawn, and was in compliance with all loan covenants. As at August 31, 2019, the Company had a net cash balance of $82.6 million.

For further details on the credit facilities amended on May 31, 2019, and November 30, 2017, refer to note 14 of the Company's audited consolidated financial statements for the year ended August 31, 2019.

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 twelve months.

TOTAL CAPITALIZATION

As at August 31, 2019, total capitalization was $3,391.4 million, a decrease of $174.5 million from August 31, 2018. The decrease is primarily attributable to lower net debt resulting from the repayment of $249.9 million of bank debt during the year, offset by the decrease in the accumulated deficit and a decrease in cash of $12.2 million.

OFF-BALANCE SHEET ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

On November 28, 2017, the Company terminated the swap agreements that fixed the interest rate on $1,871.0 million of its outstanding term loan facilities. As a result, the Company received $24.6 million, net of interest, in cash upon settlement of these swaps, which was the fair value upon termination. The $24.6 million was recorded in other comprehensive income and is being amortized as non-cash interest income in the consolidated statements of income (note 19).

On November 28, 2017, the Company entered into new interest swap agreements to fix the interest rate on the majority of its outstanding term loan facilities. The counterparties of the swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The fair value of future cash flows of interest rate swap derivatives change with fluctuations in market interest rates. The estimated fair value of these agreements as at August 31, 2019 was $11.6 million, which has been recorded in the consolidated statements of financial position as a long-term liability (note 15).

On January 5, 2018, the Company entered into a series of forward foreign exchange contracts totalling $98.0 million USD, to fix the foreign exchange rate and therefore cash flows related to a portion of the Company's USD denominated liabilities. The forward contracts are not designated as hedges for accounting purposes; they are measured at fair value at each reporting date by reference to prices provided by the counterparty. The counterparty of the forward contracts is a highly rated financial institution and the Company does not anticipate any non-performance. The estimated fair value of future cash flows of the USD forward contract derivatives change with fluctuations in the foreign exchange rate of USD to Canadian dollars. The estimated fair value of these agreements as at August 31, 2019 was $6.0 million, which has been recorded in the consolidated statements of financial position as a long-term asset (note 5), and within other expense (income), net in the consolidated statements of income (note 20).

On November 28, 2018, the Company initiated total return swap agreements on 1,868,500 share units with a notional value of $9.2 million to offset its exposure to changes in the fair value of certain cash settled share-based compensation awards. The estimated fair value of these Level 1 financial instruments will fluctuate with the market price of the Company's shares. The counterparties of these swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The estimated fair value of these agreements as at August 31, 2019 was an asset of $0.3 million, which has been recorded in the consolidated statement of financial position as an asset in prepaid expenses and other assets and within employee expenses in the consolidated statement of income (loss) (note 18).

CONTRACTUAL COMMITMENTS

The Company has the following undiscounted contractual obligations at August 31, 2019:

(thousands of Canadian dollars)	**Total**	**Within 1 year**	**2 - 3 years**	**4 - 5 years**	**More than 5 years**
Total debt [1]	1,765,953	76,339	410,929	1,278,685	—
Purchase obligations [2]	899,898	561,764	270,049	68,085	—
Operating leases [3]	364,855	30,344	57,154	54,034	223,323
Other obligations [4]	222,279	77,642	134,214	10,423	—
Financing leases	1,431	1,431	—	—	—
Total contractual obligations	**3,254,416**	**747,520**	**872,346**	**1,411,227**	**223,323**

[1] Principal repayments

[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 included office, equipment and automobile leases.

[4] Other obligations included financial liabilities, trade marks, other intangibles, CRTC commitments and forward foreign exchange contracts.

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 2019, the Company incurred interest on bank debt of $82.3 million (2018 – $89.0 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, 2019 derived primarily from three areas: advertising 65%, subscriber fees 30% and merchandising, distribution and other 5% (2018 – 63%, 31%, and 6%, respectively).

DIRECT COST OF SALES, AND GENERAL AND ADMINISTRATIVE EXPENSES

Direct cost of sales, and general and administrative expenses include amortization of program rights (costs of programming intended for broadcast, from which advertising and subscriber 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, book publishing, marketing (research and advertising costs); employee remuneration; regulatory licence fees; and, selling, general administration which includes overhead costs. For the year ended August 31, 2019, consolidated direct cost of sales, and general and administrative expenses were comprised of direct cost of sales 51%, employee remuneration 30%, and general and administrative expenses 19% (2018 – 52%, 29%, and 19%, 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 and segment profit margin may be calculated and presented for an individual operating segment, a line of business, or for the consolidated Company. The Company believes these are important measures as they allow 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 licence impairment; significant intangible and other asset impairment; debt refinancing; non-cash gains or losses; business acquisition, integration and restructuring costs; gain (loss) on disposition; and certain other income and expenses as included in note 20 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 22 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.

(thousands of Canadian dollars, except percentages)	**2019**	2018
Revenues	**1,687,482**	1,647,347
Direct cost of sales, general and administrative expenses	**1,102,397**	1,071,719
Segment profit	**585,085**	575,628
Segment profit margin	**35.0%**	35.0%

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 and deducting net proceeds from dispositions. Free cash flow is a key metric used by the investment 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 IASB.

(thousands of Canadian dollars)	**2019**	2018
Cash provided by (used in):		
Operating activities	**343,553**	370,907
Investing activities	**(30,215)**	(25,580)
	313,338	345,327
Add back: cash used for business combinations and strategic investments [1]	**9,161**	3,680
Deduct: net proceeds from disposition	**(12,529)**	—
Free cash flow	**309,970**	349,007

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

ADJUSTED NET INCOME AND ADJUSTED BASIC EARNINGS PER SHARE

Management uses adjusted net income attributable to shareholders and adjusted basic earnings per share as a measure of enterprise-wide performance. Adjusted net income attributable to shareholders 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 and basic earnings per share prepared in accordance with IFRS as issued by the IASB.

(thousands of Canadian dollars, except per share amounts)	2019	2018
Net income (loss) attributable to shareholders	**156,084**	(784,509)
Adjustments, net of income tax:		
Impairment of investment in associates	**7,565**	—
Broadcast licence and goodwill impairment charges	**—**	1,010,061
Gain on debt modification	**(2,856)**	—
Loss from disposition of TLN	**814**	—
Business acquisition, integration and restructuring costs	**19,399**	12,859
Adjusted net income attributable to shareholders	**181,006**	238,411
Basic earnings (loss) per share	**$0.74**	$(3.77)
Adjustments, net of income tax:		
Impairment of investment in associates	**$0.03**	—
Broadcast licence and goodwill impairment charges	**—**	$4.85
Gain on debt modification	**($0.01)**	—
Loss from disposition of TLN	**—**	—
Business acquisition, integration and restructuring costs	**$0.09**	$0.06
Adjusted basic earnings per share	**$0.85**	$1.14

NET DEBT

Net debt is calculated as total bank debt less cash and cash equivalents as reported in the consolidated statements of financial position. Net debt is an important measure as it reflects the principal amount of debt owing by the Company as at a particular date. Net debt does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies.

(thousands of Canadian dollars)	2019	2018
Total bank debt	**1,731,745**	1,983,933
Cash and cash equivalents	**(82,568)**	(94,801)
Net debt	**1,649,177**	1,889,132

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.

(thousands of Canadian dollars)	2019	2018
Net debt (numerator)	**1,649,177**	1,889,132
Segment profit (denominator) [1]	**585,085**	575,628
Net debt to segment profit	**2.82**	3.28

[1] Reflects aggregate amounts for the most recent four quarters, as detailed in the table in the "Quarterly Consolidated Financial Information" section.

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 potential risks are aligned with business strategies, objectives, values and risk tolerance; in turn, Corus also aims to take advantage of opportunities that may emerge.

RISK GOVERNANCE

The Company's Board of Directors has overall responsibility for risk governance and ensures that there are processes in place to effectively identify, assess, monitor, and manage principal business risks to which the Company is exposed. 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 Leadership 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, officers and certain other employees 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 and provides the Audit Committee and management with objective evaluations of the Company's risk and control environment.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Company has established an Enterprise Risk Management Framework ("ERM") which includes identifying, assessing, managing, monitoring and communicating the principal business 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 principal business risks facing the Company and their potential impact on the achievement of the Company's strategic objectives. 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 Leadership Team, is mandated to maintain the Company's ERM for identifying, assessing, managing, monitoring, and reporting the principal business 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 Executive Leadership Team, and finally, with the Board as part of the quarterly risk review process.

RISKS AND UNCERTAINTIES

This section provides a summary description of the principal risks and uncertainties that could have a material adverse effect on the business and financial results of the Company. This discussion is not exhaustive and any discussion about risks should be read in conjunction with the "Cautionary Statement Regarding Forward-Looking Information".

A. GENERAL RISKS

ECONOMIC CONDITIONS

The Company's operating performance is affected by general Canadian and worldwide economic conditions. Changes in economic conditions or economic uncertainty may affect discretionary consumer and business spending, resulting in increased or decreased demand for Corus' product offerings. These factors may negatively affect the Company through reduced advertising, lower demand for the Company's products and services or decreased profitability. Current or future events caused by volatility in domestic or international economic conditions or a decline in economic growth may have a material adverse effect on Corus, its operations and/or its financial results.

COMPETITION AND TECHNOLOGICAL DEVELOPMENTS

Corus operates in an open and highly competitive marketplace. The television production industry and television and radio broadcasting services have always involved a substantial degree of risk. There can be no assurance of the economic success of the Company's radio stations, music formats, talent, television programs or networks because the revenues derived from such services and products 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 television networks and conventional television stations would have an adverse impact on Corus' businesses, results of operations, prospects and financial condition. Corus' failure to compete in these areas could materially adversely affect Corus' results of operations.

Corus also faces competition from both regulated and unregulated players using existing or new technologies and from illegal services. The rapid deployment of new technologies, services and products have reduced the traditional lines between internet and broadcast services and further expanded the competitive landscape. The Company may also be affected by changes in customer discretionary spending patterns, which in turn are dependent on consumer confidence, disposable consumer income and general economic conditions. 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, connected TVs, virtual multichannel programming distributors, audio streaming platforms, digital radio services, satellite radio, podcasting and direct-to-home satellite compete with, or may in the future compete with, Corus' services for programming and audiences. As well, mobile devices like smartphones and tablets allow consumers to access content anywhere, anytime and are creating consumer demand for mobile, portable or free content. These technologies and business models may increase audience fragmentation, reduce subscribers to Corus' services, reduce Corus' linear television and radio ratings or have an adverse effect on advertising revenues from local and national audiences. Technological developments may also disrupt traditional distribution platforms by enabling content owners to provide content directly to consumers, thus bypassing traditional content aggregators. While Corus invests in infrastructure, technology and programming to maintain its competitive position, there can be no assurance that these investments will be sufficient to maintain Corus' market share or performance in the future.

Television – Broadcast Business

The financial success of Corus' specialty television services depend on obtaining revenues from advertising and subscribers, while Corus' conventional television services depend on obtaining revenues from advertising. These services are also dependent on the effective management of programming costs. Any failure by Corus' discretionary and basic television services to compete effectively could materially adversely affect Corus' results of operations.

i) Advertising and Subscriber Revenues

The conventional and specialty television business and the advertising markets the Company operates in is highly competitive. Numerous broadcast and specialty television networks, alternative forms of entertainment, as well as online advertising platforms and websites, and "over-the-top" digital distribution services that are

not regulated by the CRTC compete with Corus for advertising and subscriber revenues. The CRTC also no longer requires the licensing of new discretionary services. These services can be launched at any time using the CRTC's exemption order which further increases 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. This competition is for both supply of programming and also for audiences and 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.

Corus' ability to compete successfully depends on a number of factors, including its ability to secure popular television and other programming rights for all platforms, including traditional linear broadcast rights and non-linear rights, in order to achieve audience acceptance, high distribution levels and attract advertising. Corus' ability to continue to attract advertising customers also depends on its ability to meet the evolving expectations of its advertising customers. Accordingly, there can be no assurance that Corus' television services will be able to maintain or increase their current share of audience and advertising revenues as well as maintain or increase current levels of subscriber distribution and penetration.

ii) Programming Expenditures / Audience Acceptance
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 of premium content and/or increase the cost of programming content which could have a material adverse effect on Corus' operations and/or financial results.

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 in terms of audience acceptance. Audience acceptance cannot be accurately predicted. The success of a program also depends on the type and extent of promotional and marketing activities, the quality and acceptance of competing programs, general economic conditions and other intangible factors, all of which can rapidly change and many of which are beyond Corus' control. A failure to select and obtain content demanded by viewers or otherwise a lack of audience acceptance of Corus' television programming could have a material adverse effect on Corus' operations and/ or financial results.

Commission of original 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 independent production partners and cause cost overruns and delay or hamper completion of a production (see *RELIANCE ON KEY SUPPLIERS AND CUSTOMERS*).

Television – Content Business
The production and distribution of 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 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 also 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 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 or that Corus will be able to increase or maintain penetration of broadcast schedules.

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 (derived from interest in on-air talent, music formats, and other intangible factors). Other stations may change programming formats at any time 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' stations could be negatively impacted, resulting in lower net revenues.

Radio broadcasting is also subject to competition from other media, such as television, outdoor advertising, print and internet as well as alternative media technologies, such as satellite, music streaming, podcasting and music downloading services. 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) or through daily, weekly and free-distribution newspapers, outdoor billboard advertising, magazines, other print media, direct mail marketing, 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, Ontario, Corus also competes with U.S. radio stations. Accordingly, there can be no assurance that Corus' radio stations will be able to maintain or increase their current audience share and advertising revenue share.

B. BUSINESS RISKS

RELIANCE ON KEY SUPPLIERS AND CUSTOMERS

Corus procures its content from a limited number of key third party suppliers, some of whom are global in scale, have significant negotiating leverage and are launching their own direct-to-consumer business in Canada. While Corus may have alternate sources of content, there can be no assurance that Corus would be able to source alternate content desirable to the Company's viewers. The loss of a key supplier may adversely affect Corus' operations and/or its financial results. Suppliers may also experience business difficulties, privacy and/or security incidents, restructure their operations, be consolidated with other suppliers, discontinue products or sell their operations or products to other vendors, which could affect the future development and support of the Company's services.

Corus enters into long-term agreements with various Broadcasting Distribution Undertakings ("BDUs") for the distribution of its television services. Corus derives most of its subscriber revenue from its relationships with a small number of the largest BDUs. As these contracts expire, there could be a negative effect on Corus' operations and/or its financial results if Corus is unable to renew them on acceptable terms or at all, including revenues per subscriber and packaging that affects the networks' subscriber reach. Similarly, the majority of Corus' advertising revenues are derived from a small number of large advertising agency "upfront commitments". Any significant change in volume, rates and/or other terms associated with these sales commitments may have a positive or negative effect on Corus' operations and/or financial results.

Corus relies on certain information technology providers, telecommunications carriers and certain utilities to conduct Corus' business. Any disruption to the services provided by these suppliers, including labour strikes and other work disruptions, bankruptcies, technical difficulties or other events affecting the business operations of these information technology providers, telecommunications carriers and utilities may affect Corus' ability to operate and therefore have a negative impact on its operations and/or its financial results.

INFORMATION SYSTEMS AND INTERNAL BUSINESS PROCESSES

The day-to-day operations of Corus are highly dependent on information technology systems and internal business processes and the ability of Corus and its service providers to protect the Company's networks and information technology systems. An inability to operate or enhance information technology systems could have an adverse impact on Corus' ability to produce accurate and timely invoices, manage operating expenses and produce accurate and timely financial reports. Although Corus 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 Corus operations and/or its financial results.

An inability to protect the Company's systems, applications and information repositories against cyber threats, which include cyber attacks such as, but not limited to, hacking, computer viruses, denial of service attacks, industrial espionage, unauthorized access to confidential, proprietary or sensitive information, unauthorized access to corporate or network information technology systems or other breaches of security could result in service disruptions to, or could have an adverse impact on, the Company's business operations and could harm the Company's brand, reputation and customer relationships. Although the Company has taken steps to reduce these risks, there can be no assurance that future cyber threats, if to occur, will not have an adverse effect on the Company's operating results. Establishing response strategies and business continuity protocols to maintain operations if any disruptive event materializes is critical to the Company. A failure to complete planned and sufficient testing, maintenance or replacement of the Company's networks, equipment and facilities as appropriate, could disrupt the Company's operations or require significant resources.

The Company uses several cloud-based systems in the operation of its business. The Company depends on these cloud-based technology system providers to provide uninterrupted system access as well as to ensure the Company's data, which resides in those systems, is appropriately protected and safeguarded. An inability to have continuous access to these systems could result in Corus' inability to generate accurate and timely financial data. The third party cloud-based system providers may also be subject to cyber attacks which could result in the loss of data and/or reputational damage. There can be no assurance that the steps Corus takes to reduce the risk of service outages or cyber attacks will be adequate to prevent them in the future.

INTELLECTUAL PROPERTY RIGHTS / PIRACY

Television / Radio – Broadcast Business

Corus pays significant licence fees to acquire rights to content and branding on an exclusive basis.

From time to time, various third parties may contest or infringe upon these owned or licensed rights. Any such infringement, including increasingly rampant online piracy and illegal distribution of copyrighted television content, may have a material adverse impact on Corus' operations and financial results. Corus takes commercially reasonable efforts to minimize these risks including negotiating and enforcing protective covenants in its content licensing agreements.

There are systems in place to track proper registration and renewal of Corus' owned trade mark portfolio, and to have notice of third-party applications that may potentially conflict with Corus' trade marks, all with a view to ensuring that Corus' registrable intellectual property is afforded the maximum protection under applicable law.

Upon notice of a potential infringement of its owned or licensed intellectual property, Corus reviews these matters to determine what, if any, steps may be required or should be taken to protect its rights, including legal action, negotiated settlement and/or seeking remedies from intellectual property licensors. There can be no assurance that the steps that Corus takes to establish and protect its intellectual property will be adequate to prevent or eliminate infringement of its intellectual property and protect Corus' ability to competitively market and brand its television and digital services and/or be the exclusive distribution source of key licensed content in Canada.

Corus' linear television and digital platforms and services broadcast, make available, distribute and may contain many forms of content including licensed audio-visual programming, text, news, graphics, databases, photographs, recipes, audio files (music or otherwise) and rich interactive content, blog content, and user-generated content including story comments, and internal and external links. Corus takes steps to ensure that procedures are in place to clear rights and to monitor user-generated 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 an exposure to liability for third-party claims.

Television – Content Business

Corus must be able to protect its trade marks, copyrights and other proprietary rights to competitively produce, distribute and licence 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.

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.

NEWS

Global News' primary directive is to report accurate, balanced, timely and comprehensive news and information in the public interest. Independence is a fundamental Global News value and, accordingly, Global News will resist attempts at censorship or pressure to alter news content, real or apparent. Integrity, fairness and transparency are at the foundation of the Company's news gathering process, and Global News is committed to reporting news without distortion or misrepresentation.

In support of this directive, the Company has promulgated and has in effect a comprehensive set of Journalistic Principles and Practices setting out guidelines and standards for all news staff in their dealings with frequently asked editorial, ethical and legal, and professional conduct questions. These Journalistic Principles and Practices adhere closely to, amongst other things, the Radio Television Digital News Association Canada's Code of Ethics and Professional Standards, the Canadian Association of Broadcasters' Code of Ethics and the Canadian Association of Journalists Ethics Guidelines.

Due to the unique nature of news-gathering and news-reporting, a number of risks may also arise in the ordinary course of Global News' investigation and reporting on the activities of individuals, corporations and governments. These include legal and ethical risks such as claims in respect of defamation, invasion of privacy, misrepresentation, and infringement of other rights (for example, Intellectual Property Rights and Piracy). A significant part of news-gathering and reporting arises in the context of court proceedings. Certain mandatory publication bans apply to criminal proceedings and, in addition, a court may impose a discretionary publication ban or sealing order in respect of the proceedings or materials used or related to investigations leading to a criminal charge. Where Global News has not otherwise successfully overturned or reduced the scope of a publication ban or sealing order through proper legal process, its policy is to fully comply with court-ordered publication bans and sealing orders. However, because there is no formalized publication ban notice system in place in most provinces, and because publication bans can often be subject to different interpretations, there is no assurance that Global News will not inadvertently breach a publication ban or sealing order and if that happens, there is a risk that Global News may be held to be in contempt of court. Similarly, Global News' policy is to resist production orders, warrants and subpoenas for its footage and other materials through proper legal process but, where this is not successful, Global News will comply with production orders, warrants and subpoenas of proper scope and detail.

Due to Global News' strong commitment to editorial independence, certain news-reporting may pose a risk to the Company's advertising revenue streams if advertisers are displeased with their portrayal in news programming and, as a result, choose to reduce or withdraw entirely, their advertising business with the Company.

The deliberate deployment of journalists to dangerous and hostile environments may expose employees and the Company to risks related to kidnapping, injury and death, as well as costs related to medical care and emergency repatriation of employees.

The Journalistic Principles and Practices articulate appropriate ways to deal with the above risks and describes proper protocol when such risks arise. In addition, news staff are provided with regular training to mitigate these risks and the Company carries customary and appropriate insurance to further mitigate risks. However, there can be no assurances that the Journalistic Principles and Practices comprehensively mitigate such risks. Events out of the Company's control may affect the Company's ability to operate and therefore have a negative impact on its operations and/or its financial results.

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 federal and provincial tax credits a qualifying production may receive can constitute a material portion of a production budget and typically can be as much as 30% to 40% of the Canadian production budget. 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, revenues 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.

Revenues 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.

PEOPLE

Employee Retention, Recruitment and Engagement

Corus' operations depend on the expertise, efforts and engagement of its employees. The industry is competitive in attracting and retaining a skilled workforce. The loss of key employees, through attrition or retirement or any deterioration in overall employee morale and engagement resulting from organizational changes, unresolved collective agreements or other events could have an adverse impact on Corus' operations and/or financial results. As well, failure to establish an effective succession plan could impair operations until qualified replacements are found.

Unionized Labour

As at August 31, 2019, 28% of the Company's employees were employed under one of six collective agreements represented by two unions. Renegotiating collective bargaining agreements could result in higher labour costs, project delays and work disruptions. If work disruptions occur, it is possible that large numbers of employees may be involved and that the Company's business may be disrupted, causing negative effects to the Company's operations and/or financial results.

ENVIRONMENTAL CONCERNS

Several areas of our operations further raise environmental considerations such as fuel storage, greenhouse gas emissions, disposal of hazardous residual materials, and recovery and recycling of end-of-life electronic products. The Company also owns or leases a variety of properties, including its transmitter sites. Some or all of these sites may contain fuel storage systems for backup power generation. Leaks or spills from any of these storage tanks may pose an environmental risk or result in adverse environmental conditions that could result in liability for the Company. Failure to recognize and adequately respond to changing governmental and public expectations on environmental matters could result in fines, remedial costs, missed opportunities, additional regulatory scrutiny or harm Corus' brand and reputation.

C. FINANCIAL RISKS

LEVERAGE RISK

The Company's stated long-term objectives are a leverage target (net debt to segment profit ratio) below 3.0 times and to maintain a dividend yield in excess of 2.5%. In the short-term, the Company may permit the long-term leverage range to be exceeded (for long-term investment opportunities), but endeavours to return to the leverage target 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's maintenance of increased levels of debt could adversely affect its financial condition and results of operations. In addition, increased debt service payments could adversely impact cash flows from operating activities, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions, future business opportunities, and other general corporate purposes, as well as limiting the Company's ability to pay dividends at current levels.

DIVIDEND PAYMENTS

Payment of dividends on the Company's Class A Voting Shares and Class B Non-Voting Shares is dependent on the cash flow of the Company and subject to change. In fiscal 2018, the Company paid monthly share dividends on both its Class A Voting Shares and Class B Non-Voting Shares in amounts approved quarterly by the Board of Directors. Effective September 1, 2018, the Company's annual dividend rate was adjusted to $0.24 per Class B Non-Voting Share and $0.235 per Class A Voting Share and dividend payments were made quarterly commencing in December 2018. Declarations and payments of dividends are subject to the approval of the Board of Directors. While the Company expects to generate sufficient free cash flow in fiscal 2020 to fund the Company's annual dividend rate for fiscal 2020, actual results may differ from the Company's expectations and there can be no assurance that the Company will be able to continue dividend payments at the currently anticipated rate or at all in the future. A reduction or cessation of the payment of dividends could materially affect the trading price of the Class B Non-Voting Shares.

MARKET VOLATILITY

The market price for the Class B Non-Voting Shares may be volatile and subject to fluctuations in response to numerous factors, many of which may be beyond Corus' control. Financial markets have experienced significant price and volume fluctuations that have been particularly affected by the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. The market price for the Company's Class B Non-Voting Shares may decline in the future, even if the Company's operating results, underlying asset values or prospects have not changed.

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 lending practices or the availability of capital, could have a materially adverse effect on the Company's ability to raise or refinance debt. There can be no assurances that additional financing could be available to the Company when needed or on terms that are acceptable. The Company's inability to raise or refinance capital when required to fund on-going operations or capital expenditures could limit growth and may have a material adverse effect on Corus, its operations and/or its financial results.

TAXES

Corus' business is subject to various tax laws, changes to tax laws and the adoption of new tax laws, regulations thereunder and interpretations thereof, which may have adverse tax consequences to the Company. While Corus believes it has adequately provided for all income and commodity taxes based on information that is currently available, the calculation and the applicability of taxes in many cases require significant judgment in interpreting tax rules and regulations. In addition, Corus' tax filings are subject to government audits which could result in material changes in the amount of current and deferred income tax assets and liabilities and other liabilities which may, in certain circumstances, result in the assessment of interest and penalties.

INTEREST RATE RISK

The Company utilizes long-term financing extensively in its capital structure, which includes a banking facility, as more fully described in note 14 to the audited consolidated financial statements. Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As such, Corus is exposed to risk on the interest rate of the Company's debt.

The Company manages its exposure to floating interest rates through the maintenance of a balance of fixed rate and floating rate debt or through the use of interest rate swap contracts to fix the interest rate on its floating rate debt. As at August 31, 2019, 86% (2018 – 80%) of the Company's consolidated long-term debt was fixed with respect to interest rates. Increases in interest rates could materially increase the cost of its financing and have a material adverse effect on the Company's financial performance.

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.

As at August 31, 2019, the Company's trade receivables and allowance for doubtful accounts balances were $354.9 million and $4.7 million, respectively.

FOREIGN CURRENCY RISK

A portion of the Company's revenues and expenses are in currencies other than Canadian dollars and, therefore, are subject to fluctuations in exchange rates. Approximately 4% of Corus' total revenues in fiscal 2019 (2018 – 4%) were in foreign currencies, the majority of which was U.S. dollars. Approximately $154.1 million of Corus' total payables at August 31, 2019 (2018 – $162.4 million) were denominated in foreign currencies and are comprised of predominantly U.S. dollars. Accordingly, fluctuations in the Canadian dollar - U.S. dollar exchange rate may adversely affect Corus' financial results.

The Company manages its exposure to foreign exchange risk on U.S. dollar payments through the use of foreign exchange forward contracts to fix the exchange rate on a portion of its U.S. denominated payables. As at August 31, 2019, $68.6 million (2018 – $88.4 million) of the Company's U.S. denominated payables were fixed with respect to foreign exchange rates.

The impact of foreign exchange gains and losses are described in note 24 to the audited consolidated financial statements in the *Risk Management* section.

ACQUISITIONS AND OTHER STRATEGIC TRANSACTIONS

The Company may, from time to time, make strategic acquisitions 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.

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 the 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.

D. OWNERSHIP RISK

CONTROL OF CORUS BY THE SHAW FAMILY

A majority of the outstanding Class A Voting Shares are held by Shaw Family Living Trust ("SFLT") and its subsidiaries. As at August 31, 2019, SFLT and its subsidiaries held 2,885,530 Class A Voting Shares, representing approximately 85% of the outstanding Class A Voting Shares, for the benefit of descendants of JR and Carol Shaw. JR Shaw controls these shares and controls 4,500 additional Class A Voting Shares. The sole trustee of SFLT is a private company owned by JR Shaw and having a board comprised of seven directors, including as at August 31, 2019, JR Shaw as Chair, Heather Shaw, Julie Shaw, three other members of JR Shaw's family and one independent director. The Class A participating shares are the only shares entitled to vote in most circumstances. Accordingly, SFLT and its subsidiaries are able to elect a majority of the Board of Directors of Corus and to control the vote on matters submitted to a vote of Corus' Class A participating shareholders.

SFLT is the controlling shareholder of Shaw Communications Inc. ("Shaw"), and as a result, Shaw and Corus are subject to common voting control.

TERMINATION OF GOVERNANCE AND INVESTOR RIGHTS AGREEMENT

Concurrent with the closing of the Shaw Media Acquisition and following the issuance of 71,364,853 Class B Non-Voting Shares (the "Shares"), Corus and Shaw entered into the Governance and Investor Rights Agreement ("GIRA"), pursuant to which Corus granted certain rights to Shaw.

On May 31, 2019, Corus announced the closing of the secondary offering (the "Offering") of 80,630,383 Corus Class B Non-Voting Shares by Shaw for total gross proceeds to Shaw of $548,286,604.

The GIRA provided that it would terminate upon Shaw beneficially owning less than 5% of the outstanding Shares. As a result of the Offering, Shaw ceased to own, control or direct any Shares. The GIRA terminated on May 31, 2019.

E. REGULATORY RISKS

IMPACT OF REGULATION

Corus' radio and television business activities are regulated by the Canadian Radio-television and Telecommunications Commission ("CRTC" or the "Commission") under the *Broadcasting Act*. Accordingly, Corus' results of operations could be adversely affected by changes in regulations, policies and decisions by the CRTC. These changes may relate to, or may have an impact on, among other matters, licencing, licence renewal, competition, the television programming services the Company must distribute, infrastructure access and the potential for new or increased fees or costs, described below. In addition, the costs of providing services may be increased from time to time as a result of compliance with industry or legislative initiatives to address consumer protection concerns or Internet-related issues such as copyright infringement, unsolicited commercial e-mail, cybercrime, and lawful access. There can be no assurance that future regulatory requirements will not be imposed on Corus. Any changes in the regulatory regime could have a material adverse effect on Corus and its reputation, as well as Corus' results of operations and future prospects.

The CRTC, among other things, issues licences to operate radio and television stations. The Company's CRTC licences must be renewed from time to time and cannot be transferred without regulatory approval. Corus' radio stations must also meet technical operating requirements under the *Radiocommunication Act* and regulations promulgated under the *Broadcasting Act*.

The CRTC imposes a range of obligations upon licencees, including exhibition (number of hours broadcast) requirements for Canadian content, Canadian content expenditure requirements and access obligations (i.e. closed captioning or descriptive video). Any failure by the Company to comply with the conditions of a licence could result in a revocation or forfeiture of the licence or imposition of mandatory orders from the Federal Court that could lead to the imposition of fines.

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

Corus' radio, conventional television and specialty television undertakings rely upon blanket licences held by rights-holding collectives in order to make use of the music component of the programming and other uses of works used or distributed by these undertakings. Under these licences, Corus is required to pay a range of tariff royalties established by the Copyright Board pursuant to the requirements of the *Copyright Act* (Canada) (the "*Copyright Act*") to collectives (which represent the copyright owners) and individual copyright owners. These royalties are paid by these undertakings in the normal course of their business. The levels of the tariff 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 purposes. Any such amendments could result in Corus' broadcasting undertakings being required to pay additional royalties for these licences.

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

CRTC Policy Review

A series of CRTC policy statements in 2015 and 2016 and substantive decisions under the overall mantle known as "Let's Talk TV" have introduced several changes to the regulatory framework governing BDUs and Broadcasting Undertakings.

Corus recommends that readers review the CRTC source documents at www.CRTC.gc.ca for a complete understanding of the changes. Information contained on, or accessible through, third party websites is not deemed to form a part of, or be incorporated by reference into, this MD&A.

On May 15, 2017, the CRTC issued its licence renewal decisions for TV licences held by Corus. All Corus English-language and French-language television services were given new five-year licence terms, which began on September 1, 2017 and will end on August 31, 2022. The Canadian Programming Expenditure ("CPE") requirements for Corus' English-language services were set at 30% and expenditures towards programming of public national interest ("PNI") were set at 5%, while the CPE for Corus' French-language group of services were set at 26% and the PNI requirement was set at 15%. The CRTC also removed the vestiges of legacy conditions of licence in accordance with the Commission's Let's Talk TV policy.

Following the Group Based Licence ("GBL") renewal decisions in May 2017, a number of parties in the creative community appealed the decisions to the Cabinet of the Canadian federal government. In particular, these

parties focused on the level of PNI expenditure obligations and contributions to original French-language programming and music programming.

On August 30, 2017, the CRTC requested that the large media groups file information and/or amend their original applications. The Commission decided to forego an oral hearing and make a decision based on the written record. The CRTC clarified that for the 2017-2018 broadcast year, the May 2017 GBL decisions would apply without modification.

On August 30, 2018, the CRTC published its reassessed baseline spending requirements for PNI expenditures for English-language services. The CRTC increased the PNI expenditure requirements for the Company to 8.5% which applies from September 1, 2018 through to August 31, 2022. The CRTC also increased the minimum threshold for French-language services on CPE to 50% for the period September 1, 2018 through August 31, 2019 and to 75% for the remaining years of the licence term (September 1, 2019 to August 31, 2022).

The Company has concluded that the impact of these amendments to its television broadcast licences and compliance has no material adverse impact to Corus' business, results of operations, prospects and financial condition.

More information can be found at www.crtc.gc.ca. Information contained on, or accessible through, third party websites is not deemed to form a part of, or be incorporated by reference into, this MD&A.

Telecommunications Act, Radiocommunication Act, and Broadcasting Act Review

In September 2017, the Minister of Canadian Heritage directed the CRTC to prepare a report on the future of programming and distribution models. The CRTC launched a two-phase consultation process to gather input from the public. Phase I was completed in December 2017 and Phase II in February 2018. Following this consultation, the CRTC released its report titled, "Harnessing Change" on May 31, 2018. On June 5, 2018, the Government of Canada launched a review of the *Broadcasting Act*, the *Telecommunications Act* and the *Radiocommunication Act*. The review will be conducted by a panel of seven independent experts. The findings of the CRTC's "Harnessing Change" report are expected to inform the government's review of the *Broadcasting Act*. The deadline for submissions to the review panel was January 11, 2019 and the panel is expected to release its final report in January 2020. It will ultimately fall to the newly elected government to determine whether to implement any of the Panel's recommendations to amend the legislation.

The potential outcome of this process is difficult to predict and as such, the impact is not determinable at this time but could adversely affect the Company's results of operations and financial performance.

More information can be found at www.canada.ca.

Copyright Act Requirements

The Company's radio, conventional television and specialty television undertakings rely upon licences issued under the *Copyright Act* (Canada) (the "*Copyright Act*") to make use of the music component of the programming and other uses of works used or distributed by these undertakings. Under these licences, the Company is required to pay a range of tariff royalties established by the Copyright Board pursuant to the requirements of the *Copyright Act* to collectives (which represent the copyright owners) and individual copyright owners. These royalties are paid by these undertakings in the normal course of their business.

The levels of the tariff royalties payable by the Company are subject to change upon application by the collective 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 purposes. Any such amendments could result in Corus' broadcasting undertakings being required to pay additional royalties for these licences.

The Government of Canada has been conducting two separate but related reviews of the Copyright Board of Canada and the *Copyright Act*. The first, launched by ISED and the Department of Canadian Heritage in August 2017, is focused on options to improve the efficiency of the Copyright Board. The results of that study were revealed on October 29, 2018 when the federal government tabled changes to the *Copyright Act* relating to the Board as part of omnibus budget implementation legislation. Among other things, these changes are intended to speed up the Board's decision-making processes, reduce the extent to which copyright royalties are applied retroactively and harmonize the various collective management regimes in the *Copyright Act*.

Two parliamentary committees conducted parallel studies of the *Copyright Act* in 2018 - 2019 in which they heard from a number of witnesses representing industry, academia and consumers. Corus supported the advocacy of the broadcasting industry and submitted briefs to the Committees. The Committees delivered reports with recommendations in June 2019. Following the October 2019 federal election the newly elected

federal government will be responsible for making amendments to the *Copyright Act*, if any. The timing of those amendments is uncertain. The potential outcome of this process is difficult to predict and as such, the impact is not determinable at this time but could adversely affect the Company's results of operations and financial performance.

PROPOSED PROHIBITIONS ON FOOD ADVERTISING TO CHILDREN

On September 27, 2016, Bill S-228 (the "Bill"), an Act to amend the *Food and Drugs Act* (proposed federal legislation that proposed to limit unhealthy food and beverage advertising directed at children), was tabled for first reading in Parliament. At the same time as Parliament was considering the Bill, Health Canada conducted a public consultation on a proposed approach to regulating food and beverage advertising that would fall under the new legislation. That proposed regulatory approach would have impacted Corus' television advertising revenues. Corus participated in both the legislated and regulatory public consultation in collaboration with its broadcast partners. The Bill made it to the final stage of the legislative process, but before it could receive Royal Assent and pass into law the current parliamentary session concluded on June 21, 2019. Under the rules of Parliamentary procedure, the Bill died on the order paper when Parliament was formally dissolved on September 11, 2019. Should the newly elected government choose to proceed with similar legislation, it would have to re-introduce a new bill and begin at the first stage of the legislative process. In the meantime, in the absence of enabling legislation, Health Canada's regulatory development efforts appear to have stalled. The decision about whether to proceed with new policies in this space will fall to the newly elected federal government.

DIGITAL TRANSITION AND REPURPOSING OF SPECTRUM

The technical aspects of the operation of radio and television stations in Canada are also subject to the licensing requirements and oversight of Innovation, Science and Economic Development Canada ("ISED"), a Ministry of the Government of Canada.

On August 14, 2015, the Government of Canada confirmed its intent to proceed with repurposing some of the 600 MHz spectrum band and to jointly establish a new allotment plan in collaboration with the United States. ISED has aligned with the US Federal Communications Commission to participate in a spectrum redistribution plan that will require broadcasters to vacate spectrum in TV channels 37-51 (608-692 MHz), as that will be consumed by mobile use. Of the Company's 92 over-the-air television ("OTA") transmitters, 44 are identified in the government's channel re-allotment plan, but only 19 of these will ultimately be impacted. The Company is currently decommissioning 44 broadcasting transmitters, which will include a number of transmitters that would otherwise be forced to transition out of the 600 MHz band. Accommodating these changes will require Corus to install new equipment or reconfigure existing equipment at affected sites and may have an impact on signal quality and coverage. The first five impacted Corus transmitters - located in Windsor/Stevenson, Sarnia, Oshawa and Prescott, Ontario - had to transition by June 21, 2019, and Paris, Ontario had to transition by August 2, 2019. They were all successfully migrated on schedule.

The Company has concluded that the impact of migrating 19 transmitter sites will not materially impact Corus' business, results of operations, prospects and financial condition.

ANTI-SPAM / PRIVACY PROTECTION LEGISLATION

Canada's anti-spam legislation (together with the related regulations, "CASL") sets out a comprehensive regulatory regime regarding online commerce, including requirements to obtain consent prior to sending commercial electronic messages and installing computer programs. CASL is administered primarily by the CRTC, and non-compliance may result in fines of up to $10 million. Corus has in place a compliance program with respect to CASL including electronic communications guidelines to minimize risk of non-compliance.

The *Personal Information Protection and Electronic Documents Act* ("PIPEDA") sets out the standard for obtaining consent for the collection, use and retention of personal information. Privacy protection of personal information is an area of law that is fast evolving in order to keep pace with technological and business model changes. Corus believes it takes reasonable and prudent steps to comply with PIPEDA and other privacy legislation, including having appointed a Privacy Officer to manage all privacy issues relating to Corus' business activities.

There can be no assurance that the Company's compliance procedures will prevent a non-compliance event, which could materially adversely impact Corus' results of operations.

RESTRICTIONS ON NON-CANADIAN OWNERSHIP AND CONTROL

The Company is subject to Canadian ownership and control restrictions, including restrictions on the ownership of the Class A Voting Shares and Class B Non-Voting Shares under the *Broadcasting Act*. Although the Company believes it to be in compliance with the relevant legislation, there can be no assurance that a future CRTC determination, or events beyond the Company's control, will not result in Corus ceasing to be in compliance

with the relevant legislation. If such a development were to occur, the ability of Corus' subsidiaries to operate as Canadian carriers under the *Broadcasting Act* could be jeopardized and the Company's business could be materially adversely affected.

F. CONTINGENCIES

The Company and its subsidiaries are involved in litigation arising in the ordinary course and conduct of its business from time to time. The Company recognizes liabilities for contingencies when a loss is probable and capable of being estimated. As at August 31, 2019, 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. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating as well as the trading price of the Class B Non-Voting Shares.

TRANSACTIONS WITH RELATED PARTIES

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

CONTROL OF THE COMPANY BY THE SHAW FAMILY

As at September 30, 2019, Shaw Family Living Trust ("SFLT") and its subsidiaries hold approximately 85% of the outstanding Class A Voting Shares of the Company, for the benefit of descendants of JR and Carol Shaw. The sole trustee of SFLT is a private company owned by JR Shaw and having a board comprised of seven directors, including, as at September 30, 2019, JR Shaw as Chair, Heather Shaw, Julie Shaw, three other members of JR Shaw's family and one independent director. JR Shaw controls the Class A Voting shares held by SFLT and its subsidiaries. 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. Accordingly, SFLT is, and as long as it holds 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.

SFLT is also the controlling shareholder of Shaw, and as a result, both Shaw and Corus are subject to common voting control.

SHAW COMMUNICATIONS INC.

The Company has transacted business in the normal course with Shaw These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and have normal trade terms.

During the year, the Company received cable subscriber, programming and advertising fees of $153.9 million (2018 – $144.0 million), and production and distribution revenues of $2.4 million (2018 – $2.0 million) from Shaw. In addition, the Company paid cable and satellite system distribution access fees of $12.0 million (2018 – $12.3 million), administrative and other fees of $2.0 million (2018 – $2.0 million) to Shaw and received non-monetary advertising services from Shaw valued at $7.7 million (2018 – nil). As at August 31, 2019, the Company had $25.7 million (2018 – $24.8 million) receivable and $nil (2018 – $0.1 million) payable to Shaw.

As of May 31, 2019, Shaw no longer holds any interest (2018 - 38% interest) in the Company. Dividends of $9.7 million (2018 – $91.9 million) were paid to Shaw for the year ended August 31, 2019.

OUTSTANDING SHARE DATA

As at October 17, 2019, 3,412,392 Class A Voting Shares and 208,584,666 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

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL 2019

The Company has adopted new amendments to the following accounting standards effective for its annual consolidated financial statements commencing September 1, 2018. The effects of these pronouncements on the Company's results and operations are described below.

AMENDMENTS TO IFRS 2 – *SHARE-BASED PAYMENTS ("IFRS 2")*

IFRS 2 clarifies how to account for certain types of share-based payment transactions. These amendments provide requirements on the accounting for: (i) the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Adoption of these amendments had no impact on the Company's financial position or results.

IFRIC 22 – *FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION ("IFRIC 22")*

IFRIC 22 clarifies the appropriate exchange rate to use on initial recognition of an asset, expense or income when advance consideration is paid or received in a foreign currency. Adoption of this amendment had no impact on the Company's financial position or results.

IFRS 15 – *REVENUE FROM CONTRACTS WITH CUSTOMERS ("IFRS 15")*

Effective September 1, 2018, the Company adopted IFRS 15. IFRS 15 supersedes the previous accounting standard for revenue, International Accounting Standard 18, *Revenue* ("IAS 18").

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRS standards. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The Company used the modified retrospective method, which requires the cumulative effect of initially applying the Standard to be recognized at the date of initial application, which was September 1, 2018, and that the financial information previously presented for the year ended August 31, 2018 would remain unchanged. The Company also elected to apply the following practical expedients as permitted by the standard:

- IFRS 15 is applied retrospectively only to contracts that are not completed contracts at the date of initial application.
- No adjustment of the contracted amount of consideration for the effects of financing components when, at the inception of the contract, the Company expects that the effect of the financing component is not significant at the individual contract level or the contract is one year or less.
- No deferral of contract acquisition costs when the amortization period for such costs would be one year or less.

The only changes related to the Company's revenue recognition policy are as follows:

The application of this new standard impacts only the Company's reported television segment results with respect to the Company's software licensing business, specifically with regards to the timing of recognition of revenue related to software licences. IFRS 15 requires revenue related to certain licences of an entity's intellectual property to be recognized at a point in time if the licence relates to the right to use the property as it exists at a point in time. The Company has identified an adjustment to reduce unearned revenues on September 1, 2018 by $2.7 million ($2.0 million, net of income tax) with a corresponding adjustment to opening accumulated deficit related to software licence revenues which would have been recognized at a point in time under IFRS 15, which were previously recognized over time. There was no significant impact on revenue during the year ended August 31, 2019.

Previously, under IAS 18 and the Standards Interpretation Committee Interpretation 31 - *Revenue - Barter Transactions Involving Advertising Services*, the Company provided interactive impressions, radio and television spots in return for television and outdoor advertising for which no monetary consideration was exchanged, nor was it recorded in the accounts as those transactions were considered an exchange of similar advertising services. IFRS 15 requires contra revenue to be recorded at fair value if the contract is determined to have commercial substance. On adoption of IFRS 15, the Company's accounting policy has been updated to record revenue on contra transactions when the contract is determined to have commercial substance. This change in accounting policy has not resulted in a material transitional adjustment and there was no significant impact on revenue during the year ended August 31, 2019.

IFRS 9 – *FINANCIAL INSTRUMENTS: CLASSIFICATION AND MEASUREMENT ("IFRS 9")*

The Company has adopted IFRS 9 effective September 1, 2018 on a modified retrospective basis in accordance with the transitional provisions of IFRS 9. As such, comparative figures have not been restated. IFRS 9 provides a revised model for recognition, measurement and impairment of financial instruments and includes a new model for hedge accounting aligning the accounting treatment with risk management activities.

As detailed below, the Company has changed its accounting policy for financial instruments retrospectively, except where described below. The primary area of change and corresponding transitional adjustment applied on September 1, 2018 was as follows:

Impact of adoption on the accounting for venture funds previously designated as available-for-sale

Upon adoption, investments in venture funds held by the Company have been classified at fair value through other comprehensive income pursuant to the irrevocable election available under IFRS 9. These investments are recorded at fair value and changes in the fair value of these investments are recognized permanently in other comprehensive income. Upon adoption, an adjustment was made to bring the investments in venture funds to fair value which resulted in an increase to the carrying amount of these investments. The adjustment to increase investments in venture funds on September 1, 2018, was $10.8 million ($9.4 million, net of income tax) with a corresponding adjustment to accumulated other comprehensive income.

Financial assets

IFRS 9 includes a revised model for classifying financial assets, which results in classification according to a financial instrument's contractual cash flow characteristics and the business models under which they are held. At initial recognition, financial assets are measured at fair value. Under the IFRS 9 model for classification of financial assets, the Company has classified and measured its financial assets as described below:

- Cash and cash equivalents and derivative instruments measured at fair value through profit or loss under International Accounting Standard 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39") continue to be measured as such under IFRS 9.
- Accounts receivable classified as financial assets continue to be measured at amortized cost under IFRS 9.
- Investments in venture funds are classified as financial assets measured at fair value through other comprehensive income. Previously under IAS 39 these amounts were classified as available-for-sale.

Except as noted above, the adoption of IFRS 9 did not result in a change in the carrying values of any of the Company's financial assets on the transition date.

Financial liabilities

Financial liabilities are recognized initially at fair value, and in the case of financial liabilities, not subsequently measured at fair value, net of directly attributable transaction costs. Financial liabilities are derecognized when the obligation specified in the contract is discharged, canceled, or expired. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements and, since the Company does not have any financial liabilities designated at fair value through profit or loss, the adoption of IFRS 9 did not impact the Company's accounting policies for financial liabilities. Accounts payable and accrued liabilities, interest payable, long-term debt, and other long-term liabilities are classified as financial liabilities to be subsequently measured at amortized cost.

Expected credit loss impairment model

IFRS 9 requires a forward-looking expected credit loss impairment ("ECL") model as opposed to an incurred credit loss model under IAS 39, *Financial instruments: recognition and measurement* ("IAS 39"). As the Company's financial assets are substantially made up of trade receivables, the Company has opted to use the simplified approach for measuring the loss allowance at an amount equal to lifetime ECL. The simplified approach does not require the tracking of changes in credit risk, but instead requires the recognition of lifetime ECLs at all times. Lifetime ECL represents the ECL that would result from all possible default events over the expected life of a

financial instrument. The adoption of the ECL model did not have a significant impact on the Company's financial statements, and did not result in a transitional adjustment.

Financial instruments

The Company's financial assets and liabilities (financial instruments) include cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities, long-term debt and derivative financial instruments. All financial instruments are recorded at fair value at recognition. Subsequent to initial recognition, financial instruments classified as cash and cash equivalents, accounts payable and accrued liabilities, and long-term debt are measured at amortized cost using the effective interest method. Other financial assets and liabilities are recorded at fair value subsequent to initial recognition.

Investments in venture funds

The Company's investments in venture funds consist primarily of investments in common shares of a venture fund which invests in common and preferred shares of entities in the media and entertainment industry recorded using trade date accounting. Equity securities of venture funds are designated as fair value through other comprehensive income pursuant to the irrevocable election under IFRS 9. Changes in the fair value of equity securities are permanently recognized in other comprehensive income and will not be reclassified to profit or loss.

Derivative Instruments and Hedge Accounting

The Company uses derivative financial instruments (primarily swaps and forward contracts) to manage exposure to fluctuations in interest rates, foreign currency exchange rates, and certain share-based payment awards.

The Company recognizes all derivative financial instruments in the consolidated financial statements at fair value and they are classified based on contractual maturity. Derivative instruments are classified as either hedges of highly probable forecasted transactions (cash flow hedges) or non-hedge derivatives. Derivatives designated as a cash flow hedge that are expected to be highly effective in achieving offsetting changes in cash flows are assessed on an ongoing basis to determine whether they have actually been highly effective throughout the financial reporting periods for which they were designated. Derivative assets and derivative liabilities are shown separately in the balance sheet unless there is a legal right to offset and an intent to settle on a net basis.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion, if any, is recognized in the gain on derivative financial instruments line item of the consolidated statements of income. Amounts deferred in other comprehensive income are reclassified when the hedged transaction has occurred.

Derivative instruments that do not qualify for hedge accounting are recorded at fair value at the statement of financial position date, with changes in fair value recognized in the other income (expense), net line item of the consolidated statements.

CHANGES IN ESTIMATES

INTANGIBLE ASSETS

In the first quarter of fiscal 2019, as a result of the completion of a strategic review of all its television services, the Company changed the accounting estimates related to the useful life of its television brands. On a prospective basis commencing September 1, 2018, the useful life of television brands was changed from indefinite life to lives ranging from three to 20 years. Amortization is recorded on a straight-line basis over the estimated useful life. For the year ended August 31, 2019, this has resulted in an additional $103.2 million in amortization expense in the depreciation and amortization line within the consolidated statements of income (loss) and comprehensive income (loss).

PENDING ACCOUNTING PRONOUNCEMENTS

IFRS 16 – *LEASES ("IFRS 16")*

On January 13, 2016, the IASB published a new standard, IFRS 16. The new standard will eliminate the distinction between operating and finance leases and will bring most leases onto the balance sheet for lessees. Lessees must recognize a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly, and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease. Lessees are permitted to make an accounting policy election, by class of underlying asset, to apply a method like IAS 17's operating lease accounting and not recognize lease assets and lease liabilities for leases with a lease term of 12 months or less, and on a lease-by-lease basis, to apply a method similar to current operating lease accounting to leases for which the underlying asset is of low value. IFRS 16 supersedes IAS 17

– *Leases* and its related Interpretations, and is effective for period beginning on or after January 1, 2019, which will be September 1, 2019 for Corus and is to be applied retrospectively.

The Company will be applying the standard retrospectively, with the cumulative effect of the initial application of the new standard recognized at the date of initial application, September 1, 2019, subject to permitted and elected practical expedients; such method of application would not result in the retrospective adjustment of amounts reported for periods prior to fiscal 2020. The nature of the transition method selected is such that the lease population as at September 1, 2019, and the discount rates determined contemporaneously, will be the basis for the cumulative effects recorded as of that date.

As a transitional practical expedient permitted by the new standard, the Company will not reassess whether contracts are, or contain, leases as at September 1, 2019, applying the criteria of the new standard; as at September 1, 2019, only contracts that were previously identified as leases applying IAS 17 - *Leases*, and IFRS 4 - *Determining whether an Arrangement Contains a Lease*, will be a part of the transition to the new standard. Only contracted entered into (or changed) after September 1, 2019 will be assessed for being, or containing, leases applying the criteria of the new standard.

The Company will record a right-of-use asset and a lease liability at the date of transition. The lease liability will initially be measured at the present value of lease payments that remain to be paid at the date of the transition.

Upon transition the right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the Consolidated Statements of Financial Position immediately before the date of initial application.

After transition, the right-of-use asset will initially be recorded at the lease commencement date and will be measured at cost consisting of:

- the initial amount of the lease liability, adjusted for for any lease payments made at or before the commencement date; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located; less
- any lease incentives received.

The right-of-use asset will typically be depreciated on a straight-line basis over the lease term, unless the Company expects to obtain ownership of the leased asset at the end of the lease. The lease term will consist of:

- the non-cancellable period of the lease;
- periods covered by options to extend the lease, where the Company is reasonably certain to exercise the option; and
- periods covered by options to terminate the lease, where the Company is reasonably certain not to exercise the option.

IFRIC 23 – *UNCERTAINTY OVER INCOME TAX TREATMENTS ("IFRIC 23")*

IFRIC 23 provides guidance when there is uncertainty over income tax treatments including (but not limited to) whether uncertain tax treatments should be considered separately; assumptions made about the examination of tax treatments by tax authorities; the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates; and, the impact of changes in facts and circumstances.

The new interpretation is effective for annual periods beginning on or after January 1, 2019 and will be adopted by the Company effective September 1, 2019. The company is currently assessing the impact of the new interpretation on its consolidated financial statements. The Company does not anticipate any material impact.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company's significant accounting policies are described in note 3 to the fiscal 2019 audited consolidated financial statements and notes thereto, which have been prepared in accordance with IFRS. The preparation of these fiscal 2019 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 programming and 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.

IMPAIRMENT OF LONG-LIVED ASSETS

At each reporting date, the Company assesses its long-lived assets, including property, plant and equipment, program 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 licences, 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 licences 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 licences 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.

In the third quarter of fiscal 2018, the Company recorded a non-cash impairment charge of $13.7 million related to broadcast licence impairment charges related to certain CGUs in the Radio segment and $1.0 billion related to goodwill impairment in the Television segment. 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 broadcast licence and television goodwill impairment tests, would not have resulted in a material change in the broadcast licence impairment in the Radio segment, however would have resulted in an additional incremental goodwill impairment charge in the Television operating segment of between $10.0 million and $190.0 million.

A significant portion of the Company's total assets are long-lived intangible assets and goodwill. As at August 31, 2019, 70% of the Company's total assets were long-lived intangible assets. The Company records impairment losses on its long-lived assets when it believes that their carrying value may not be recoverable. Recoverability is highly dependent on the projected operating results of the Company. There can be no assurance that the Company will not record impairment charges in the future that could materially adversely impact Corus' financial results.

The Company has completed its annual impairment testing of goodwill and indefinite lived intangible assets in the fourth quarter of fiscal 2019 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.

POST-EMPLOYMENT BENEFIT PLANS

The Company has various registered defined benefit plans for certain unionized and non-unionized employees and two supplementary executive non-registered retirement plans which provide pension benefits to certain of its key senior executives. The amounts reported in the consolidated financial statements relating to the defined benefit plans are determined using actuarial valuations that are based on several assumptions including the discount rate, rate of compensation increase, trend in healthcare costs, and expected average remaining years of service of employees. While the Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income and comprehensive income statement impact. The differences between actual and assumed results are immediately recognized in other comprehensive income (loss). The most significant assumption used to determine the present value of the future cash flows that is expected will be needed to settle employee benefit obligations and is also used to calculate the interest income on plan assets. It is based on the yield of long-term, high-quality corporate fixed income investments closely matching the term of the estimated future cash flows and is reviewed and adjusted as changes are required. The following table illustrates the incremental increase on the accrued benefit obligation and pension expense of a 1% decrease in the discount rate:

(thousands of Canadian dollars)	**Accrued benefit obligation at August 31, 2019**	**Pension expense for the year ended August 31, 2019**
Weighted average discount rate – registered plans	2.90%	3.70%
Weighted average discount rate – non-registered plans	2.83%	3.70%
Impact of: 1% decrease – registered plans	$45,301	$3,005
Impact of: 1% decrease – non-registered plans	$5,519	$69

The significant assumptions used on the benefit obligation are disclosed in note 29 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

Management, under the supervision of the President and Chief Executive Officer ("CEO") and Executive Vice President and Chief Financial Officer ("CFO"), is responsible for establishing and maintaining disclosure controls and procedures, as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings,* 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.

Management evaluated, under the supervision of and with the participation of the CEO and CFO, 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, 2019, the Company's disclosure controls and procedures were effective.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management, under the supervision of the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings,* and have designed such internal control over financial reporting (or have caused it to be designed under their supervision) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements 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.

Management evaluated, under the supervision of and with the participation of the CEO and CFO, the effectiveness of the Company's internal control over financial reporting, as of August 31, 2019, based on the criteria established 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 at August 31, 2019.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting that occurred during fiscal 2019 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" or the "Company") and all of 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 ("IFRS"). 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, 2019, 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

John R. Gossling, FCPA, FCA
Executive Vice President and
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Corus Entertainment Inc.

Opinion

We have audited the consolidated financial statements of Corus Entertainment Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at August 31, 2019 and August 31, 2018, and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as at August 31, 2019 and August 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis; and
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Martin Lundie.

Ernst & Young LLP

Toronto, Canada
October 17, 2019

Chartered Professional Accountants
Licensed Public Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)	**As at August 31, 2019**	As at August 31, 2018
ASSETS		
Current		
Cash and cash equivalents	**82,568**	94,801
Accounts receivable (note 4)	**372,828**	388,751
Income taxes recoverable	**13,772**	3,305
Prepaid expenses and other	**19,557**	20,723
Total current assets	**488,725**	507,580
Tax credits receivable	**25,035**	18,047
Investments and other assets (note 5)	**51,707**	82,213
Property, plant and equipment (note 6)	**225,927**	231,192
Program rights (note 7)	**507,913**	538,357
Film investments (note 8)	**53,336**	43,424
Intangibles (notes 9 and 11)	**1,876,235**	2,012,086
Goodwill (notes 10 and 11)	**1,383,958**	1,387,652
Deferred income tax assets (note 21)	**59,463**	62,403
	4,672,299	4,882,954
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (note 12)	**429,483**	405,762
Provisions (note 13)	**10,331**	11,175
Current portion of long-term debt (note 14)	**76,339**	106,375
Total current liabilities	**516,153**	523,312
Long-term debt (note 14)	**1,655,406**	1,877,558
Other long-term liabilities (note 15)	**278,117**	295,206
Provisions (note 13)	**7,686**	7,801
Deferred income tax liabilities (note 21)	**472,700**	502,274
Total liabilities	**2,930,062**	3,206,151
Share capital (note 16)	**830,477**	2,330,477
Contributed surplus	**1,512,818**	12,119
Accumulated deficit	**(758,757)**	(856,668)
Accumulated other comprehensive income (note 17)	**12,187**	36,460
Total equity attributable to shareholders	**1,596,725**	1,522,388
Equity attributable to non-controlling interest	**145,512**	154,415
Total equity	**1,742,237**	1,676,803
	4,672,299	4,882,954

Commitments, contingencies and guarantees (notes 14 and 28)

See accompanying notes

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the years ended August 31, (in thousands of Canadian dollars except per share amounts)	2019	2018
Revenues (note 22)	**1,687,482**	1,647,347
Direct cost of sales, general and administrative expenses (note 18)	**1,102,397**	1,071,719
Depreciation and amortization (notes 6 and 9)	**182,354**	81,861
Interest expense (note 19)	**117,718**	127,346
Broadcast licence and goodwill impairment (notes 9, 10 and 11)	**—**	1,013,692
Gain on debt modification (note 14)	**(3,889)**	—
Business acquisition, integration and restructuring costs (note 13)	**26,316**	17,071
Other expense, net (note 20)	**10,474**	5,692
Income (loss) before income taxes	**252,112**	(670,034)
Income tax expense (note 21)	**71,445**	88,129
Net income (loss) for the year	**180,667**	(758,163)
Other comprehensive income (loss), net of income taxes (note 17):		
Items that may be subsequently reclassified to income (loss):		
Unrealized change in fair value of cash flow hedges	**(31,538)**	12,916
Unrealized foreign currency translation adjustment	**309**	724
	(31,229)	13,640
Items that will not be reclassified to income (loss):		
Unrealized change in fair value of financial assets	**(2,440)**	(118)
Actuarial gain (loss) on post-employment benefit plans	**(9,295)**	11,550
	(11,735)	11,432
Other comprehensive income (loss), net of income taxes	**(42,964)**	25,072
Comprehensive income (loss) for the year	**137,703**	(733,091)
Net income (loss) attributable to:		
Shareholders	**156,084**	(784,509)
Non-controlling interest	**24,583**	26,346
	180,667	(758,163)
Comprehensive income (loss) attributable to:		
Shareholders	**113,120**	(759,437)
Non-controlling interest	**24,583**	26,346
	137,703	(733,091)
Earnings (loss) per share attributable to shareholders:		
Basic	**$0.74**	$(3.77)
Diluted	**$0.74**	$(3.77)

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)	Share capital (note 16)	Contributed surplus (note 16)	Accumulated deficit	Accumulated other comprehensive income (loss) (note 17)	Total equity attributable to shareholders	Non-controlling interest	Total equity
As at August 31, 2018, as previously presented	2,330,477	12,119	(856,668)	36,460	1,522,388	154,415	1,676,803
IFRS 9 transitional adjustment (note 3)	—	—	—	9,396	9,396	—	9,396
IFRS 15 transitional adjustment (note 3)	—	—	1,985	—	1,985	—	1,985
Adjusted balance as at September 1, 2018	2,330,477	12,119	(854,683)	45,856	1,533,769	154,415	1,688,184
Comprehensive income (loss)	—	—	156,084	(42,964)	113,120	24,583	137,703
Dividends declared	—	—	(50,863)	—	(50,863)	(28,366)	(79,229)
Reduction of stated capital	(1,500,000)	1,500,000	—	—	—	—	—
Actuarial loss on post-retirement benefit plans	—	—	(9,295)	9,295	—	—	—
Share-based compensation expense	—	699	—	—	699	—	699
Divestiture of subsidiary with a non-controlling equity interest (note 27)	—	—	—	—	—	(5,120)	(5,120)
As at August 31, 2019	**830,477**	**1,512,818**	**(758,757)**	**12,187**	**1,596,725**	**145,512**	**1,742,237**
As at August 31, 2017	2,291,814	11,449	114,492	22,938	2,440,693	158,828	2,599,521
Comprehensive income (loss)	—	—	(784,509)	25,072	(759,437)	26,346	(733,091)
Dividends declared	—	—	(198,201)	—	(198,201)	(30,809)	(229,010)
Issuance of shares under dividend reinvestment plan	38,578	—	—	—	38,578	—	38,578
Issuance of shares under stock option plan	85	—	—	—	85	—	85
Actuarial gain on post-retirement benefit plans	—	—	11,550	(11,550)	—	—	—
Share-based compensation expense	—	670	—	—	670	—	670
Funding of equity interest	—	—	—	—	—	50	50
As at August 31, 2018	2,330,477	12,119	(856,668)	36,460	1,522,388	154,415	1,676,803

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended August 31,

(in thousands of Canadian dollars)	**2019**	2018
OPERATING ACTIVITIES		
Net income (loss) for the year	**180,667**	(758,163)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Amortization of program rights (notes 7 and 18)	**516,431**	516,300
Amortization of film investments (notes 8 and 18)	**16,035**	16,197
Depreciation and amortization (notes 6 and 9)	**182,354**	81,861
Broadcast licence and goodwill impairment (note 11)	**—**	1,013,692
Deferred income taxes (note 21)	**(10,166)**	16,869
Impairment of investment in associate	**8,720**	—
Share-based compensation expense (note 16)	**699**	670
Imputed interest (note 19)	**41,209**	43,240
Gain on debt modification (notes 14 and 19)	**(3,889)**	—
Proceeds from termination of interest rate swap (note 14)	**—**	24,644
Payment of program rights	**(537,954)**	(513,186)
Net spend on film investments	**(45,029)**	(33,722)
CRTC benefit payments	**(2,561)**	(2,332)
Other	**(5,921)**	(6,665)
Cash flow from operations	**340,595**	399,405
Net change in non-cash working capital balances related to operations (note 25)	**2,958**	(28,498)
Cash provided by operating activities	**343,553**	370,907
INVESTING ACTIVITIES		
Additions to property, plant and equipment (note 22)	**(30,055)**	(16,117)
Proceeds from sale of property	**—**	845
Business divestiture, net of divested cash (note 27)	**12,529**	—
Business acquisition	**(6,011)**	—
Net cash flows for intangibles, investments and other assets	**(6,678)**	(10,308)
Cash used in investing activities	**(30,215)**	(25,580)
FINANCING ACTIVITIES		
Decrease in bank loans	**(249,949)**	(108,639)
Deferred financing costs	**(3,440)**	(4,088)
Issuance of shares under stock option plan	**—**	85
Dividends paid	**(38,150)**	(198,808)
Dividends paid to non-controlling interest	**(30,365)**	(28,809)
Other	**(3,667)**	(3,968)
Cash used in financing activities	**(325,571)**	(344,227)
Net change in cash and cash equivalents during the year	**(12,233)**	1,100
Cash and cash equivalents, beginning of the year	**94,801**	93,701
Cash and cash equivalents, end of the year	**82,568**	94,801

Supplemental cash flow disclosures (note 25)

See accompanying notes

1. CORPORATE INFORMATION

Corus Entertainment Inc. (the "Company" or "Corus") is a diversified 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 television networks, conventional television stations, the operation of radio stations; and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, book publishing and the production and distribution of animation software, media and technology services.

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 17, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements have been prepared on a cost basis, except for derivative financial instruments and certain 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 as a separate component in equity.

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

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

Associates 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 associate 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 (loss) and other comprehensive income (loss) ("OCI"), less distributions of the associate. 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 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 (loss) and comprehensive income (loss).

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 identifiable 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 purchase consideration 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 in the consolidated statements of income (loss) and comprehensive income (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

The Company derives revenue from the transfer of goods and services. Revenue recognition is based on the delivery of performance obligations and an assessment of when control is transferred to the customer. Revenue is recognized either when the performance obligation in the contract has been performed ("point in time" recognition) or "over time" as control of the performance obligation is transferred to the customer.

Advertising revenues, net of agency commissions, are recognized in the period in which the advertising is aired on the Company's television and radio stations or posted on various websites and when 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.

Customer contracts can have a wide variety of performance obligations, from production contracts to distribution activities, training and support services. For these contracts each performance obligation is identified and evaluated. Under IFRS 15 – *Revenue from Contracts with Customers*, the Company needs to evaluate if a licence represents a right to access the content (revenue recognized over time) or represents a right to use the content (revenue recognized at a point in time). The Company has determined that most licence revenues are satisfied

at a point in time due to there being limited ongoing involvement in the use of the licence following its transfer to the customer. The Company has determined that most service revenues are satisfied over a period of time as project milestones are met and the Company has an enforceable right to payment for performance completed to date.

The Company's production and distribution revenues from the distribution and licensing of film rights; royalties from merchandise licensing, publishing and music contracts; sale of licences, 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 and the Company has a present right to payment for the good or service; 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 licence 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 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 (loss) and comprehensive income (loss) as incurred.

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

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

An item of property, plant and equipment and any significant part initially recognized 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 (loss) and comprehensive income (loss) 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 licence 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.

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 Company has segregated its film investments into two categories: current productions and library or acquired productions. Current productions are considered library productions immediately subsequent to their initial availability for licensing as they are considered completed.

Current productions are amortized using a declining balance method of 50% at the time of initial episodic delivery and at annual rates ranging from 15 – 25% thereafter. Library content is amortized using a declining balance method at rates ranging from 15 – 25% annually. Acquired rights are amortized using a straight-line method.

The amortization period and the amortization method for film investments 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.

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

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 (loss) and comprehensive income (loss) 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 (loss) and comprehensive income (loss) 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 (loss) and comprehensive income (loss) 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	3 – 20 years
Software, patents and customer lists	3 – 5 years

Intangible assets with indefinite useful lives are not amortized. Broadcast licences are considered to have an indefinite life based on management's intent and ability to renew the licences without significant cost and without material modification of the existing terms and conditions of the licence. The assessment of an 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 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 the consolidated statements of income (loss) and comprehensive income (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 cash generating unit ("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 licences, indefinite life intangible assets 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 licences and indefinite life intangible assets 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 licence and indefinite life intangible asset impairment testing.

CGUs for broadcast licence and indefinite life intangible asset impairment testing

For the Television segment, the Company has determined that there are two CGUs: (1) Managed Brands consisting of conventional television stations, and specialty 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 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 performs the test at the operating segment level. This is the lowest level at which management monitors goodwill for internal management purposes.

Other intangible assets

Gains or losses on 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 (loss) and comprehensive income (loss) 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 licence fee and is recorded as revenue when cash has been received. Government assistance with respect to federal and provincial production tax credits is recorded as a reduction of film investments when eligible expenditures are made and there is reasonable assurance of realization. Assistance in connection with internally produced film investments is recorded as a reduction in film investments. The accrual of production tax credits on a contemporaneous basis with production expenditures are based on a five-year historical trending of the ratio of actual production tax credits received to total production tax credits applied for.

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

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

FOREIGN CURRENCY TRANSLATION

Assets and liabilities of operations having a functional currency other than Canadian dollars are translated at the rate of exchange at the consolidated statements of financial position date. Revenues and expenses are translated at average 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 (loss) and comprehensive income (loss).

INCOME TAXES

Income tax expense is comprised of current and deferred income taxes. Income tax expense is recognized in the consolidated statements of income (loss), unless it relates to items recognized outside the consolidated statements of income (loss). Income tax expense relating to items recognized outside of the consolidated statements of income (loss) 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 income 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 income 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 income 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 income tax assets and deferred income 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 income tax assets. In the event the outcome differs from management's assumptions and estimates, the effective tax rate in future periods could be affected.

CRTC BENEFIT OBLIGATIONS

The fair value of CRTC benefit obligations committed as part of business acquisitions are initially recorded at the present value of amounts to be paid net of any expected incremental cash inflows. The obligation is subsequently adjusted for the incurrence of related expenditures, the passage of time and for revisions to the timing of the cash flows. Changes in the obligation due to the passage of time are recorded as accretion of long-term liabilities and interest expense.

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

The Company has adopted IFRS 9 - *Financial Instruments* ("IFRS 9") effective September 1, 2018 on a modified retrospective basis and, in accordance with the transitional provisions of IFRS 9, comparative figures have not been restated. Accordingly, the information presented for 2018 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39"). The accounting policy policies below discuss the previous financial instruments treatment under IAS 39 that was applied in fiscal 2018. The change in the accounting policy as prescribed by IFRS 9 is discussed in the *Changes in Accounting Policies* section of these consolidated financial statements.

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

Financial instruments classified 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 other assets".	• Other portfolio investments included in "Investments and other assets"; • 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 are carried at fair value. Changes in fair value are recognized in other income (expense) in the consolidated statements of income (loss) and comprehensive income (loss).

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 rate 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 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 (loss) and comprehensive income (loss) 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 foreign exchange forward 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 OCI 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 risk 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 (loss) and comprehensive income (loss) 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 (loss) and comprehensive income (loss). 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 foreign exchange forward contracts is based on net discounted future cash flows using projected market rates, which are observable inputs provided by banks and available in other public data sources and are classified within Level 2.

The fair value of third-party-produced equity film investments and the related forward purchase obligations are classified within Level 3, as there is little to no market activity and 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.

Both bank credit facilities and interest rate swap agreements are classified within Level 2, as their fair value is determined by observable market data. The carrying value of bank credit facilities approximates fair value as the debt bears interest at rates that fluctuate with market rates. The fair value of interest rate swap agreements is calculated by way of discounted cash flows, using market interest rates and applicable credit spreads.

HEDGES

Hedge accounting is applied to interest rate swap agreements that 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 (loss) and comprehensive income (loss) 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 statements 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 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 generally equal to the 20-day volume weighted average price ("VWAP") of the Company's Class B Non-Voting Shares traded on the TSX at the end of the restriction period, multiplied by the number of vested units and deemed dividend equivalents determined by achievement of vesting conditions. The cost of share-based compensation is included in direct cost of sales, general and administrative expenses.

EMPLOYEE BENEFIT PLANS

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

The defined benefit plans are unfunded plans for certain 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 based on changes in discount rates. 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 (loss) and comprehensive income (loss). 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 11 for further details on the Company's annual impairment testing for goodwill.

Broadcast licences and indefinite life intangible assets

Broadcast licences and indefinite life intangible assets are reviewed for impairment annually or more frequently if there are indications that impairment may have occurred.

Broadcast licences and indefinite life intangible assets 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 11 for further details on the Company's annual impairment testing for broadcast licences and indefinite life intangible assets.

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 assessed 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 (loss) and comprehensive income (loss), are recognized on a straight-line basis over the lease term.

EARNINGS (LOSS) PER SHARE

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

USE OF ESTIMATES AND JUDGMENTS

The preparation of these consolidated 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 and disclosure of contingent assets and liabilities as 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:

- the recoverability of long-lived assets including property, plant and equipment, program rights, film investments, goodwill, broadcast licences and intangible assets; fair value assessments on acquired identifiable assets and obligations;
- certain actuarial and economic assumptions used in determining defined benefit pension costs, accrued pension benefit obligations, pension plan assets, and accrued supplemental post-employment benefit plan obligations;
- determining fair value of share-based compensation;
- the estimated useful lives of assets; and
- income tax provisions and uncertain income 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 consolidated financial statement notes;
- identifying CGUs;
- the allocation of net assets, including shared corporate and administrative assets, to the Company's CGUs when determining their carrying amounts;
- determining that broadcast licences have indefinite lives;
- determining control for purposes of consolidation of an investment; and
- determining income tax rates for recognition of deferred income tax on broadcast licences.

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

CHANGES IN ESTIMATES

Intangible assets

In the first quarter of fiscal 2019, as a result of the completion of a strategic review of all its television services, the Company changed the accounting estimates related to the useful life of its television brands. On a prospective basis commencing September 1, 2018, the useful life of television brands was changed from indefinite life to lives ranging from three to 20 years. Amortization is recorded on a straight-line basis over the estimated useful life. For the year ended August 31, 2019, this has resulted in an additional $103.2 million in amortization expense in the depreciation and amortization line within the consolidated statements of income (loss) and comprehensive income (loss).

CHANGES IN ACCOUNTING POLICIES

Amendments to IFRS 2 – *Share-based Payments ("IFRS 2")*

IFRS 2 stipulates new conditions on the accounting for three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with a net settlement feature for withholding tax obligations; and the accounting of a modification to the terms and conditions of a share-based payment that changes the transaction from cash-settled to equity-settled. IFRS 2 is applied prospectively; retroactive application is only permitted if the application can be performed without using hindsight. The Company adopted IFRS 2 on September 1, 2018, as required. The

Company has determined that the application of this standard had no significant impact on its consolidated financial statements.

IFRS 9 – *Financial Instruments: Classification and Measurement ("IFRS 9")*

The Company has adopted IFRS 9, effective September 1, 2018 on a modified retrospective basis, in accordance with the transitional provisions of IFRS 9. As such, comparative figures have not been restated. IFRS 9 provides a revised model for recognition, measurement and impairment of financial instruments and includes a new model for hedge accounting aligning the accounting treatment with risk management activities.

As detailed below, the Company has changed its accounting policy for financial instruments retrospectively, except where described below. The primary area of change and corresponding transitional adjustment applied on September 1, 2018 was as follows:

Impact of adoption on the accounting for venture funds previously designated as AFS

Upon adoption, investments in venture funds held by the Company have been classified at fair value through OCI ("FVOCI") pursuant to the irrevocable election available under IFRS 9. These investments are recorded at fair value and changes in the fair value of these investments are recognized permanently in OCI. Upon adoption, an adjustment was made to bring the investments in venture funds to fair value which resulted in an increase to the carrying amount of these investments. The adjustment to increase investments in venture funds on September 1, 2018 was $10.8 million ($9.4 million, net of tax) with a corresponding adjustment to accumulated OCI.

Financial assets

IFRS 9 includes a revised model for classifying financial assets, which results in classification according to a financial instrument's contractual cash flow characteristics and the business models under which they are held. At initial recognition, financial assets are measured at fair value. Under the IFRS 9 model for classification of financial assets, the Company has classified and measured its financial assets as described below:

- Cash and cash equivalents and derivative instruments measured at fair value through profit or loss under IAS 39 continue to be measured as such under IFRS 9.
- Accounts receivable classified as financial assets continue to be measured at amortized cost under IFRS 9.
- Investments in venture funds are classified as financial assets measured at fair value through OCI. Previously under IAS 39 these amounts were classified as AFS.

Except as noted above, the adoption of IFRS 9 did not result in a change in the carrying values of any of the Company's financial assets on the transition date.

Financial liabilities

Financial liabilities are recognized initially at fair value, and in the case of financial liabilities, not subsequently measured at fair value, net of directly attributable transaction costs. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled, or expired. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements and, since the Company does not have any financial liabilities designated at fair value through profit or loss, the adoption of IFRS 9 did not impact the Company's accounting policies for financial liabilities. Accounts payable and accrued liabilities, interest payable, long-term debt, and other long-term liabilities are classified as financial liabilities to be subsequently measured at amortized cost.

Expected credit loss impairment model

IFRS 9 requires a forward-looking expected credit loss impairment ("ECL") model as opposed to an incurred credit loss model under IAS 39. As the Company's financial assets are substantially made up of trade receivables, the Company has opted to use the simplified approach for measuring the loss allowance at an amount equal to lifetime ECL. The simplified approach does not require the tracking of changes in credit risk, but instead requires the recognition of lifetime ECLs at all times. Lifetime ECL represents the ECL that would result from all possible default events over the expected life of a financial instrument. The adoption of the ECL model did not have a significant impact on the Company's financial statements, and did not result in a transitional adjustment.

Financial instruments

The Company's financial assets and liabilities (financial instruments) include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, long-term debt and derivative financial instruments. All financial instruments are recorded at fair value at recognition. Subsequent to initial recognition, financial instruments classified as cash and cash equivalents, accounts payable and accrued liabilities, and long-term debt are measured at amortized cost using the effective interest method. Other financial assets and liabilities are recorded at fair value subsequent to initial recognition.

Investments in venture funds

The Company's investments in venture funds consist primarily of investments in common shares of a venture fund which invests in common and preferred shares of entities in the media and entertainment industry recorded using trade date accounting. Equity securities of venture funds are designated as fair value through OCI pursuant to the irrevocable election under IFRS 9. Changes in the fair value of equity securities are permanently recognized in OCI and will not be reclassified to profit or loss.

Derivative instruments and hedge accounting

The Company uses derivative financial instruments (primarily swaps and forward contracts) to manage exposure to fluctuations in interest rates, foreign currency exchange rates, and certain share-based payment awards.

The Company recognizes all derivative financial instruments in the consolidated financial statements at fair value and they are classified based on contractual maturity. Derivative instruments are classified as either hedges of highly probable forecasted transactions (cash flow hedges) or non-hedge derivatives. Derivatives designated as a cash flow hedge that are expected to be highly effective in achieving offsetting changes in cash flows are assessed on an ongoing basis to determine that they have actually been highly effective throughout the financial reporting periods for which they were designated. Derivative assets and derivative liabilities are shown separately in the balance sheet unless there is a legal right to offset and intent to settle on a net basis.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in OCI. The gain or loss relating to the ineffective portion, if any, is recognized in the gain on derivative financial instruments line item of the interim condensed consolidated statements of income. Amounts deferred in OCI are reclassified when the hedged transaction has occurred.

Derivative instruments that do not qualify for hedge accounting are recorded at fair value at the statement of financial position date, with changes in fair value recognized in the other income (expense), net line item of the consolidated financial statements.

IFRS 15 – *Revenue from Contracts with Customers ("IFRS 15")*

Effective September 1, 2018, the Company adopted IFRS 15. IFRS 15 supersedes International Accounting Standard 18, *Revenue* ("IAS 18").

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRS standards. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The Company used the modified retrospective method, which requires the cumulative effect of initially applying the Standard to be recognized at the date of initial application, which is September 1, 2018, and that the financial information previously presented for the year ended August 31, 2018 would remain unchanged. The Company also elected to apply the following practical expedients as permitted by the standard:

- IFRS 15 is applied retrospectively only to contracts that are not completed contracts at the date of initial application.
- No adjustment of the contracted amount of consideration for the effects of financing components when, at the inception of the contract, the Company expects that the effect of the financing component is not significant at the individual contract level or the contract is one year or less.
- No deferral of contract acquisition costs when the amortization period for such costs would be one year or less.

The only changes related to the Company's revenue recognition policy are as follows:

The application of this new standard impacts only the Company's reported television segment results with respect to the Company's software licensing business, specifically with regard to the timing of recognition of

revenue related to software licences. IFRS 15 requires revenue related to certain licences of an entity's intellectual property to be recognized at a point in time if the licence relates to the right to use the property as it exists at a point in time. The Company has identified an adjustment to reduce unearned revenues on September 1, 2018 by $2,700 ($1,985, net of income tax) with a corresponding adjustment to opening accumulated deficit related to software licence revenues which would have been recognized at a point in time under IFRS 15, which were previously recognized over time. There was no significant impact on revenue during fiscal 2019.

Previously, under IAS 18 and the Standards Interpretation Committee Interpretation 31 - *Revenue - Barter Transactions Involving Advertising Services*, the Company provided interactive impressions, radio and television spots in return for television and outdoor advertising for which no monetary consideration was exchanged, nor was it recorded in the accounts as those transactions were considered an exchange of similar advertising services. IFRS 15 requires that contra revenue is recorded at fair value if the contract is determined to have commercial substance. On adoption of IFRS 15, the Company's accounting policy has been updated to record revenue on contra transactions when the contract is determined to have commercial substance. This change in accounting policy has not resulted in a material transitional adjustment and there was no significant impact on revenue during fiscal 2019.

IFRIC 22 — Foreign currency transactions and advance consideration ("IFRIC 22")

IFRIC 22 clarifies the appropriate exchange rate to use on initial recognition of an asset, expense or income when advance consideration is paid or received in a foreign currency. Adoption of this amendment had no impact on the Company's financial position or results.

PENDING ACCOUNTING CHANGES

IFRS 16 – *Leases ("IFRS 16")*

On January 13, 2016, the IASB published a new standard, IFRS 16. The new standard will eliminate the distinction between operating and finance leases and will bring most leases onto the balance sheet for lessees. Lessees must recognize a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly, and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease. Lessees are permitted to make an accounting policy election, by class of underlying asset, to apply a method like IAS 17 - *Leases ("IAS 17")* operating lease accounting and not recognize lease assets and lease liabilities for leases with a lease term of 12 months or less, and on a lease-by-lease basis, to apply a method similar to current operating lease accounting to leases for which the underlying asset is of low value. IFRS 16 supersedes IAS 17 and its related interpretations, and is effective for the period beginning on or after January 1, 2019, which will be September 1, 2019 for Corus and is to be applied retrospectively.

The Company will be applying the standard retrospectively, with the cumulative effect of the initial application of the new standard at the date of initial application, September 1, 2019, subject to permitted and elected practical expedients; such method of application would not result in the retrospective adjustment of amounts report for periods prior to fiscal 2020. The nature of the transition method selected is such that the lease population as at September 1, 2019, and the discount rates determined contemporaneously, will be the basis for the cumulative effects recorded as of that date.

As a transitional practical expedient permitted by the new standard, the Company will not reassess whether contracts are, or contain, leases as at September 1, 2019, applying the criteria of the new standard as at September 1, 2019. Only contracts that were previously identified as leases applying IAS 17 and IFRS 4 - *Determining whether an Arrangement Containing a Lease,* will be part of the transition to the new standard. Only contracts entered into (or changed) after September 1, 2019 will be assessed for being, or containing, leases applying the criteria of the new standard.

The Company will record a right-of-use asset and a lease liability at the date of transition. The lease liability will initially be measured at the present value of lease payments that remain to be paid at the date of the transition.

Upon transition, the right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the Consolidated Statements of Financial Position immediately before the date of initial application.

After transition, the right-of-use asset will initially be recorded at the lease commencement date and will be measured at cost consisting of:

- the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date; plus
- any initial direct costs incurred; and

- an estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located; less
- any lease incentives received.

The right-of-use asset will typically be depreciated on a straight-line basis over the lease term, unless the Company expects to obtain ownership of the leased asset at the end of the lease. The lease term will consist of:

- the non-cancellable period of the lease;
- periods covered by options to extend the lease, where the Company is reasonably certain to exercise the option; and
- periods covered by options to terminate the lease, where the Company is reasonably certain not to exercise the option.

International Financial Reporting Interpretations Committee 23 – *Uncertainty over Income Tax Treatments (“IFRIC 23”)*

IFRIC 23 provides guidance when there is uncertainty over income tax treatments including (but not limited to) whether uncertain tax treatments should be considered separately; assumptions made about the examination of tax treatments by tax authorities; the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates; and the impact of changes in facts and circumstances.

The new interpretation is effective for annual periods beginning on or after January 1, 2019 and will be adopted by the Company effective September 1, 2019. The Company is currently assessing the impact of the new interpretation on its consolidated financial statements.

4. ACCOUNTS RECEIVABLE

	2019	2018
Trade	**354,899**	367,885
Other	**22,594**	25,337
	377,493	393,222
Less allowance for doubtful accounts (note 24)	**4,665**	4,471
	372,828	388,751

5. INVESTMENTS AND OTHER ASSETS

	Investments in associates	**Investments in venture funds**	**Other assets**	**Total**
Balance - August 31, 2017	10,558	30,289	23,712	64,559
Increase (decrease) in investments	—	5,688	(466)	5,222
Equity loss of associates (note 20)	(1,558)	—	—	(1,558)
Post-retirement plan asset (note 29)	—	—	9,987	9,987
Derivative fair value (note 14)	—	—	4,003	4,003
Balance - August 31, 2018	9,000	35,977	37,236	82,213
IFRS 9 transitional adjustment (note 3)	—	10,849	—	10,849
Adjusted balance as at September 1, 2018	9,000	46,826	37,236	93,062
Increase (decrease) in investments	658	365	(16)	1,007
Equity loss of associates (note 20)	(923)	—	—	(923)
Fair value adjustment through OCI with no reclassification to net income (note 17)	—	(3,189)	—	(3,189)
Investment impairment (note 20)	(8,720)	—	—	(8,720)
Post-retirement plan asset (note 29)	—	—	(8,551)	(8,551)
Derivative fair value (note 14)	—	—	(20,979)	(20,979)
Balance - August 31, 2019	**15**	**44,002**	**7,690**	**51,707**

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 shareholder agreements. The associates that the Company exercises significant influence over have been accounted for using the equity method.

INVESTMENT IN VENTURE FUNDS

Upon adoption of IFRS 9, the Company made the irrevocable election to designate all of its investments in venture funds as financial assets at fair value through OCI and measured at fair value. The Company considers this to be an appropriate classification because these investments are strategic in nature and not held for trading. Changes in fair value of venture funds are permanently recognized in OCI and will not be reclassified into profit and loss.

OTHER ASSETS

Other assets is comprised of derivative financial instruments and net asset position of registered pension plans.

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Broadcasting and computer equipment	Buildings and leasehold improvements	Furniture and fixtures	Other	Total
Cost						
Balance - August 31, 2017	35,415	226,516	164,052	23,732	21,680	471,395
Additions	—	18,540	3,239	2,223	(9,199)	14,803
Disposals and retirements	(860)	(5,333)	(46)	(10,582)	(894)	(17,715)
Balance - August 31, 2018	34,555	239,723	167,245	15,373	11,587	468,483
Additions	—	9,690	2,124	186	16,914	28,914
Disposals and retirements	—	(8,603)	(640)	(88)	(400)	(9,731)
Balance - August 31, 2019	**34,555**	**240,810**	**168,729**	**15,471**	**28,101**	**487,666**
Accumulated depreciation						
Balance - August 31, 2017	—	136,568	55,184	16,958	2,617	211,327
Depreciation	—	27,051	10,330	1,656	1,180	40,217
Disposals and retirements	—	(5,291)	(18)	(8,081)	(863)	(14,253)
Balance - August 31, 2018	—	158,328	65,496	10,533	2,934	237,291
Depreciation	—	22,263	8,643	1,153	937	32,996
Disposals and retirements	—	(7,471)	(634)	(66)	(377)	(8,548)
Balance - August 31, 2019	**—**	**173,120**	**73,505**	**11,620**	**3,494**	**261,739**
Net book value						
Balance - August 31, 2018	34,555	81,395	101,749	4,840	8,653	231,192
Balance - August 31, 2019	**34,555**	**67,690**	**95,224**	**3,851**	**24,607**	**225,927**

Included in property, plant and equipment are assets under finance lease with a cost of $26,399 as at August 31, 2019 (2018 – $26,542) and accumulated depreciation of $24,592 (2018 – $23,180).

7. PROGRAM RIGHTS

Balance - August 31, 2017	648,346
Additions	400,503
Transfers from film investments (note 8)	7,934
Impairment charges	(2,126)
Amortization (note 18)	(516,300)
Balance - August 31, 2018	538,357
Additions	485,302
Transfers from film investments (note 8)	7,468
Disposals (note 27)	(4,976)
Impairment charges	(1,807)
Amortization (note 18)	(516,431)
Balance - August 31, 2019	**507,913**

The Company expects that approximately 48% of the net book value of program rights will be amortized during the year ending August 31, 2020. The Company expects the net book value of program rights to be fully amortized by March 2025.

8. FILM INVESTMENTS

Balance - August 31, 2017	40,728
Additions	42,617
Tax credit accrual	(15,790)
Transfer to program rights (note 7)	(7,934)
Amortization (note 18)	(16,197)
Balance - August 31, 2018	43,424
Additions	55,803
Tax credit accrual	(22,388)
Transfer to program rights (note 7)	(7,468)
Amortization (note 18)	(16,035)
Balance - August 31, 2019	**53,336**

The Company expects that approximately 21% of the net book value of film investments will be amortized during the year ending August 31, 2020. The Company expects the net book value of film investments to be fully amortized by August 2032.

9. INTANGIBLES

	Broadcast licences [1]	Brands and trade marks [2]	Other [3]	Total
Balance - August 31, 2017	984,889	1,043,399	17,525	2,045,813
Additions	—	12,534	9,075	21,609
Impairments (note 11)	(13,692)	—	—	(13,692)
Amortization	—	(30,344)	(11,300)	(41,644)
Balance - August 31, 2018	971,197	1,025,589	15,300	2,012,086
Additions	—	11,854	6,071	17,925
Acquisitions (note 27)	—	—	3,006	3,006
Disposition (note 27)	(7,424)	—	—	(7,424)
Amortization	—	(137,523)	(11,835)	(149,358)
Balance - August 31, 2019	**963,773**	**899,920**	**12,542**	**1,876,235**

[1] Broadcast licences are located in Canada.

[2] The change in estimates related to the television brand assets (note 3) has resulted in an additional $103.2 million in amortization expense for the year ended August 31, 2019. Of the total brand assets, $179.1 million is amortized over 3-5 years and $747.7 million is amortized over 20 years, however, the amortization of certain brands is accelerated based on anticipated rebranding when appropriate.

[3] Other intangibles are comprised principally of computer software

The Company expects that approximately 11% of the net book value of brands and trade marks with a finite life will be amortized during the year ending August 31, 2020. The Company expects the net book value of brands and trade marks with a finite life to be fully amortized by August 2038.

Indefinite life intangibles, such as broadcast licences, are tested for impairment annually as at August 31 or more frequently if events or changes in circumstances indicate that they may be impaired. As at August 31, 2019, the Company performed its annual impairment test for fiscal 2019 and determined that there were no further impairments for the year then ended on indefinite life intangibles.

10. GOODWILL

	Total
Balance - August 31, 2017	2,387,652
Impairments (note 11)	(1,000,000)
Balance - August 31, 2018	1,387,652
Acquisitions (note 27)	3,006
Disposals (note 27)	(6,700)
Balance - August 31, 2019	**1,383,958**

Goodwill is located primarily in Canada.

Goodwill is tested for impairment annually as at August 31, or more frequently if events or changes in circumstances indicate that it may be impaired. As at August 31, 2019, the Company performed its annual impairment test for fiscal 2019 and determined that there were no impairments for the year then ended.

11. IMPAIRMENT TESTING

The test for impairment of either an intangible asset or goodwill is to compare the recoverable amount of the asset or CGU or groups of CGUs to the carrying value. The recoverable amount is the higher of an asset's or CGU's or groups of CGUs FVLCS and its VIU. 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.

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 companies 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 or groups of CGU's operations beyond the projected period using a perpetual growth rate. The key 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) and discount rates.

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

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 or groups of CGU's cash flow projections.

In calculating the VIU, the Company uses an appropriate range of discount rates in order to establish a ranges 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 of the TV group of CGUs generally range from 10% to 12% (2018 – 10% to 12%) and nil to 1% (2018 – nil to 1%), respectively. The pre-tax discount and growth rates included in the VIU calculation of the Radio groups of CGUs generally range from 13% to 16% and 1% to 3%, respectively. The rates used for Radio are generally consistent with those used in the prior year.

As a result of the broadcast licence impairment testing in the third quarter of fiscal 2018, the Company determined that there were broadcast licence impairments in certain Radio CGUs. For each of the three Radio CGUs, the Company used VIU to determine the recoverable amount, which resulted in an impairment charge of $13.7 million that reduced the carrying value of broadcast licences within these CGUs to their recoverable amount.

As a result of the goodwill impairment testing in the third quarter of fiscal 2018, the Company recorded a goodwill impairment charge of $1,000.0 million in the Television segment. No goodwill impairment was identified on the Radio groups of CGUs.

In the fourth quarter, the Company completed its annual impairment testing of goodwill and intangible assets for fiscal 2019 and there were no further 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 licences were reversed.

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 broadcast licence and goodwill impairment tests, would not have resulted in a material change in the Television operating segment, however would have resulted in a goodwill impairment charge in the Radio operating segment between nil and $5.0 million.

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

	2019	2018
Broadcast licences		
Television		
Managed brands	**852,905**	852,905
Other	**—**	7,424
Radio		
Calgary	**31,341**	31,341
Edmonton	**21,851**	21,851
Toronto	**21,775**	21,775
Vancouver	**21,303**	21,303
Other [1]	**14,598**	14,598
	963,773	971,197

	2019	2018
Goodwill		
Television	**1,316,859**	1,320,553
Radio	**67,099**	67,099
	1,383,958	1,387,652

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

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Program rights payable	**219,011**	233,838
Trade accounts payable and accrued liabilities	**160,088**	136,952
Dividends payable	**12,713**	2,000
Trade marks and distribution rights	**35,166**	28,937
Film investment accruals	**1,074**	881
Financing leases	**1,431**	3,154
	429,483	405,762

13. PROVISIONS

The Company recorded business acquisition, integration and restructuring charges of $26,316 (2018 – $17,071) primarily related to severance and employee related costs as a result of changes to the management structure and business operations, onerous lease provision costs for office spaces vacated, asset decommissioning costs, and adjustments to asset retirement obligations.

	Restructuring	**Onerous lease obligation**	**Asset retirement obligations**	**Other**	**Total**
Balance - August 31, 2017	15,614	2,892	8,407	585	27,498
Additions (reductions)	16,133	(1,188)	—	—	14,945
Interest	—	148	407	—	555
Payments	(20,087)	(1,852)	(2,083)	—	(24,022)
Balance – August 31, 2018	11,660	—	6,731	585	18,976
Additions (reductions)	13,870	5,995	1,986	(405)	21,446
Interest	—	305	169	—	474
Payments	(17,776)	(3,606)	(1,497)	—	(22,879)
Balance – August 31, 2019	**7,754**	**2,694**	**7,389**	**180**	**18,017**

	Restructuring	Onerous lease obligation	Asset retirement obligations	Other	Total
Current	6,401	2,694	1,056	180	10,331
Long-term	1,353	—	6,333	—	7,686
Balance – August 31, 2019	**7,754**	**2,694**	**7,389**	**180**	**18,017**

14. LONG-TERM DEBT

	2019	2018
Bank loans	**1,745,175**	1,998,684
Deferred financing charges	**(13,430)**	(14,751)
Total bank loans	**1,731,745**	1,983,933
Less current portion of bank loans	**(76,339)**	(106,375)
	1,655,406	1,877,558

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at August 31, 2019, the weighted average interest rate on the outstanding bank loans was 4.2% (2018 – 4.5%). The effective interest on the bank loans averaged 4.3% for fiscal 2019 (2018 – 4.3%).

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 Amended and Restated Credit Agreement dated April 1, 2016 (the "Facility"). 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, 2019.

CREDIT FACILITIES

In connection with the closing of the acquisition of Shaw Media, Corus established syndicated senior secured credit facilities in the aggregate amount of $2.6 billion consisting of $2.3 billion in term loans (the "Term Facility"), all of which was fully drawn at closing, and a $300.0 million revolving facility (the "Revolving Facility"), which was not drawn on as part of closing.

Effective November 30, 2017, the Company's credit agreement was amended. The principal amendments effected were the extension of the maturity for the Revolving Facility and Term Facility Tranche 2 to November 30, 2021, for the Term Facility Tranche 1 to November 30, 2022, and fixing the mandatory repayment on the Term Facility to 1.25% per quarter effective November 30, 2017.

Effective May 31, 2019, the Company's credit agreement was amended. The principal amendment effected was the extension of the maturity for the Term Facility and the Revolving Facility. The amendment was accounted for as a debt modification in accordance with IFRS 9, resulting in a $3.9 million gain on debt modification in the consolidated statements of income (loss) and comprehensive income (loss). The gain resulted from the change in the net present value of the future modified cash flows compared to the net present value of the original cash flows at the time of closing the amendment, using the effective interest rate prior to the modification. In connection with the amendment, the Company incurred $3.4 million of deferred financing costs, which have reduced the carrying value of the modified Term Facility. The carrying value of the debt is accreted using the effective interest rate method over the remaining term of the Term Facility with the accretion recognized within Interest expense on the consolidated statements of income (loss) and comprehensive income (loss) (note 19).

Term Facility

As at August 31, 2019, the Term Facility was comprised of three tranches, with the first tranche in the amount of $639.0 million and having a maturity date of May 31, 2024, the second tranche in the amount of $868.7 million and having a maturity date of May 31, 2023, and the third tranche in the amount of $258.3 million and having a maturity date of November 30, 2021.

Advances under the Term Facility may be outstanding in the form of either prime loans or bankers' acceptances and bear interest at the applicable reference rate plus an applicable margin depending on the type of advance and Corus' total debt to cash flow ratio.

Voluntary prepayments on the amount outstanding under the Term Facility are permitted at any time without penalty, subject to payment of customary breakage costs, if applicable, and provided that advances in the form of bankers' acceptances may only be paid on their maturity. Each tranche of the Term Facility will be subject to mandatory repayment equal to 1.25% per quarter at the end of each fiscal quarter of Corus.

Revolving Facility

The Revolving Facility matures on May 31, 2023. The Revolving Facility is available on a revolving basis to finance permitted acquisitions and capital expenditures and for general corporate purposes. Amounts owing under the Revolving Facility will be payable in full at maturity. The Revolving Facility permits full or partial cancellation of the facility and, if applicable, concurrent prepayment of the amounts drawn thereunder at any time without penalty, subject to payment of customary breakage costs, if applicable, and provided that advances in the form of bankers' acceptances may only be paid on their maturity.

Advances under the Revolving Facility may be drawn in Canadian dollars as either a prime rate loan, bankers' acceptance or Canadian dollar denominated letters of credit (to a sub-limit of $50.0 million total), or in U.S. dollars as either a base rate loan, U.S. LIBOR loan or U.S. dollar denominated letters of credit (to a sub-limit of $50.0 million total). Amounts drawn under the Revolving Facility will bear interest at the applicable reference rate plus an applicable margin depending on the type of advance and Corus' total debt to cash flow ratio. A standby fee will also be payable on the unutilized amount of the Revolving Facility. As at August 31, 2019, all of the Revolving Facility was available and could be drawn.

INTEREST RATE SWAP AGREEMENTS

On November 28, 2017, the Company terminated the Canadian interest rate swap agreements that fixed the interest rate on $1,871.0 million of its outstanding term loan facilities. As a result, the Company received a cash payment, net of accrued interest, of $24.6 million in settlement of these interest rate swaps, which was the fair value upon termination. The fair value of $24.6 million was recorded in OCI and is being amortized over the life of the original swap agreements as non-cash interest income in the consolidated statements of income (loss) and comprehensive income (loss) (note 19).

On November 28, 2017, the Company entered into Canadian interest rate swap agreements to fix the interest rate on $1,101.0 million and $600.0 million of its outstanding term loan facilities at 1.947% and 2.004%, respectively, plus applicable margins to August 31, 2021 and August 31, 2022. The notional value of these swaps reduces concurrently with the mandatory repayments of the Term Facility. The counterparties of the swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. 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. As an effective hedge, unrealized gains or losses on the interest rate swap agreements are recognized in OCI. The estimated fair value of these agreements as at August 31, 2019 is $11.6 million (2018 – $23.2 million asset), which has been recorded in the consolidated statements of financial position as a long-term liability (note 15). The effectiveness of the hedging relationship is reviewed on a quarterly basis.

TOTAL RETURN SWAPS

On November 29, 2018, the Company initiated total return swap agreements on 1,868,500 share units with a notional value of $9.2 million to offset its exposure to changes in the fair value of certain cash settled share-based compensation awards. The estimated fair value of these Level 1 financial instruments will fluctuate with the market price of the Company's shares. The counterparties of these swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The estimated fair value of these agreements as at August 31, 2019 was an asset of $0.3 million, which has been recorded in the consolidated statements of financial position as prepaid expenses and other assets and within employee costs in the consolidated statements of income (loss) and comprehensive income (loss) (note 18).

FORWARD CONTRACTS

On January 5, 2018, the Company entered into a series of foreign exchange forward contracts totalling $98.0 million USD, to fix the foreign exchange rate and cash flows related to a portion of the Company's USD denominated long-term liabilities. The forward contracts are not designated as hedges for accounting purposes; they are measured at fair value at each reporting date. The counterparty of the forward contracts is a highly rated financial institution and the Company does not anticipate any non-performance. The estimated fair value of future cash flows of the USD forward contract derivatives change with fluctuations in the foreign exchange rate of USD to Canadian dollars. The estimated fair value of these agreements as at August 31, 2019 was $6.0 million (2018 – $3.8 million), which has been recorded in the consolidated statements of financial position as a long-term other asset (note 5) and within other expense (income), net in the consolidated statements of income (loss) and comprehensive income (loss) (note 20).

15. OTHER LONG-TERM LIABILITIES

	2019	2018
Program rights payable	**127,459**	134,908
Trade mark liabilities	**43,147**	58,833
Long-term employee obligations	**30,777**	21,847
Post employment benefit plans	**15,058**	15,597
Deferred leasehold inducements	**20,929**	20,168
Merchandising and intangibles liability	**14,205**	18,238
Unearned revenue	**10,075**	14,055
Long-term portion of tangible benefits	**4,847**	9,249
Financing lease accrual	**—**	2,311
Derivative fair value (note 14)	**11,620**	—
	278,117	295,206

16. 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 the Company or other distribution of assets of the Company 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 the Company 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.

No Class A Preferred Shares, Class 1 Preferred Shares or Class 2 Preferred Shares are outstanding at August 31, 2019.

ISSUED AND OUTSTANDING

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	$	#	$	$
Balance - August 31, 2017	3,421,792	26,498	202,835,501	2,265,316	2,291,814
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(2,400)	(19)	2,400	19	—
Issuance of shares under stock option plan	—	—	7,975	85	85
Issuance of shares under dividend reinvestment plan	—	—	5,731,790	38,578	38,578
Balance - August 31, 2018	3,419,392	26,479	208,577,666	2,303,998	2,330,477
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(6,200)	(38)	6,200	38	—
Reduction of stated capital [1]	—	(17,000)	—	(1,483,000)	(1,500,000)
Balance - August 31, 2019	**3,413,192**	**9,441**	**208,583,866**	**821,036**	**830,477**

[1] Reduction in stated capital approved at the Company's Annual and Special Meeting of shareholders on January 16, 2019.

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 (loss) per share amounts:

	2019	2018
Net income (loss) attributable to shareholders (numerator)	**156,084**	(784,509)
Weighted average number of shares outstanding (denominator)		
Weighted average number of shares outstanding - basic	**211,997**	208,257
Effect of dilutive securities	**38**	—
Weighted average number of shares outstanding - diluted	**212,035**	208,257

The calculation of diluted earnings (loss) per share for fiscal 2019 excluded 5,235 (2018 – 6,057) weighted average Class B Non-Voting Shares issuable under the Company's Stock Option Plan because these options were anti-dilutive.

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, 2017	5,256,850	16.24
Granted	1,070,400	12.43
Exercised	(7,975)	10.38
Forfeited or expired	(261,900)	22.31
Outstanding - August 31, 2018	6,057,375	15.31
Granted	1,512,700	5.08
Forfeited or expired	(1,592,150)	16.75
Outstanding - August 31, 2019	**5,977,925**	**12.34**

As at August 31, 2019, 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 ($)**
4.88 – 5.46	1,188,800	6.6	4.88	—	—
5.47 – 10.99	1,232,650	4.2	9.43	727,600	10.38
11.00 – 12.02	1,304,800	4.3	11.60	714,900	11.60
12.03 – 19.79	1,034,250	5.1	12.72	396,225	13.17
19.80 – 25.40	1,217,425	1.5	23.03	1,217,425	23.03
	5,977,925	**4.3**	**12.34**	**3,056,150**	**16.07**

The fair value of each option granted has been 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 2019, the Company recorded share-based compensation expense of $699 (2018 – $670). This charge has been credited to contributed surplus. Unrecognized share-based compensation expense at August 31, 2019 related to the Plan was $924 (2018 – $508).

The fair value of each option granted in fiscals 2019 and 2018 was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Grant date	February 2019	October 2018	October 2017
Fair value	$1.07	$ 0.91	$ 0.52
Risk-free interest rate	1.8%	2.4%	1.8%
Expected dividend yield	4.0%	4.9%	9.3%
Expected share price volatility	31.7%	31.7%	21.8%
Expected time until exercise (years)	6	6	6

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.

SHARE-BASED COMPENSATION

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

	PSUs	DSUs	RSUs
	#	#	#
Balance - August 31, 2017	1,236,831	1,141,741	406,700
Additions	399,800	227,978	163,776
Deemed dividend equivalents	208,833	184,600	72,164
Forfeitures	(117,230)	(34,300)	(84,754)
Payments	(303,830)	(313,210)	(40,494)
Balance - August 31, 2018	1,424,404	1,206,809	517,392
Additions	928,950	408,410	468,860
Deemed dividend equivalents	53,277	45,138	31,692
Forfeitures	(78,900)	(26,100)	(34,050)
Payments	(464,767)	(80,091)	(142,554)
Balance - August 31, 2019	**1,862,964**	**1,554,166**	**841,340**

Share-based compensation expense (recovery) recorded for the fiscal year in respect of these plans was $5,347 (2018 – $(7,818)). As at August 31, 2019, the carrying value of the liability for PSU, DSU and RSU units was $10,086 (2018 – $4,912).

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.

The total amount of dividends declared in fiscal 2019 was $50,863 (2018 – $198,201).

On October 17, 2019, the Company's Board of Directors approved the payment of dividends of $0.05875 per Class A Voting Share and $0.06 per Class B Non-Voting Share payable on December 30, 2019 to the shareholders of record at the close of business on December 16, 2019.

DIVIDEND REINVESTMENT PLAN ("DRIP")

The Company's Board of Directors had approved a discount of 2% for Class B Non-Voting Shares issued from treasury pursuant to the terms of its DRIP to August 31, 2018. In fiscal 2018, the Company issued 5,731,790 Class B Non-Voting Shares from treasury to satisfy its share delivery obligations under the DRIP, resulting in an increase in share capital of $38,578.

On June 26, 2018, the Company's Board of Directors approved removing the discount for the Class B Non-Voting Shares and moving to open market purchases to satisfy its share delivery obligations pursuant to the the terms of its DRIP effective September 1, 2018.

17. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Unrealized change in fair value of cash flow hedges						
	Gains (losses) arising	Prior period gains (losses) transferred to net income	Total	Unrealized foreign currency translation adjustment	Unrealized change in fair value of financial assets	Actuarial gains (losses) on defined benefit plans	Total
Balance - August 31, 2017	—	—	16,877	6,453	(392)	—	22,938
Items that may be subsequently reclassified to income:							
Amount	24,895	(7,323)	17,572	724	—	—	18,296
Income tax	(6,597)	1,941	(4,656)	—	(118)	—	(4,774)
	18,298	(5,382)	29,793	7,177	(510)	—	36,460
Items that will not be reclassified to income:							
Amount	—	—	—	—	—	15,714	15,714
Income tax	—	—	—	—	—	(4,164)	(4,164)
	—	—	—	—	—	11,550	11,550
Transfer to retained earnings	—	—	—	—	—	(11,550)	(11,550)
Balance - August 31, 2018	—	—	29,793	7,177	(510)	—	36,460
September 1, 2018 IFRS 9 adjustment	—	—	—	—	9,396	—	9,396
Adjusted balance as at September 1, 2018	—	—	29,793	7,177	8,886	—	45,856
Items that may be subsequently reclassified to income:							
Amount	(34,834)	(8,075)	(42,909)	309	—	—	(42,600)
Income tax	9,231	2,140	11,371	—	—	—	11,371
	(25,603)	(5,935)	(1,745)	7,486	8,886	—	14,627
Items that will not be reclassified to income:							
Amount	—	—	—	—	(3,189)	(12,646)	(15,835)
Income tax	—	—	—	—	749	3,351	4,100
	—	—	—	—	(2,440)	(9,295)	(11,735)
Transfer to retained earnings	—	—	—	—	—	9,295	9,295
Balance - August 31, 2019	**—**	**—**	**(1,745)**	**7,486**	**6,446**	**—**	**12,187**

18. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
Direct cost of sales		
Amortization of program rights	**516,431**	516,300
Amortization of film investments	**16,035**	16,197
Other cost of sales	**34,808**	27,349
General and administrative expenses		
Employee costs	**323,479**	303,847
Other general and administrative	**211,644**	208,026
	1,102,397	1,071,719

19. INTEREST EXPENSE

	2019	2018
Interest on long-term debt	**82,288**	89,026
Imputed interest on long-term liabilities	**41,209**	43,240
Amortization of deferred gain on settled interest rate swap (note 14)	**(8,075)**	(7,323)
Other expense	**2,296**	2,403
	117,718	127,346

20. OTHER EXPENSE, NET

	2019	2018
Foreign exchange loss	**952**	5,382
Equity loss of associates	**923**	1,558
Impairment of investment in associate (note 5)	**8,720**	—
Other	**(121)**	(1,248)
	10,474	5,692

21. INCOME TAXES

The significant components of income tax expense are as follows:

	2019	2018
Current income tax expense	**81,611**	71,260
Deferred income tax expense (recovery)		
Resulting from temporary differences	**(15,143)**	7,009
Resulting from the utilization of tax losses	**4,305**	9,399
Resulting from tax rate changes	**184**	87
Resulting from the creation of various future tax reserves	**656**	(141)
Other	**(168)**	515
Income tax expense reported in the consolidated statements of income (loss) and comprehensive income (loss)	**71,445**	88,129

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

	2019		2018	
	$	**%**	$	%
Income tax at combined federal and provincial rates	**66,991**	**26.6%**	(177,650)	26.5%
Differences from statutory rates relating to:				
Loss (income) subject to tax at less than statutory rates	**157**	**—%**	(191)	—%
Non-deductible (taxable) portion of capital losses (gains)	**1,744**	**0.7%**	(88)	—%
Goodwill impairment	**—**	**—%**	265,136	(39.6%)
Transaction costs	**215**	**0.1%**	(29)	—%
Increase of various tax reserves	**1,009**	**0.4%**	450	—%
Increase in deferred taxes from statutory rate changes	**184**	**—%**	—	—%
Miscellaneous differences	**1,145**	**0.5%**	501	—%
	71,445	**28.3%**	88,129	(13.2%)

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

	Broadcast licences and other intangibles	Accrued compen-sation	Fixed assets and film assets	Program rights	Non-capital loss carry forwards	Invest-ments	Financing and debt retirement	Other	Total
	$	$	$	$	$	$	$	$	$
Balance - August 31, 2017	(509,554)	21,399	17,398	17,031	25,283	(766)	11,313	3,765	(414,131)
Recognized in profit or loss	1,102	(6,382)	561	(2,212)	(9,399)	1,192	(6,307)	4,576	(16,869)
Recognized in OCI	—	(4,164)	—	—	—	(118)	(4,589)	—	(8,871)
Balance - August 31, 2018	(508,452)	10,853	17,959	14,819	15,884	308	417	8,341	(439,871)
Recognized in profit or loss	27,754	739	(3,819)	(1,216)	(4,305)	(1,500)	(9,772)	2,285	10,166
Recognized in OCI	—	3,351	—	—	—	(704)	11,371	—	14,018
Acquisitions (dispositions)	1,953	—	—	—	—	369	—	128	2,450
Balance - August 31, 2019	**(478,745)**	**14,943**	**14,140**	**13,603**	**11,579**	**(1,527)**	**2,016**	**10,754**	**(413,237)**

At August 31, 2019, the Company had approximately $56,627 (2018 – $70,444) of non-capital loss carryforwards available which expire between the years 2026 and 2039. A deferred income tax asset of $11,579 (2018 – $15,884) has been recognized in respect of these losses and an income tax benefit of $1,486 (2018 – $1,280) has not been recognized.

At August 31, 2019, the Company had approximately $35,540 (2018 – $37,430) of capital loss carryforwards available which have no expiry date. No income 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 income 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 to Corus attached to the payment of dividends, in either 2019 or 2018, by the Company to its shareholders.

22. BUSINESS SEGMENT INFORMATION

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

TELEVISION

The Television segment is comprised of 35 specialty television networks (37 services prior to September 30, 2019; 44 services prior to March 22, 2019; 45 services prior to February 28, 2018), 15 conventional television stations, and the Corus content business, which includes the production and distribution of films and television programs, merchandise licensing, book publishing, animation software, a social digital agency, a social influencer network, media and technology services. Revenues are generated from advertising, subscribers fees and the licensing of proprietary films and television programs, merchandise licensing, publishing, animation software, media and technology service sales.

RADIO

The Radio segment is comprised of 39 radio stations across Canada, 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 division's performance based on revenues less direct cost of sales, general and administrative expenses. Segment profit excludes depreciation and amortization, interest expense, debt refinancing costs, business acquisition, integration and restructuring costs, impairments and certain other income and expenses.

REVENUES AND SEGMENT PROFIT

Year ended August 31, 2019	**Television**	**Radio**	**Corporate**	**Consolidated**
Revenues	**1,544,892**	**142,590**	**—**	**1,687,482**
Direct cost of sales, general and administrative expenses	**971,368**	**107,944**	**23,085**	**1,102,397**
Segment profit (loss)	**573,524**	**34,646**	**(23,085)**	**585,085**
Depreciation and amortization				**182,354**
Interest expense				**117,718**
Gain on debt modification				**(3,889)**
Business acquisition, integration and restructuring costs				**26,316**
Other expense, net				**10,474**
Income before income taxes				**252,112**

Year ended August 31, 2018	Television	Radio	Corporate	Consolidated
Revenues	1,499,322	148,025	—	1,647,347
Direct cost of sales, general and administrative expenses	957,533	107,717	6,469	1,071,719
Segment profit (loss)	541,789	40,308	(6,469)	575,628
Depreciation and amortization				81,861
Interest expense				127,346
Broadcast licence and goodwill impairment				1,013,692
Business acquisition, integration and restructuring costs				17,071
Other expense, net				5,692
Loss before income taxes				(670,034)

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

Revenues are derived from the following areas:

	2019	2018
Advertising	**1,101,814**	1,043,810
Subscriber fees	**496,447**	507,756
Merchandising, distribution and other	**89,221**	95,781
	1,687,482	1,647,347

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

	2019	2018
Canada	**1,620,342**	1,583,879
International	**67,140**	63,468
	1,687,482	1,647,347

International revenues pertain to customers in the Television segment only.

The following table includes revenue from contracts disaggregated by the timing of revenue recognition:

	2019	2018
Products transferred at a point in time	**1,171,666**	1,109,820
Products and services transferred over time	**529,802**	537,527
	1,687,482	1,647,347

SEGMENT ASSETS AND LIABILITIES

	2019	2018
Assets		
Television	**4,195,326**	4,373,037
Radio	**237,578**	242,701
Corporate	**239,395**	267,216
	4,672,299	4,882,954
Liabilities		
Television	**1,025,938**	1,105,882
Radio	**41,645**	44,991
Corporate	**1,862,479**	2,055,278
	2,930,062	3,206,151

CAPITAL EXPENDITURES BY SEGMENT

	2019	2018
Television	**19,174**	10,498
Radio	**2,009**	3,660
Corporate	**8,872**	1,959
	30,055	16,117

Property, plant and equipment are located primarily within Canada.

23. CAPITAL MANAGEMENT

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

	2019	2018
Total bank debt	**1,731,745**	1,983,933
Cash and cash equivalents	**(82,568)**	(94,801)
Net debt	**1,649,177**	1,889,132
Equity	**1,742,237**	1,676,803
	3,391,414	3,565,935

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 a leverage target (net debt to segment profit ratio) of below 3.0 times and to maintain a dividend yield in excess of 2.5%. In the short-term, the Company may permit the long-term range to be exceeded (for long-term investment opportunities), but endeavours to return to the leverage target 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. As at August 31, 2019, the Company's leverage ratio was 2.82 times net debt to segment profit, down from 3.28 times at August 31, 2018.

24. FINANCIAL INSTRUMENTS

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

As at August 31, 2019	**Fair value through profit or loss**	**Amortized cost**	**Fair value through OCI with no reclassification to net income**	**Fair value through OCI with reclassification to net income**	**Non-financial**	**Total carrying amount**
Cash and cash equivalents	**82,568**	**—**	**—**	**—**	**—**	**82,568**
Accounts receivable	**—**	**372,828**	**—**	**—**	**—**	**372,828**
Investments	**6,269**	**—**	**45,438**	**—**	**—**	**51,707**
Goodwill and intangibles	**—**	**—**	**—**	**—**	**3,260,193**	**3,260,193**
Other assets	**—**	**78,371**	**—**	**—**	**826,632**	**905,003**
Total assets	**88,837**	**451,199**	**45,438**	**—**	**4,086,825**	**4,672,299**
Accounts payable, accrued liabilities and provisions	**—**	**439,814**	**—**	**—**	**—**	**439,814**
Bank debt	**—**	**1,731,745**	**—**	**—**	**—**	**1,731,745**
Other long-term liabilities and provisions	**17,902**	**218,273**	**38,008**	**11,620**	**—**	**285,803**
Other liabilities	**—**	**—**	**—**	**—**	**472,700**	**472,700**
Total liabilities	**17,902**	**2,389,832**	**38,008**	**11,620**	**472,700**	**2,930,062**

As at August 31, 2018	Fair value through profit or loss	Loans and receivables	Available-for-sale	Other financial liabilities	Derivatives	Total carrying amount
Cash and cash equivalents	94,801	—	—	—	—	94,801
Accounts receivable	—	388,751	—	—	—	388,751
Investments	—	—	45,964	—	26,964	72,928
Total assets	94,801	388,751	45,964	—	26,964	556,480
Accounts payable, accrued liabilities and provisions	—	—	—	416,937	—	416,937
Bank debt	—	—	—	1,983,933	—	1,983,933
Other long-term liabilities and provisions	—	—	—	288,952	—	288,952
Total liabilities	—	—	—	2,689,822	—	2,689,822

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 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. The long-term debt is regularly repriced to floating market interest rates and as such, the carrying value of the Company's bank loans approximate their fair value.

Periodically, the Company enters 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.

In fiscal 2018, the Company entered into U.S. dollar foreign currency forward contracts. The fair value of the foreign currency forward contracts is calculated by way of discounted cash flows, using market foreign exchange rates and applicable discount factors.

In fiscal 2019, the Company entered into total return swaps. The fair value of these equity instruments is based on the quoted share price in the active market at the period end.

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, 2019	**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	82,568	—	—
Foreign exchange forward contracts	—	5,985	—
Total return swap	300	—	—
Investments in venture funds	—	—	44,002
Assets carried at fair value	**82,868**	**5,985**	**44,002**
Liabilities			
Interest rate swap	—	11,620	—
Liabilities carried at fair value	—	**11,620**	—

As at August 31, 2018	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	94,801	—	—
Interest rate swap	—	23,213	—
Foreign exchange forward contracts	—	3,751	—
Assets carried at fair value	94,801	26,964	—

RISK MANAGEMENT

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

Credit risk

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

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

The following tables set out the details of the aging for accounts receivable and allowance for doubtful accounts as at August 31 as follows:

	2019	2018
Trade		
Current	**149,312**	164,284
One to three months past due	**131,441**	139,127
Over three months past due	**74,146**	64,474
	354,899	367,885
Other	**22,594**	25,337
	377,493	393,222
Less allowance for doubtful accounts	**4,665**	4,471
	372,828	388,751

	2019	2018
Balance, beginning of year	**4,471**	4,671
Provision for doubtful accounts	**1,608**	1,648
Dispositions (note 27)	**(553)**	—
Write-off of bad debts	**(861)**	(1,848)
Balance, end of year	**4,665**	4,471

The Company earned 8% of its revenues from one related party (2018 – 9%). This related party comprises 7% of the accounts receivable balance as at August 31, 2019 (2018 – 6%) (note 30).

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, 2019 was $300,000 (2018 – $300,000). Further information with respect to the Company's long-term debt facility is provided in note 14.

The following table sets out the undiscounted contractual obligations as at August 31, 2019:

	Total	Less than one year	One to three years	Beyond three years
Total debt [1]	**1,765,953**	76,339	410,929	1,278,685
Accounts payable	**429,483**	429,483	—	—
Other obligations [2]	**222,279**	77,642	134,214	10,423

[1] Principal repayments and interest payments

[2] Other obligations included financial liabilities, trade marks, other intangibles, CRTC commitments and US dollar forward currency swaps.

In fiscal 2019, the Company incurred interest on bank loans and swaps on credit facilities of $82,288 (2018 – $89,026).

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 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:

	2019	2018
Direct cost of sales, general and administrative expenses	**87**	(82)
Other expense (income), net	**952**	5,382
	1,039	5,300

An assumed 10% increase or decrease in exchange rates as at August 31, 2019 would have an impact of approximately $17,800 on net income or OCI for the year. As a result of the Company's exposure to this risk, it has entered into a series of foreign exchange forward contracts, as described in note 14, to fix the foreign exchange rate and therefore cash flows related to a portion of the Company's U.S. dollar denominated liabilities.

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, 2019 would have had a material impact on net income for the year. As a result of the Company's exposure to this risk, it has entered into interest rate swap agreements, as described in note 14, to minimize its exposure to changes in floating rates on bankers' acceptances.

Other considerations

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

25. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2019	2018
Accounts receivable	**11,642**	20,402
Prepaid expenses and other	**1,018**	1,147
Accounts payable and accrued liabilities	**39,826**	(11,374)
Provisions	**(844)**	(8,929)
Income taxes recoverable	**(10,588)**	(1,917)
Other long-term liabilities	**(41,046)**	(22,918)
Other	**2,950**	(4,909)
	2,958	(28,498)

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

	2019	2018
Interest paid	**84,097**	91,611
Interest received	**1,926**	1,244
Income taxes paid	**88,850**	66,431

26. GOVERNMENT FINANCING AND ASSISTANCE

Revenues include $3,083 (2018 – $3,584) of production financing obtained from government programs. This financing provides a supplement to a production series' Canadian licence fees and is not repayable.

As well, revenues include $1,069 (2018 – $1,059) 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%.

27. BUSINESS COMBINATIONS AND DIVESTITURES

Disposition of 50.5% interest in TLN

On March 22, 2019, the Company sold its 50.5% interest in TLN, a subsidiary, to TLN Media Group Inc. for cash consideration of $19.0 million, which was received upon closing. Proceeds of $2.6 million were recorded as deferred revenue related to a long-term services agreement with TLN Media Group Inc. The carrying value of net identifiable assets disposed of amounted to $16.1 million as at March 22, 2019, resulting in a loss on disposal of $0.3 million. In addition, an adjustment has been made to the carrying amounts of the non-controlling interests in these consolidated financial statements related to the disposition of the Company's equity interest to reflect the disposition.

The results of the operations of TLN were included in the Television segment until March 22, 2019.

Acquisition of 100% interest in KIN Canada

On April 1, 2019, the Company acquired certain assets of KIN Canada for cash consideration of $6.0 million. The net identifiable assets of KIN Canada were comprised of $3.0 million of intangible assets and $3.0 million of goodwill.

28. COMMITMENTS, CONTINGENCIES AND GUARANTEES

LEASES

The Company enters into operating leases for the use of facilities and equipment. During fiscal 2018, rental expenses in direct cost of sales, general and administrative expenses totalled approximately $28,053 (2018 – $31,731). Future minimum rentals payable under non-cancellable operating leases at August 31, are as follows:

	2019	2018
Within one year	**30,344**	30,480
After one year but not more than five years	**111,188**	115,508
More than five years	**223,323**	261,809
	364,855	407,797

The Company has entered into finance leases for the use of computer equipment and software. 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:

		2019		2018
	Minimum payments	**Present value of payments**	Minimum payments	Present value of payments
Within one year	**1,461**	**1,431**	4,110	3,794
After one year but not more than five years	**—**	**—**	1,712	1,670
More than five years	**—**	**—**	—	—
Total minimum lease payments	**1,461**	**1,431**	5,822	5,464
Less amounts representing finance charges	**30**	**—**	358	—
Present value of minimum lease payments	**1,431**	**1,431**	5,464	5,464

PURCHASE COMMITMENTS

The Company has entered into various purchase commitments at August 31, 2019 as detailed in the following table:

	Total	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years
Purchase obligations [1]	899,898	561,764	270,049	68,085	—
Other obligations [2]	222,279	77,642	134,214	10,423	—
Total contractual obligations	**1,122,177**	**639,406**	**404,263**	**78,508**	**—**

[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 included financial liabilities, trade marks, other intangibles, CRTC commitments and forward foreign exchange contracts.

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, include 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, 2019, management believed there was only a remote possibility that the indemnification provisions would require any material cash payment.

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

29. EMPLOYEE BENEFIT PLANS

DEFINED CONTRIBUTION PENSION PLANS

The Company has various defined contribution plans for qualifying full-time employees. Under these plans, the Company contributes up to 6% (2018 – 6%) of an employee's earnings, not exceeding the limits set by the *Income Tax Act* (Canada). The amount contributed in fiscal 2019 related to the defined contribution plans was $8,273 (2018 – $8,313). The amount contributed is approximately the same as the expense included in the consolidated statements of income (loss) and comprehensive income (loss).

NON-REGISTERED DEFINED BENEFIT PENSION PLANS

The Company provides supplemental executive retirement plans ("SERP" and "CEO SERP", the latter of which relates to the former CEO), which are non-contributory, unfunded defined benefit pension plans for certain of its senior executives that are included in long-term employee obligations (note 15). Benefits under these plans are generally based on the employee's length of service and their highest three-year average rate of pay 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 for certain senior executives, as applicable under the terms of the plan.

The table below shows the change in the benefit obligation for these plans.

	2019	2018
Accrued benefit obligation and plan deficit, beginning of year	**19,130**	18,575
Current service costs	**1,388**	1,343
Past service cost	**256**	—
Interest cost	**752**	686
Payment of benefits	**(617)**	(484)
Remeasurements:		
Effect of changes in financial assumptions	**2,681**	(427)
Effect of experience adjustments	**714**	(563)
Accrued benefit obligation and liability, end of year	**24,304**	19,130

The weighted average duration of the defined benefit obligation of the supplemental executive retirement plans at August 31, 2019 is 16.2 years.

The tables below show the significant weighted-average assumptions used to measure the pension obligation and costs for this plan.

Accrued benefit obligation	**2019**	2018
Discount rate	**2.80%**	3.70%
Rate of compensation increase	**2.50%**	2.50%

Benefit cost for the year	**2019**	2018
Discount rate	**3.70%**	3.50%
Rate of compensation increase	**2.50%**	2.50%

The following table illustrates the incremental impact on the defined benefit obligation at August 31, 2019 and the pension expense for the fiscal year then ended, with respect to the three key factors in determining the benefit obligation:

Sensitivity analysis	**Benefit obligation at August 31, 2019**	**Pension expense for fiscal 2019**
Discount rate - 1% decrease	**3,857**	**270**
Salary increase - 1% increase	**(7,180)**	**127**
Mortality - one-year increase in the expected future lifetime	**615**	**65**

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the present value of the defined benefit obligation has been calculated using the projected benefit method which is the same method that is applied in calculating the defined benefit liability recognized in the consolidated statements of financial position. The sensitivity analysis presented above may not be representative of the actual change in the accrued benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some assumptions may be correlated.

The net pension benefit plan expense, which is included in employee costs, is comprised of the following components:

	2019	2018
Current service cost	**1,388**	1,343
Past service cost	**256**	—
Interest cost	**752**	686
Pension expense	**2,396**	2,029

REGISTERED PENSION PLANS

The Company has a number of funded defined benefit pension plans which provide pension benefits to certain unionized and non-unionized employees in its conventional television operations. Benefits under these plans are based on the employee's length of service and final average salary. These plans are regulated by the Office of the Superintendent of Financial Institutions, Canada in accordance with the provisions of the *Pension Benefits Standards Act* and Regulations. The regulations set out minimum standards for funding the plans.

The following table shows the change in the benefit obligations, change in fair value of plan assets and the funded status of these defined benefit plans.

	2019	2018
Accrued benefit obligation, beginning of year	**204,695**	208,702
Current service cost	**6,045**	6,104
Interest cost	**7,777**	7,552
Employee contributions	**836**	964
Payment of benefits	**(9,474)**	(10,993)
Effect of changes in demographic assumptions	**—**	(590)
Effect of changes in financial assumptions	**30,774**	(5,903)
Effect of experience adjustments	**(3,225)**	(1,141)
Accrued benefit obligation, end of year	**237,428**	204,695
Fair value of plan assets, beginning of year	**215,648**	202,435
Employer contributions	**7,412**	8,596
Employee contributions	**836**	964
Interest income	**8,059**	7,204
Payment of benefits	**(9,474)**	(10,993)
Administrative expenses paid from plan assets	**(713)**	(789)
Return on plan assets, excluding interest income	**17,970**	8,231
Fair value of plan assets, end of year	**239,738**	215,648
Effect of asset ceiling limit	**(874)**	(966)
Fair value of plan assets, end of year, net of asset ceiling limit	**238,864**	214,682
Accrued benefit asset and plan surplus, end of year	**(1,436)**	(9,987)

The weighted average duration of the defined benefit obligation at August 31, 2019 is 19.1 years.

The plan assets at August 31, are comprised of investments in pooled funds as follows:

	2019	2018
Equity - Canadian	**58,701**	52,644
Equity - Foreign	**38,791**	33,227
Fixed income - Canadian	**142,246**	129,777
	239,738	215,648

The underlying securities in the pooled funds have quoted prices in an active market.

The significant weighted average assumptions used to measure the pension obligation and cost for these plans are as follows:

Accrued benefit obligation	2019	2018
Discount rate	**2.90%**	3.70%
Rate of compensation increase	**2.50%**	2.50%

Benefit cost for the year	**2019**	2018
Discount rate	**3.70%**	3.60%
Rate of compensation increase	**2.50%**	2.50%

The following table illustrates the incremental impact on the defined benefit obligation at August 31, 2019 and the pension expense for the fiscal year then ended, with respect to the three key factors in determining the benefit obligation:

Sensitivity analysis	**As at August 31, 2019 benefit obligation**	**Fiscal 2019 benefit cost**
Discount rate - 1% decrease	**45,301**	**3,005**
Salary - 1% increase	**(984)**	**863**
Weighted average duration of defined benefit obligation in years		
Effective discount rate 1% decrease	**19.1**	**n/a**

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the present value of the defined benefit obligation has been calculated using the projected benefit method, which is the same method that is applied in calculating the defined benefit liability recognized in the consolidated statements of financial position. The sensitivity analysis presented above may not be representative of the actual change in the accrued benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some assumptions may be correlated.

The net pension benefit plan expense, which is included in employee costs, is comprised of the following components:

	2019	2018
Current service cost	**4,580**	4,926
Interest cost	**—**	—
Pension expense	**4,580**	4,926

OTHER BENEFIT PLANS

The Company provides supplemental post-retirement non-pension benefit plans that provide post-retirement health and life insurance coverage to certain employees and are funded on a pay-as-you-go basis. The table below shows the change in the accrued post-retirement obligation, which is recognized in the consolidated statements of financial position.

The change in the benefit obligation for these plans is as follows:

	2019	2018
Accrued benefit obligation and plan deficit, beginning of year	**15,078**	17,267
Current service costs	**315**	622
Past service cost	**—**	(2,939)
Interest cost	**525**	575
Payment of benefits	**(616)**	(547)
Remeasurements:		
Effect of demographic assumptions	**(47)**	—
Effect of changes in financial assumptions	**1,539**	(40)
Effect of experience adjustments	**(2,834)**	140
Accrued benefit obligation and liability, end of year	**13,960**	15,078

The weighted average duration of the defined benefit obligation of the post-retirement plans at August 31, 2019 is 14.7 years.

The significant weighted-average assumptions used to measure the pension obligation and costs for this plan are as follows:

Accrued benefit obligation	**2019**	2018
Discount rate	**2.89%**	3.69%
Salary increase	**2.50%**	0.00%

Benefit cost for the year	**2019**	2018
Discount rate	**3.69%**	3.67%
Salary increase	**3.00%**	3.00%

The following table illustrates the incremental impact on the defined benefit obligation at August 31, 2019 and the pension expense for the fiscal year then ended, with respect to the two key factors in determining the benefit obligation:

Sensitivity analysis	**Benefit obligation at August 31, 2019**	**Service and interest costs fiscal 2019**
Discount rate - 1% decrease	**1,662**	**(201)**
Trend rate - 1% increase	**1,359**	**(53)**

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the present value of the defined benefit obligation has been calculated using the projected benefit method which is the same method that is applied in calculating the defined benefit liability recognized in the consolidated statements of financial position. The sensitivity analysis presented above may not be representative of the actual change in the accrued benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some assumptions may be correlated.

The net pension benefit plan expense, which is included in employee costs, is comprised of the following components:

	2019	2018
Current service cost	**315**	622
Past service cost	**-**	(2,939)
Interest cost	**525**	575
Pension expense	**840**	(1,742)

30. RELATED PARTY TRANSACTIONS

CONTROLLING SHAREHOLDER

A majority of the outstanding Class A Voting Shares of the Company are held by entities owned by the Shaw Family Living Trust (“SFLT”) and its subsidiaries for the benefit of descendants of JR Shaw and Carol Shaw. The sole trustee of SFLT is a private company owned by JR Shaw and having a board comprised of seven directors, including as at August 31, 2019, JR Shaw as Chair, Heather Shaw, Julie Shaw, three other members of JR Shaw’s family and one independent director. 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. Accordingly, SFLT is, and as long as it holds a majority of the Class A Voting Shares, will continue to be, able to elect a majority of the Board of Directors of Corus and to control the vote on matters submitted to a vote of Corus’ Class A shareholders.

SFLT is the controlling shareholder of Shaw Communications Inc. (“Shaw”), and as a result, Shaw and Corus are subject to common voting control.

NORMAL COURSE 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.

During the year, the Company received subscriber, programming, licensing and advertising revenues of $153,943 (2018 – $143,971), and $2,400 (2018 – $1,979) of production and distribution revenues from Shaw. In addition, the Company paid cable and satellite system distribution access fees of $11,990 (2018 – $12,286), administrative and other fees of $2,020 (2018 – $2,036), issued dividends of $9,675 (2018 – $91,919) to Shaw and received non-monetary advertising services from Shaw valued at $7,709 (2018 – nil). At August 31, 2019, the Company had $25,697 (2018 – $24,774) receivable from and $nil (2018 – $34) payable to Shaw.

SIGNIFICANT SUBSIDIARIES

The following table includes the significant subsidiaries of the Company:

		Equity interest	
Name	**Jurisdiction**	**2019**	2018
Corus Limited Television Partnership	Canada	**100%**	100%
Corus Media Holdings Inc.	Alberta	**100%**	100%
Corus Radio Inc.	Canada	**100%**	100%
Corus Radio Sales Inc.	Canada	**100%**	100%
Corus Sales Inc.	Canada	**100%**	100%
Food Network Canada Inc.	Canada	**71%**	71%
HGTV Canada Inc.	Canada	**67%**	67%
History Television Inc.	Canada	**100%**	100%
Nelvana Limited	Ontario	**100%**	100%
Showcase Television Inc.	Canada	**100%**	100%
TELETOON Canada Inc.	Canada	**100%**	100%
W Network Inc.	Canada	**100%**	100%
YTV Canada, Inc.	Canada	**100%**	100%

KEY MANAGEMENT PERSONNEL

Key management personnel consists of the Board of Directors and the Executive Leadership Team who have the authority and responsibility for planning, directing and controlling the activities of the Company. Several members of the Executive Leadership Team are also officers of the Company.

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

	2019	2018
Salaries and benefits	**11,276**	9,755
Post-employment benefits	**2,396**	2,029
Share-based compensation (note 16)	**3,536**	(7,501)
	17,208	4,283

Except for the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer, no member of the Executive Leadership Team has an employment agreement or any other contractual arrangement in place with the Company in connection with any termination or change of control event, other than the conditions provided in the compensation plans of the Company. Generally, severance entitlements, including short-term incentives payable to the Executive Leadership Team and officers of the Company, other than the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer, due to their employment agreements with the Company, 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 pursuant to the terms of the plans.

31. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2019 consolidated financial statements.

CORUS ENTERTAINMENT INC.

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

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

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

Website
www.corusent.com

Auditors
Ernst & Young LLP

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***:
AST Trust Company (Canada)
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.astfinancial.com/ca-en/

Annual General Meeting
January 15, 2020
2 p.m. MT/4 p.m. ET
Le Germain Hotel Calgary
Mount Assiniboine Room
899 Centre Street SW,
Calgary, AB T2G 1B8

Dividend Information
Corus Entertainment pays its dividend on a quarterly basis, subject to Board approval, and all dividends are "eligible" dividends for Canadian tax purposes unless indicated otherwise.

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

Dividend Reinvestment Plan ("DRIP")
AST Trust Company (Canada) 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.astfinancial.com/ca-en/ 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 four pillars which include people, communities, industry and the environment. Corus and its employees have embraced the philosophy of giving back to the community by supporting worthwhile causes company-wide as well as individually. Under the "Corus Cares" banner, our mission is to strengthen the communities where we live with a focus on supporting the health and well-being of families and children.

For more information, please visit the Corporate Social Responsibility section of Corus Entertainment's website (www.corusent.com).

Corporate Governance
The Board of Directors of the Company endorses the principles that sound corporate governance practices are important to the proper functioning of the Company and the enhancement of the interests of its shareholders. For further information, please visit the Investor Relations - Corporate Governance 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 the Company'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 email your request to investor.relations@corusent.com.

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