



**corus.**

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# financial highlights 2023

**\$1,511**  
**million**

**consolidated revenue**

**\$334**  
**million**

**consolidated segment profit<sup>1</sup>**

**\$107**  
**million**

**free cash flow<sup>1</sup>**

**22%**

**consolidated segment  
profit margin<sup>1</sup>**

**3.62x**

**proforma net debt to  
segment profit<sup>1,2</sup>**

**at August 31, 2023**

<sup>1</sup> Segment profit, segment profit margin, free cash flow and proforma net debt to segment profit do not have a standardized meaning 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 and Non-GAAP Financial Measures" section of Management's Discussion and Analysis on page 12.

<sup>2</sup> Proforma net debt to segment profit ratio excludes contributions to segment profit from Toon Boom Animation Inc. for the most recent four quarters.

## ANNUAL SELECTED FINANCIAL INFORMATION<sup>(1)</sup>

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)

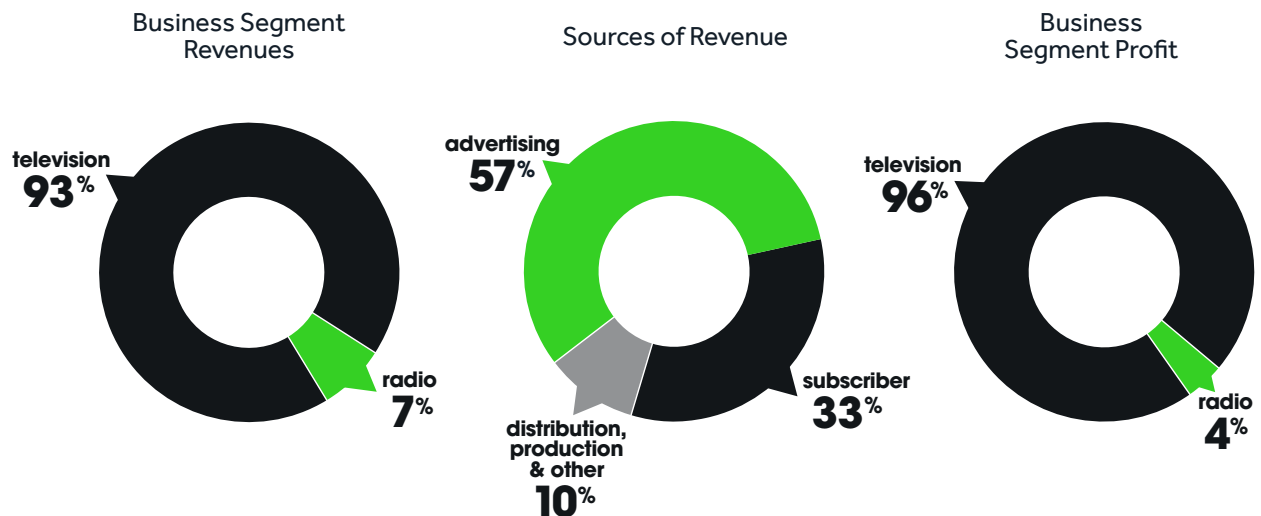
	2023	2022
Revenue	<b>1,511.2</b>	1,598.6
Segment profit <sup>(2)</sup>	<b>334.0</b>	443.6
Net loss attributable to shareholders	<b>(428.8)</b>	(245.0)
Adjusted net income attributable to shareholders <sup>(2)</sup>	<b>28.6</b>	106.9
Basic loss per share	<b>(\$2.15)</b>	(\$1.19)
Adjusted basic earnings per share <sup>(2)</sup>	<b>\$0.14</b>	\$0.52
Diluted loss per share	<b>(\$2.15)</b>	(\$1.19)
Free cash flow <sup>(2)</sup>	<b>106.8</b>	239.6
Total assets	<b>2,746.1</b>	3,502.5
Long-term debt (inclusive of current portion)	<b>1,092.4</b>	1,261.7
<b>Cash dividends declared per share</b>		
Class A Voting	<b>\$0.1750</b>	\$0.2350
Class B Non-Voting	<b>\$0.1800</b>	\$0.2400

Notes:

<sup>(1)</sup> For further information refer to Management's Discussion and Analysis on page 12.

<sup>(2)</sup> Segment profit, adjusted net income attributable to shareholders, adjusted basic earnings per share, and free cash flow do not have a standardized meaning 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 and Non-GAAP Financial Measures" section of Management's Discussion and Analysis on page 12.

## FISCAL 2023 FINANCIAL PROFILE



# message to shareholders



This is a challenging time for our business. In an unusual year marked by an advertising recession, media industry labour actions and near-term cost pressures, we focused on navigating a difficult environment and reducing our operating costs while advancing important initiatives that position Corus for a video-first future. In the coming quarters, we are poised to benefit from the normalization of our foreign programming supply and Canadian content spending obligations, and a streamlined operating structure as we advance our strategic plan and its priorities.

Post-pandemic distortions which first materialized in mid-2022 continue to affect advertising demand across the broader media industry. These include supply chain disruptions, labour shortages, inflation, rising interest rates and shifts in consumer behaviour. We have successfully navigated similar cycles in the past, benefitting significantly from a return in advertising spending once the advertising recovery takes hold.

The Writer's Guild of America (WGA) and Screen Actors Guild-American Federation of Television and Radio Artists (SAG-AFTRA) strikes, which impacted our Fall 2023 foreign programming supply, are now resolved (WGA) or pending ratification (SAG-AFTRA). We are excited to welcome a strong line-up of hit programming back to our prime-time schedule in the coming months, which is expected to positively impact audience levels and advertising demand.

The one-time COVID-19 'catch up' regulatory spending obligation which increased programming costs for fiscal 2022 and 2023 by over \$50 million in aggregate is now also in the rear-view mirror.

Against this backdrop, our results for the year were:

- Consolidated revenue of \$1.5 billion;
- Consolidated segment profit<sup>1</sup> of \$334 million;
- Free cash flow<sup>1</sup> of \$107 million; and
- Year-end leverage of 3.62x proforma net debt to segment profit<sup>1,2</sup>.

## fit for the future

We have taken prudent actions to ensure the resiliency of our company over the longer-term. Our "Fit for the Future" initiatives demonstrate the purposeful work we are doing to streamline our operating model and rationalize our asset base.

In response to a challenging operating environment, we proactively secured amendments to our credit agreement, and redirected our use of free cash flow<sup>1</sup> to debt repayment. This will provide additional financial flexibility while we position Corus for the expected eventual recovery in advertising and the normalization of our content supply and programming costs.

Our long-term goal to drive net debt to segment profit<sup>1</sup> below 2.5 times is our priority. We have paid down \$912 million of total debt in the last five years, demonstrating a consistently strong commitment to financial and operating discipline.

We have tenaciously implemented cost cuts and workforce structural reviews throughout the company while ensuring minimal disruption to our operations or clients. Our guiding principle is to deliver reductions quarter by quarter, as we find ways to work differently to improve productivity across all aspects of our business and lower our cost base. In the fourth quarter we rationalized our asset base, successfully completing the sale of Toon Boom Animation Inc., with net proceeds of \$141 million used to pay down bank debt.

## our video first strategy

At Corus, we are purposefully moving from being a Television broadcaster to a multi-platform video aggregator, delivering content everywhere our audiences are while we expand our cross-platform monetization capabilities. This is what we call our "Video First" strategy.

We see significant opportunity ahead in the large and expanding total addressable premium video advertising market. The successful renewal, extension and broadening of the rights acquired through our content supply agreements are foundational to this strategy. These targeted investments support the long-term viability of our traditional channels business while we simultaneously identify streaming opportunities in premium digital video.

Corus is pursuing a partner-led, capital-light streaming strategy. Our extensive content licensing agreements with our US studio partners provide access to the depth and breadth of content we require for our multi-platform networks, linear and digital alike. Our required Canadian content spending produces beloved local content in service of our networks and platforms in Canada while providing an opportunity to grow our content licensing revenues the world over.

Our leading portfolio of streaming platforms in Canada includes STACKTV, the Global TV App, our Global News over-the-top (OTT) news streams, TELETOON+, and now Pluto TV<sup>3</sup>. This highly complementary portfolio addresses the Subscription Video on Demand (SVOD), Advertising Supported Video on Demand (AVOD) and Free Advertising Supported Television (FAST) digital market segments and appeals to premium video subscribers, cord-cutters, cord-nevers and advertisers who want to reach them. We are actively pursuing new distribution partners to support the continued growth of these premium video services.



A few notable highlights of our Video-First strategy in action include:

The optimization of our Kids portfolio. Our long-lived heritage network TELETOON was rebranded as Cartoon Network on linear platforms and on STACKTV last Fall. As part of an additional channel rebrand, Corus introduced a new kids' television channel from our partners at Warner Bros Discovery, with the debut of Boomerang.

The TELETOON brand remains alive and well as TELETOON+, available as an SVOD service on Amazon Prime Video and Bell platforms, and is jam packed with fan favourite series from Warner Bros Discovery and Cartoon Network.

Two years ago, STACKTV launched Dynamic Advertising Insertion in partnership with Amazon Prime Video. This popular offering for advertisers is becoming a significant revenue contributor to our digital advertising portfolio and represents a compelling growth opportunity.

The Global TV App is a first-of-its-kind TV Everywhere product designed to improve the value proposition and viewing experience for traditional television subscribers with live and on demand access to our most popular networks and brands anytime, anywhere in one app. With the additions of Magnolia Network Canada and Lifetime this past year, the Global TV App now provides 11 channels for authenticated subscribers in Canada. And, for those who like FREE, we introduced an all new "Freeplay" section, featuring 24/7 FAST Television access to fan favourite series and movies which has meaningfully improved the Global TV App's audience delivery.

And finally, Pluto TV<sup>3</sup> is now available in Canada – The most robust content launch of any international market, Paramount Global's Pluto TV features a channel line-up that pairs their content with Corus Entertainment's original Canadian content. Pluto TV is off to a great start. Corus is the domestic advertising representative for Pluto TV, which is now Canada's largest FAST platform<sup>4</sup>

We measure our streaming and digital platforms' progress through our New Platform Revenue<sup>1</sup> metric, which was \$33 million or 13% of total Television advertising and subscriber revenue in our fourth quarter and increased to \$146 million or 11% of total Television advertising and subscriber revenue for the year.

### growing slate of original content



Outside of our domestic portfolio, the international content marketplace continues to evolve, providing opportunities for our owned content business. As operators of streaming platforms look to balance their production investments with more cost-effective content acquisitions, this is a perfect set up for our owned content offerings at Corus. Our growing slate of content in production and for sale benefitted from this demand, resulting in significant distribution, production and other revenue growth of 21% this past year. Original series from our content portfolio, comprised of Nelvana, Corus Studios, Aircraft Pictures and Waterside Studios, are building audiences across leading networks and streaming services in the U.S. and around the world.



Girl from "The Most Magnificent Thing"

1 Segment profit, free cash flow, net debt to segment profit, proforma net debt to segment profit, and new platform revenue do not have a standardized meaning 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 and Non-GAAP Financial Measures" section of Management's Discussion and Analysis on page 12.  
 2 Proforma net debt to segment profit ratio excludes contributions to segment profit from Toon Boom Animation Inc. for the most recent four quarters.  
 3 Corus is the domestic advertising representative and an original content partner for Pluto TV, a Paramount Company, which is the leading free ad-supported streaming television (FAST) service.  
 4 Source: Numeris VAM Data, Ontario, May 1, 2023 – July 30, 2023.

## advanced focus on sustainability

We remain committed to our People, Planet and Responsibility Goals and have a sound roadmap in place to advance our ESG efforts. Despite a year of distortions in the macroeconomic environment and continued evolution of the media industry, our targeted approach to ESG delivered strong results.

In 2023, our aim was to advance real change within Corus for our people, our partners and our audiences. Overall, we focused on advancing our diversity, equity and inclusion (DEI) action plan, expanding our well-being offerings for employees, augmenting our youth engagement and mentorship, focusing on energy and waste efficiencies in our direct operations to prepare for a decarbonization plan and engaging with suppliers to help pave the way for more progress on environmental and social risk due diligence.

This past year, we looked for opportunities to reduce our operating footprint, engaged with our clients and business partners on how Corus can support their ESG goals and continued to make a positive impact in our communities, while enabling our teams to grow and thrive in a respectful and inclusive workplace.

Our ESG performance over the past year is a testament to the remarkable work taking place, in our operations and in the communities in which we live and work. We look forward to advancing our sustainability goals while contributing to a sustainable, inclusive media and entertainment industry – a journey that will sharpen and strengthen Corus for the future.



## view to the future

It is precisely at these moments when we see the true character of our Corus team at play. Despite a challenging year, our talented team remains steadfast in their efforts to advance our strategic priorities and support the needs of our clients and partners.

We are controlling what we can control, building on our run-rate cost savings as we continue to implement our “Fit for the Future” initiatives, designed to rationalize our asset base and streamline our operating model to improve productivity across all aspects of our business while lowering costs.

We are prudent allocators of capital and have made some difficult yet forward-thinking decisions to accelerate the repayment of debt and improve the financial flexibility of our company. Advertising is a cyclical business and, at some point in the quarters ahead, we expect a rebound in advertising demand and revenue. We will enter this rebound with a streamlined cost structure, a much-needed return to regular levels of required Canadian program spending and a normalized supply of high-quality foreign programming.

Regulatory change is on the horizon, with strides towards modernization of Canadian broadcasting regulations well underway. We are actively participating in this process and support its goal to ensure a more fair and equitable broadcasting system.

In the meantime, our work continues as we move beyond being a television broadcaster to becoming an aggregator of premium digital video and building cross-platform monetization capabilities to embrace the Video First business model of the future. This model builds on our extensive relationships with world-leading studios and distributors, our ‘client first’ approach with advertisers and the pursuit of audiences across all video platforms. We have a well-thought-out strategy and we are confident that it is the right one for Corus to create value over the longer-term.

**Doug Murphy**  
President and CEO

**Heather Shaw**  
Executive Chair



# board of directors

**Heather Shaw**

Chair of the Board of Directors

**Doug Murphy**

President and Chief Executive Officer

**Fernand Bélisle**

Independent Lead Director

Chair of the Human Resources and Compensation Committee

**Michael Boychuk\***

Member of the Audit Committee

**Stephanie Coyles\***

Member of the Audit Committee

Member of the Corporate Governance Committee

**Charmaine Crooks**

Member of the Human Resources and Compensation Committee

**Michael D'Avella\*****Sameer Deen\***

Member of the Corporate Governance Committee

**Mark Hollinger**

Chair of the Corporate Governance Committee

Member of the Human Resources and Compensation Committee

**Barry James**

Chair of the Audit Committee

**Margaret O'Brien**

Member of the Audit Committee

**Julie Shaw**

Vice Chair of the Board of Directors

\* Director has chosen to not stand for re-election at the 2024 Annual General Meeting of Shareholders as part of Corus' cost-reduction initiatives.

# executive leadership team

**Doug Murphy**

President and Chief Executive Officer

**John Gossling, FCPA, FCA**

Executive Vice President and Chief Financial Officer

**Cheryl Fullerton**

Executive Vice President,  
People and Communications

**Shawn Kelly**

Executive Vice President, Technology

**Jennifer Lee**

Executive Vice President and General Counsel

**Greg McLelland**

Executive Vice President and Chief Revenue Officer

**Troy Reeb**

Executive Vice President, Networks and Content

# officers

**Heather Shaw**

Executive Chair

**Executive Leadership Team**

All members of the Executive Leadership Team are Officers of the Company.

# Corus Television

## Conventional Stations



## News Programming



## Lifestyle



## Drama



## Kids



## Original Content



## Multi-platform Presence: Premium Digital Video Streaming + Digital Platforms



1 BC1 is a specialty network dedicated to Global News programming. 2 Corus is the domestic advertising representative and an original content partner for Pluto TV, a Paramount Company, which is the leading free ad-supported streaming television (FAST) service.

# Corus Radio

## Vancouver, British Columbia



CKGO-AM  
AM730 All Traffic  
All The Time



CKNW-AM  
980 CKNW



CFMI-FM  
Rock 101  
Vancouver's  
Greatest Hits



CFOX-FM  
The World  
Famous CFOX

## Calgary, Alberta



CFGQ-FM  
CHQR-AM



CKRY-FM  
Country 105

## Edmonton, Alberta



CHED-AM  
630 CHED



CHQT-AM  
Global News Radio  
880 Edmonton



CISN-FM  
CISN Country  
103.9



CKNG-FM  
CHUCK @ 92.5

## Winnipeg, Manitoba



CJOB-AM  
680 CJOB



CFPG-FM  
Country 99



CJKR-FM  
Power 97

## Barrie/Collingwood, Ontario



CHAY-FM  
Fresh 93.1



CIQB-FM  
Big 101.1



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  
TODAY'S BEST MIX



CJSS-FM  
Boom 101.9

## Guelph, Ontario



CJOY-AM  
1460 CJOY



CIMJ-FM  
Magic 106.1

## Kingston, Ontario



CKWS-FM  
104.3 Fresh Radio  
WE ARE KINGSTON



CFMK-FM  
Big 96.3

## Hamilton, Ontario



CHML-AM  
900 CHML



CING-FM  
Energy 95.3



CJXY-FM  
Y108

## London/Woodstock, Ontario



CFPL-AM  
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



CFIQ-AM  
640 Toronto



CFNY-FM  
102.1 the Edge



CILQ-FM  
Q107

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the financial position and results of operations for the year ended August 31, 2023 is prepared as at October 26, 2023. The following should be read in conjunction with the Company's August 31, 2023 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-GAAP 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 ("IASB") 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 or non-Generally Accepted Accounting Principles ("GAAP") measures should not be considered in isolation nor as a substitute for analysis of financial information reported under IFRS. The Company presents non-IFRS or non-GAAP measures, specifically, segment profit (loss), segment profit margin, adjusted segment profit, adjusted net income (loss) attributable to shareholders, adjusted basic earnings (loss) per share, free cash flow, net debt and net debt to segment profit, proforma net debt to segment profit, as well as supplementary financial measures such as optimized advertising revenue and new platform revenue.

The Company believes these non-IFRS or non-GAAP and supplementary financial 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 or non-GAAP measures is included in the *Key Performance Indicators and Non-GAAP Financial Measures* section of this report.

### 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"). This forward-looking information relates to, among other things, the Company's objectives, goals, strategies, targets, intentions, plans, estimates and outlook, including the adoption and anticipated impact of the Company's strategic plan, advertising and expectations of advertising trends for fiscal 2024, subscriber revenue and anticipated subscription trends, distribution, production and other revenue, the Company's dividend policy and the payment of future dividends; the Company's leverage target; the Company's ability to manage retention and reputation risks related to its on-air talent; expectations regarding financial performance, including capital allocation strategy and capital structure management, operating costs and tariffs, taxes and fees, and can generally be identified by the use of words such as "believe", "anticipate", "expect", "intend", "plan", "will", "may" or the negatives of these terms and other similar expressions. 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 information involves assumptions, 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, including without limitation: the estimates and judgments set out under the heading "*Critical Accounting Estimates and Judgments*", in this document; factors and assumptions regarding the general market conditions and general outlook for the industry including: the impact of recessionary conditions and continuing supply chain constraints; the potential impact of new competition and industry mergers and acquisitions; changes to applicable tax, licensing and regulatory regimes; inflation and interest rates, stability of the advertising, subscription, production and distribution markets; changes to key suppliers or clients; operating and capital costs and tariffs, taxes and fees, the Company's ability to source, produce or sell desirable content and the Company's capital and operating results being consistent with its expectations. Actual results may differ materially from those expressed or implied in such information.

Important factors that could cause actual results to differ materially from these expectations include, among other things: the Company's ability to attract, retain and manage fluctuations in advertising revenue; the Company's ability to maintain relationships with key suppliers and clients and on anticipated financial terms and conditions; audience acceptance of the Company's television programs and cable networks; the Company's ability to manage retention and reputation risks related to its on-air talent; the Company's ability to recoup production costs; the availability of tax credits; the availability of expected news, production and related credits, programs and funding; the existence of co-production treaties; the Company's ability to compete in any of the industries in which it does business including with competitors which may not be regulated in the same way or to the same degree; the business and strategic opportunities (or lack thereof) that may be presented to and pursued by the Company; conditions in the entertainment, information and communications industries and technological developments therein; changes in laws or regulations or the interpretation or application of those laws and regulations including statements, decisions or positions by applicable regulators including, without limitation, the Canadian Radio-television and Telecommunications Commission ("CRTC"), Canadian Heritage and Innovation, Science and Economic Development Canada ("ISED"); changes to licensing status or conditions; unanticipated or un-mitigable programming costs; the Company's ability to integrate and realize anticipated benefits from its acquisitions and to effectively manage its growth; the Company's ability to successfully defend itself against litigation matters and complaints; failure to meet covenants under the Company's senior credit facility, senior unsecured notes or other instruments or facilities; epidemics, pandemics or other public health and safety crises in Canada and globally; physical and operational changes to the Company's key facilities and infrastructure; cybersecurity threats or incidents to the Company or its key suppliers and vendors; and changes in accounting standards.

Additional information about these factors and about the material assumptions underlying any forward-looking information may be found under the heading "Risks and Uncertainties" in this document. Corus cautions that the foregoing list of important assumptions and factors that may affect future results is not exhaustive. When relying on the Company's 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. Except as 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.

## **OVERVIEW**

Corus is a leading media and content company that develops and delivers high quality brands and content across platforms for audiences around the world. Engaging audiences since 1999, the Company's portfolio of multimedia offerings encompass 33 specialty television services, 15 conventional television stations, 39 radio stations, digital and streaming platforms, technology and media services, and a global content business.

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 and scripted lifestyle programming and Corus' ability to continue to provide popular programming.

## **TELEVISION**

The Television segment is comprised of 33 specialty television networks, 15 conventional television stations, streaming platforms, a social media digital agency, a social media creator network, technology and media services, and the Corus content business, which includes the production and distribution of films and television programs, merchandise licensing, book publishing, and animation software (disposed of August 23, 2023).

Revenue for the specialty television networks is generated from both advertising and subscribers, while revenue from the conventional television stations are derived primarily from advertising. Revenue for the content business is generated from the licensing of proprietary films and television programs as well as the provision of production services, merchandise licensing, book publishing, and animation software. Media and technology services revenue is generated principally from the provision of services. For both advertising and subscriber revenue, 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, streaming platforms, 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 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, podcasts and mobile apps.

Revenue for the Company's radio business is 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)

	2023	2022
<b>Revenue</b>		
Television	1,408.4	1,492.7
Radio	102.8	105.9
<b>Consolidated revenue</b>	<b>1,511.2</b>	<b>1,598.6</b>
<b>Segment profit (loss)<sup>(1)</sup></b>		
Television	340.6	458.1
Radio	13.4	13.3
Corporate	(20.0)	(27.8)
<b>Consolidated segment profit<sup>(1)</sup></b>	<b>334.0</b>	<b>443.6</b>
Depreciation and amortization	157.7	156.9
Interest expense	135.4	107.1
Goodwill, broadcast licence and other asset impairment	690.0	350.0
Debt refinancing	—	(3.4)
Restructuring and other costs	20.6	8.1
Gain on disposition	(142.3)	—
Other expense (income), net	(3.7)	16.8
Loss before income taxes	(523.7)	(191.9)
Income tax expense (recovery)	(100.8)	40.3
<b>Net loss for the year</b>	<b>(422.9)</b>	<b>(232.2)</b>
<b>Net income (loss) attributable to:</b>		
Shareholders	(428.8)	(245.0)
Non-controlling interest	5.9	12.8
<b>Net loss for the year</b>	<b>(422.9)</b>	<b>(232.2)</b>
Adjusted net income attributable to shareholders <sup>(1)</sup>	28.6	106.9
<b>Earnings (loss) per share</b>		
Basic loss per share	(\$2.15)	\$(1.19)
Adjusted basic earnings per share <sup>(1)</sup>	\$0.14	\$0.52
Diluted loss per share	(\$2.15)	\$(1.19)
Free cash flow <sup>(1)</sup>	106.8	239.6
Total assets	2,746.1	3,502.5
Long-term debt (inclusive of current portion)	1,092.4	1,261.7
<b>Cash dividends declared per share</b>		
Class A Voting	\$0.1750	\$0.2350
Class B Non-Voting	\$0.1800	\$0.2400

Notes:

<sup>(1)</sup> As defined in "Key Performance Indicators and Non-GAAP Financial Measures" section.

## **FISCAL 2023 COMPARED TO FISCAL 2022**

For a discussion on the Company's results of operations for the fourth quarter of fiscal 2023, we refer you to Corus' Fourth Quarter 2023 Report to Shareholders filed on SEDAR+ on October 27, 2023.

The following discussion describes the significant changes in the consolidated results from operations for the year ended August 31, 2023 compared to the prior year.

### **REVENUE**

For the year ended August 31, 2023, consolidated revenue of \$1,511.2 million decreased 5% from \$1,598.6 million in the prior year. On a consolidated basis, advertising revenue decreased 10%, subscriber revenue was down 3%, while distribution, production and other revenue increased 20% from the prior year. Revenue decreased 6% in Television and 3% in Radio. Further analysis of revenue is provided in the discussion of segmented results.

### **DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES**

For the year ended August 31, 2023, direct cost of sales and general and administrative expenses of \$1,177.2 million increased 2% from \$1,154.9 million in the prior year. On a consolidated basis, direct cost of sales increased 7%, while employee costs decreased 5% and other general and administrative costs decreased 2% from the prior year. The increase in direct cost of sales was driven principally by the increases in amortization of program rights and film assets, offset by lower other cost of sales that are positively correlated with revenue. The decrease in employee costs was primarily due to lower short-term compensation accruals, lower share-based compensation expense, reduced commission costs, and lower pension costs. Other general and administrative expenses decreased as a result of the passage of Bill C-11 which introduced the elimination of CRTC Part II fees effective April 1, 2023, as well as reduced tariff royalties and trade mark fees that are positively correlated with revenue, and lower consulting costs and professional fees, offset by increased advertising and marketing costs as well as software and system license fees. Further analysis of expenses is provided in the discussion of segmented results.

### **SEGMENT PROFIT**

For the year ended August 31, 2023, segment profit was \$334.0 million, a decrease of 25% from \$443.6 million in the prior year. The decrease in segment profit was principally a result of Television advertising and subscriber revenue declines combined with an increase in amortization of program rights in the current year. Segment profit margin of 22% for the year ended August 31, 2023 was down from 28% in the prior year. Further analysis is provided in the discussion of segmented results.

### **DEPRECIATION AND AMORTIZATION**

Depreciation and amortization expense for the year ended August 31, 2023 was \$157.6 million, an increase from \$156.9 million in the prior year. The increase was a result of higher amortization of brands of \$1.2 million and intangible assets of \$0.7 million, offset by lower amortization of capital assets of \$1.1 million.

### **INTEREST EXPENSE**

On February 17, 2023, the Company's credit facility with a syndicate of banks was amended. The amendment revised total debt to cash flow ratio covenants on both the senior secured term credit facility (the "Term Facility") and the senior secured revolving credit facility (the "Revolving Facility", together with the Term Facility collectively referred to hereafter as the "Credit Facility").

On October 26, 2023, the Company's Credit Facility was amended to increase the maximum total debt to cash flow ratio required under the financial covenants up to and including August 31, 2024, reintroduce mandatory quarterly repayments of the Term Facility, change certain conditions related to the use of proceeds on asset disposals and to introduce additional restrictions on distributions to shareholders. Further information about debt financing can be found in the *Liquidity and Capital Resources* section of this report, under the subheading *Liquidity*.

Interest expense for the year ended August 31, 2023 of \$135.4 million increased from \$107.1 million in the prior year. The increase principally results from higher interest on long-term debt of \$16.8 million and higher imputed interest of \$11.3 million on long-term liabilities associated with program rights, trade marks and right-of-use assets in the current year. Interest on long-term debt was higher due to interest payable on the \$250.0 million 6.0% Senior Unsecured Notes due 2030 (the "2030 Notes") issued on February 28, 2022, as well as increased interest rates on floating interest rate bank debt.



The effective interest rate on bank debt and the 2030 Notes together with the \$500.0 million of 5.0% Senior Unsecured Notes due 2028 (the "2028 Notes", collectively referred to hereafter as the "Notes") for the year ended August 31, 2023 was 6.0% compared to 4.5% in the prior year. The increase in the effective rate results from higher interest rates on the Notes and higher floating interest rates, offset partially by lower total bank debt.

### **GOODWILL, BROADCAST LICENCES AND OTHER ASSET 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. The macroeconomic environment became increasingly uncertain in the fourth quarter of fiscal 2022, characterized by persistently high inflation and continuing supply chain constraints, as a result advertising demand and spending across the North American television media industry contracted meaningfully. These conditions have persisted throughout fiscal 2023. In addition, the continued labour action of the Screen Actors Guild-American Federation of Television and Radio Artists ("SAG-AFTRA") continues to impact the majority of scripted productions world-wide that employ SAG-AFTRA talent, which impacts the timing of premium content premiers and types of programming available for airing on the Company's services. This has resulted in a further tightening of advertising demand, particularly in the Television operating segment. The Company's share price has continued to decline meaningfully from August 31, 2021, which resulted in the Company's carrying value being greater than its market enterprise value at August 31, 2022, May 31, 2023, and August 31, 2023. Accordingly, impairment testing was required for both the Television and Radio cash generating units ("CGUs") at all of the preceding period ends.

For the year ended August 31, 2023, the Company has recorded total non-cash impairment charges in the Television operating segment against goodwill, broadcast licences, as well as brand and trade marks totalling \$690.0 million. No impairment was identified in the Radio operating segment CGUs (refer to note 10 of the audited consolidated financial statements for further details).

For the year ended August 31, 2022, as the Television operating segment had actual results that fell short of previous estimates and an outlook that was less robust, a non-cash goodwill impairment charge of \$350.0 million was recorded in the Television CGU.

### **DEBT REFINANCING**

On March 18, 2022, the Company amended and restated its Credit Facility (refer to note 13 of the audited consolidated financial statements for further details), which resulted in a non-cash gain on debt modification of \$4.2 million, offset by a write-off of unamortized debt financing fees of \$0.8 million.

### **RESTRUCTURING AND OTHER COSTS**

Restructuring and other costs for the year ended August 31, 2023 was \$20.6 million compared to \$8.1 million in the prior year. The current year costs relate primarily to restructuring costs associated with employee exits, while the prior year costs relate to restructuring costs associated with employee exits and ongoing system integration costs.

### **DISPOSITION GAIN**

On August 23, 2023, the Company completed its sale of Toon Boom Animation Inc. ("Toon Boom"), an indirect wholly owned subsidiary, which resulted in a net gain on disposition of \$142.3 million. The Company received net cash proceeds of \$141.2 million (net of divested cash, refer to note 26 of the audited consolidated financial statements for further details).

### **OTHER EXPENSE (INCOME), NET**

Other income for the year ended August 31, 2023 was \$3.7 million compared to other expense of \$16.8 million in the prior year. In the current year, other income includes other income of \$9.8 million comprised of miscellaneous interest and rental income, net of redundant rent, the retroactive portion of a Radio tariff, as well as a reversal of liabilities related to program rights, an impairment recovery of \$0.8 million on an equity investment, offset by net foreign exchanges losses of \$4.6 million and fair value losses on the Notes prepayment options of \$2.3 million. In the prior year's comparable period, other expense included net foreign exchange losses of \$9.8 million, fair value losses on the Notes prepayment options of \$7.3 million, trade mark intangible write-off of \$2.2 million resulting from the rebranding of the DIY channel to Magnolia, offset by \$2.4 million from miscellaneous interest income and rental income, net of redundant rent.

## INCOME TAX EXPENSE

The Company's effective income tax recovery rate for the year ended August 31, 2023 was 19.2% compared to a 21.0% income tax expense rate in the prior year. The difference between the statutory rate of 26.5% and the effective tax recovery rate for the year resulted from reductions related to the non-taxable capital gains realized on the sale of Toon Boom as well as a decrease in valuation allowances recorded against future income tax assets, offset by additions related to goodwill, broadcast licence and other asset impairment charges recorded in the Television operating segment.

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

Net loss attributable to shareholders for the year ended August 31, 2023 was \$428.7 million (\$2.15 loss per share basic), compared to \$245.1 million (\$1.19 loss per share basic) in the prior year. Net loss attributable to shareholders for the year ended August 31, 2023 includes goodwill, broadcast licence and other asset impairment charges of \$690.0 million (\$2.90 per share) in the Television operating segment, a gain on a business divestiture of \$142.3 million (\$0.68 per share) and restructuring and other costs of \$20.6 million (\$0.07 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of \$28.6 million (\$0.14 per share basic). Net loss attributable to shareholders for the year ended August 31, 2022 includes a non-cash goodwill impairment charge of \$350.0 million (\$1.69 per share) in the Television operating segment, restructuring and other costs of \$8.1 million (\$0.03 per share basic) and a debt refinancing gain of \$3.4 million (\$0.01 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of \$106.9 million (\$0.52 per share basic) for the same comparable period of the prior year.

The weighted average number of basic shares outstanding for the year ended August 31, 2023, was 199,521,000 compared to 205,905,000 in the prior year. The average number of shares outstanding in the current year decreased as a result of the purchase and cancellation of Class B Non-Voting Participating Shares under the Company's normal course issuer bid ("NCIB"), which took place between January 2022 and October 2022.

## OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX

Other comprehensive income for the year ended August 31, 2023 was \$14.4 million, compared to \$15.7 million in the prior year. For the year ended August 31, 2023, other comprehensive income includes an actuarial gain on the remeasurement of post-employment benefit plans of \$9.6 million, an unrealized gain on the fair value of cash flow hedges of \$4.9 million and an unrealized gain from foreign currency translation adjustments of \$1.1 million, offset by an unrealized loss on the fair value of financial assets of \$1.2 million. In the year ended August 31, 2022, other comprehensive income includes an unrealized gain on the fair value of financial assets of \$5.0 million, an unrealized gain on the fair value of cash flow hedges of \$4.9 million, an actuarial gain on the remeasurement of post-employment benefit plans of \$4.5 million and an unrealized gain from foreign currency translation adjustments of \$1.3 million.

## TELEVISION

The Television segment is comprised of 33 specialty television services, 15 conventional television stations, digital and streaming platforms, a social media digital agency, a social media creator network, technology and media services, and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, book publishing and animation software (disposed of on August 23, 2023).

## FINANCIAL HIGHLIGHTS

(thousands of Canadian dollars)	Year ended August 31,	
	2023	2022
Revenue		
Advertising	768,036	859,598
Subscriber	502,257	518,483
Distribution, production and other	138,175	114,627
Total revenue	1,408,468	1,492,708
Expenses	1,067,888	1,034,563
Segment profit <sup>(1)</sup>	340,580	458,145
Segment profit margin <sup>(1)</sup>	24%	31%

<sup>(1)</sup> As defined in the "Key Performance Indicators and Non-GAAP Financial Measures" section

Revenue for the year ended August 31, 2023 decreased 6% as a result of declines of 11% in advertising revenue and 3% in subscriber revenue, partially offset by an increase of 21% in distribution, production and other revenue. Advertising demand and spending across the North American television media industry remains challenged due to macroeconomic conditions, lower audiences and the lack of new scripted shows as a result of the Writers Guild of America (“WGA”) and SAG-AFTRA strikes. For the year, almost all advertising categories showed declines as advertisers continued to hold, reduce or cut spending compared to the prior year with the exception of the iGaming and travel categories. Subscriber revenue declined from the prior year as a result of declines in the traditional linear business that exceeded growth from streaming services. The increase in distribution, production and other revenue was primarily driven by higher production deliveries by Nelvana, production service work at Aircraft Pictures as well as higher Corus Studios content distribution revenue, partially offset by a decline in merchandising and book publishing sales.

Expenses for the year ended August 31, 2023 were up 3% from the prior year as a result of a 7% increase in direct cost of sales, offset by a 4% decrease in employee costs and a 1% decrease in other general and administrative costs. The increase in direct cost of sales was driven by a \$35.6 million (or 6%) increase in amortization of program rights and a \$12.8 million (or 54%) increase in amortization of film investments. The increase in amortization of program rights was driven by a ramp up of Canadian content expenditures and renewed foreign output deals, while the increase in amortization of film investments was driven by a higher number of deliveries at both Nelvana and Aircraft Pictures. The decrease of \$9.7 million in employee costs resulted from lower commission costs, lower short-term compensation accruals and lower pension costs. Other general and administrative expenses decreased \$1.4 million from the prior year as a result of the elimination of CRTC Part II fees effective April 1, 2023, reduced tariff royalties that are positively correlated with revenue, lower professional fees and signal transmission costs, offset by increases in marketing costs for the promotion of the traditional linear business and streaming services, which included the return of the upfront event, and higher software and system license fees.

Segment profit<sup>(1)</sup> for the year ended August 31, 2023 was down 26%. This decline was primarily a result of the decrease in advertising and subscriber revenue and the increase in amortization of program rights and film investments. Segment profit margin<sup>(1)</sup> for the year ended August 31, 2023 was 24%, down from 31% in the prior year.

<sup>(1)</sup> As defined in the “Key Performance Indicators and Non-GAAP Financial Measures” section of this report.

## RADIO

The Radio segment is comprised of 39 radio stations situated primarily in 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

(thousands of Canadian dollars)	Year ended August 31,	
	2023	2022
Revenue	102,772	105,878
Expenses	89,312	92,611
Segment profit <sup>(1)</sup>	13,460	13,267
Segment profit margin <sup>(1)</sup>	13%	13%

<sup>(1)</sup> As defined in the “Key Performance Indicators and Non-GAAP Financial Measures” section

Revenue in the year ended August 31, 2023, decreased \$3.1 million (3%) from the prior year. The decline in advertising revenue for the year was across all categories with the largest declines in the professional services, retail, entertainment and automotive categories.

Direct cost of sales and general and administrative expenses decreased \$3.3 million (4%) for the year ended August 31, 2023. The decrease was a result of cost containment measures and the elimination of the CRTC Part II fees effective April 1, 2023, which were offset by increased copyright tariff fees, higher podcasting costs and premise rental costs.

Radio’s segment profit<sup>(1)</sup> in the year ended August 31, 2023 increased<sup>(1)</sup> by \$0.2 million from the prior year as a result of cost control measures. Segment profit margin<sup>(1)</sup> for the year at 13% was consistent with the prior year.

<sup>(1)</sup> As defined in the “Key Performance Indicators and Non-GAAP Financial Measures” section of this report.

## 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

(thousands of Canadian dollars)	Year ended August 31,	
	2023	2022
Share-based compensation	(1,257)	4,196
Other general and administrative costs	21,292	23,573
	<b>20,035</b>	27,769

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.

Share-based compensation in the year ended August 31, 2023 decreased by \$5.5 million from the prior year. The decrease for the year results from the decline in the Company's share price from the prior year, which is partially offset by the change in the fair value of the total return swaps (refer to note 13 in the audited consolidated financial statements for further details on this swap arrangement).

Other general and administrative costs decreased \$2.3 million for the year ended August 31, 2023 from the prior year. The decrease from the year is principally attributable to decreases in short-term compensation accruals and lower consulting and professional fees, offset by increases in system and license fees, as well as costs related to changes in the supplementary executive retirement plan recorded in the first quarter of fiscal 2023.

## 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 revenue is dependent on general advertising revenue 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 distribution and production revenue is dependent on the number and timing of film and television programs delivered. 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, 2023. In Management's opinion, these unaudited interim condensed consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements filed on SEDAR+ on October 30, 2023, for the years ended August 31, 2023 and August 31, 2022, except as disclosed in note 3 of the consolidated financial statements.

(thousands of Canadian dollars, except per share amounts)

	Revenue	Segment profit <sup>(1)</sup>	Net income (loss) attributable to shareholders	Adjusted net income (loss) attributable to shareholders <sup>(1)</sup>	Earnings (loss) per share			Free cash flow <sup>(1)</sup>
					Basic	Diluted	Adjusted basic <sup>(1)</sup>	
<b>2023</b>								
4th quarter	338,843	46,273	50,412	(9,075)	\$ 0.25	\$ 0.25	\$ (0.04)	31,654
3rd quarter	397,335	96,905	(495,073)	18,042	\$ (2.48)	\$ (2.48)	\$ 0.09	25,979
2nd quarter	343,871	59,135	(15,450)	(13,880)	\$ (0.08)	\$ (0.08)	\$ (0.07)	28,397
1st quarter	431,191	131,692	31,387	33,466	\$ 0.16	\$ 0.16	\$ 0.17	20,810
<b>2022</b>								
4th quarter	339,594	56,189	(367,065)	(17,116)	\$ (1.82)	\$ (1.82)	\$ (0.08)	44,713
3rd quarter	433,458	123,728	29,621	30,159	\$ 0.14	\$ 0.14	\$ 0.15	27,468
2nd quarter	361,661	86,556	16,221	16,964	\$ 0.08	\$ 0.08	\$ 0.08	88,417
1st quarter	463,873	177,170	76,165	76,931	\$ 0.37	\$ 0.36	\$ 0.37	79,987

<sup>(1)</sup> As defined in the "Key Performance Indicators and Non-GAAP Financial Measures" section of this report.

## ITEMS CAUSING VARIATIONS IN QUARTERLY RESULTS

- Net income attributable to shareholders for the fourth quarter of fiscal 2023 was negatively impacted by non-cash television broadcast licence and other asset impairment charges of \$100.0 million (\$0.37 per share) and restructuring and other costs of \$5.0 million (\$0.02 per share), while positively impacted by a gain on a business disposition of \$142.3 million (\$0.68 per share).
- Net loss attributable to shareholders for the third quarter of fiscal 2023 was negatively impacted by non-cash television goodwill, broadcast licence and other asset impairment charges of \$590.0 million (\$2.53 per share) and restructuring and other costs of \$10.6 million (\$0.04 per share).
- Net loss attributable to shareholders for the second quarter of fiscal 2023 was negatively impacted by restructuring and other costs of \$2.1 million (\$0.01 per share).
- Net income attributable to shareholders for the first quarter of fiscal 2023 was negatively impacted by restructuring and other costs of \$2.8 million (\$0.01 per share).
- Net loss attributable to shareholders for the fourth quarter of fiscal 2022 was negatively impacted by a non-cash television goodwill impairment charge of \$350.0 million (\$1.73 per share) and restructuring and other costs of \$1.8 million (\$0.01 per share).
- Net income attributable to shareholders for the third quarter of fiscal 2022 was negatively impacted by restructuring and other costs of \$4.2 million (\$0.02 per share) and was positively impacted by a debt refinancing gain of \$3.4 million (\$0.01 per share).
- Net income attributable to shareholders for the second quarter of fiscal 2022 was negatively impacted by restructuring and other costs of \$1.0 million (\$nil per share).
- Net income attributable to shareholders for the first quarter of fiscal 2022 was negatively impacted by restructuring and other costs of \$1.0 million (\$nil per share).

## OUTLOOK

Given continuing macroeconomic uncertainty and its impact on advertising demand, combined with the extended WGA strike (resolved on October 9, 2023) and ongoing labour action of SAG-AFTRA, which impedes the Company's ability to deliver new episodes of scripted programming on television, resulting in lower audience levels and advertising demand, the Company expects its Television advertising revenue in the first quarter of fiscal 2024 will decline in the range of 15-20% compared to the prior year. Amortization of program rights is expected to decline by a similar range along with the further implementation of additional cost management initiatives. The Company has suspended its dividend and intends to redirect the use of free cash flow from dividends on Class A and Class B shares to debt repayment. While the Company continues to expect improvement in the macro-environment and the normalization of program supply over the medium term, visibility remains limited at this time.

## FINANCIAL POSITION

Total assets at August 31, 2023 were \$2.7 billion, compared to \$3.5 billion at August 31, 2022. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2022.

Current assets at August 31, 2023 were \$394.2 million, down \$10.3 million from August 31, 2022.

Cash and cash equivalents increased by \$1.3 million from August 31, 2022. Refer to the discussion of cash flows in the next section.

Accounts receivable decreased \$15.8 million from August 31, 2022. The decrease was primarily as a result of a decrease in trade accounts receivable. The accounts receivable balance is subject to seasonal trends. Typically, the balance of trade receivables 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 \$11.5 million from August 31, 2022 as a result of accruals relating to film productions exceeding tax credit receipts.

Investments and other assets increased \$10.5 million from August 31, 2022, primarily as a result of an increase in the net asset position of certain post employment benefit plans, increases in fair value of the foreign exchange forward contracts, the interest rate swap and the fair value adjustment to venture funds.

Property, plant and equipment decreased \$25.8 million from August 31, 2022 as a result of depreciation expense exceeding additions.

Program rights increased \$8.3 million from August 31, 2022, as additions of acquired rights of \$603.4 million were offset by amortization of \$595.2 million.

Film investments decreased \$6.0 million from August 31, 2022, as film additions (net of tax credit accruals) of \$30.7 million were offset by film amortization of \$36.8 million.

Intangibles decreased \$738.9 million from August 31, 2022, as a result of non-cash impairments in the Television CGU to goodwill of \$295.2 million, broadcast licences of \$219.8 million, brands and trade marks of \$175.0 million, as well as amortization of \$119.6 million, offset by renewals and extensions of several trade mark agreements of \$58.3 million and net additions to other assets of \$12.4 million.

Accounts payable and accrued liabilities increased \$38.2 million from August 31, 2022, principally as a result of higher trade marks payable, trade accounts payable, program rights payable, and increases in software license liabilities, offset by lower dividends payable and short-term compensation accruals.

Provisions, including the long-term portion, increased \$0.5 million from August 31, 2022, principally as a result of restructuring-related additions exceeding payments and a reduction in asset retirement obligations as a result of property disposals.

Long-term debt, including the current portion, as at August 31, 2023 was \$1,092.4 million compared to \$1,261.7 million as at August 31, 2022. As at August 31, 2023, the \$13.4 million classified as the current portion of long-term debt consists of interim production financing. During the year ended August 31, 2023, the Company decreased bank debt and interim production financing by \$171.7 million, incurred \$1.0 million of deferred fees for an amendment to the Credit Facility and amortized \$3.5 million of deferred financing charges.

Other long-term liabilities decreased \$59.7 million from August 31, 2022, primarily from decreases in long-term program rights payable, trade mark liabilities, lease liabilities, unearned revenues and long-term employee obligations, offset by increases in software license liabilities.

Share capital decreased by \$500.9 million from August 31, 2022 as a result of the reduction in stated capital approved at the Company's Annual General and Special Meeting of Shareholders on January 19, 2023 as well as 785,000 shares repurchased and canceled under the NCIB. Contributed surplus increased from the reduction in stated capital, the share repurchases under the NCIB and share-based compensation expense.

## LIQUIDITY AND CAPITAL RESOURCES

### CASH FLOWS

Overall, the Company's cash and cash equivalents position increased by \$1.3 million for the year ended August 31, 2023. Free cash flow<sup>(1)</sup> for the year ended August 31, 2023 was \$106.8 million compared to \$239.6 million in the prior year. The decrease in free cash flow<sup>(1)</sup> for the year is mainly attributable to a decrease in cash provided by operating activities of \$94.2 million and a decrease in cash provided by investing activities, which excluded the net proceeds from the sale of Toon Boom on August 23, 2023 of \$141.2 million that was used to pay down bank debt and are not included in free cash flow<sup>(1)</sup> in the current year and in the prior year related to a \$43.5 million non-recurring venture fund distribution as well as a decline in cash used to purchase property, plant and equipment of \$4.5 million.

Cash provided by operating activities for the year ended August 31, 2023 was \$122.7 million compared to \$216.8 million for the prior year. The decrease for the year of \$94.2 million arises from a lower net income from operations, adjusted for non-cash items of \$50.0 million and a higher spend on program rights and film investments of \$110.3 million and \$19.2 million, respectively, offset by a decrease of non-cash working capital balances of \$85.3 million.

Cash provided by investing activities for the year ended August 31, 2023 was \$125.3 million compared to \$25.2 million in the prior year. The increase of \$100.1 million in the year was attributable to net proceeds from the sale of Toon Boom of \$141.2 million, net of divested cash and a decrease in cash used on property, plant and equipment of \$4.5 million, offset by cash provided in the prior year related to a venture fund distribution of \$43.5 million and a business combination, net of cash acquired of \$3.6 million.

Cash used in financing activities in the year ended August 31, 2023 was \$246.7 million compared to \$230.8 million for the prior year. The increase in cash used of \$15.9 million in the year arises principally from the prior year issuance of the \$250.0 million 2030 Notes, offset by a decrease in bank loan repayments of \$183.1 million, a decrease in shares repurchased under the NCIB of \$32.6 million, lower dividends paid of \$16.0 million and lower financing fees of \$4.9 million.

<sup>(1)</sup> A definition and reconciliation of free cash flow to the consolidated statements of cash flows is provided in the "Key Performance Indicators and Non-GAAP Financial Measures" section of this report.

### LIQUIDITY

The Company manages its capital structure in accordance with changes in economic conditions and with appropriate prudence. Currently, the Company's capital management activities are focused on maintaining appropriate financial flexibility in order to pursue organic growth and achieve business objectives and repaying debt, all with the objective to provide returns to its shareholders.

The Company defines capital as the aggregate of its shareholders' equity and total long-term debt less cash and cash equivalents. In order to maintain or adjust its capital structure and enable its capital management activities, from time to time, 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. The Company's stated long-term objective is a leverage target (net debt to segment profit ratio) below 2.5 times. In the short term, the Company may permit the long-term leverage range to be exceeded, but endeavours to return to the leverage target range.

As at August 31, 2023, the Company was in compliance with all loan covenants, had a cash and cash equivalents balance of \$56.2 million and had available \$300.0 million under the Revolving Facility, \$285.9 million of which could be drawn. Management believes that cash flow from operations and the existing Credit Facility will provide the Company with sufficient financial resources to fund its operations for the following 12 months.

On October 26, 2023, the Company's Credit Facility was amended to increase the maximum total debt to cash flow ratio required under the financial covenants up to and including August 31, 2024, reintroduce mandatory quarterly repayments of the Term Facility, change certain conditions related to the use of proceeds on asset disposals and to introduce additional restrictions on distributions to shareholders. For further details on the Credit Facility, refer to note 13 of the Company's consolidated financial statements.

On February 17, 2023, the Company's Credit Facility with a syndicate of banks was amended. The amendment revised total debt to cash flow ratio covenants on the Term Facility and the Revolving Facility.

On February 28, 2022, the Company issued the 2030 Notes that pay interest at 6.0%. The Company used the net proceeds of the Notes issuance to repay bank debt.

On March 18, 2022, the Company's credit agreement with a syndicate of banks was amended and restated. The principal amendments were to extend the maturity on both the Term Facility and Revolving Facility to March 18, 2027 and to eliminate quarterly mandatory repayments and mandatory repayments from the net proceeds from the issue of other debt on the Term Facility.

### **TOTAL CAPITALIZATION**

As at August 31, 2023, total capitalization was \$1,480.1 million compared to \$2,093.1 million at August 31, 2022, a decrease of \$613.0 million. The decrease in total capitalization is due to an increase in accumulated deficit of \$439.7 million, a decrease in bank debt of \$169.3 million and a reduction in lease liabilities of \$8.3 million, offset by an increase in accumulated other comprehensive income of \$4.8 million and cash and cash equivalents of \$1.3 million.

### **OFF BALANCE SHEET ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS**

The Company has a Canadian interest rate swap agreement to fix the interest rate on a portion of its outstanding term loan facility, which expires on March 18, 2027. 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, 2023 was an asset of \$6.7 million (2022 – \$nil) (refer to note 13 of the audited consolidated financial statements for further details on interest rate swap agreements).

As at August 31, 2023, the Company has a series of forward foreign exchange contracts totalling \$45.0 million U.S. dollars, to fix the foreign exchange rate and therefore cash flows related to a portion of the Company's U.S. dollar denominated liabilities. These 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 forward contract derivatives change with fluctuations in the foreign exchange rate of the U.S. dollar to Canadian dollars. The estimated fair value of these agreements as at August 31, 2023 was an asset of \$2.2 million (2022 – an asset of \$1.6 million), which has been recorded in the consolidated statements of financial position as investment and other assets (refer to note 5 of the audited consolidated financial statements for further details), and within other expense (income), net in the consolidated statements of loss and comprehensive loss (refer to note 19 of the audited consolidated financial statements for further details).

The Company has a total return swap agreement on 1,706,000 share units to offset its exposure to changes in the fair value of certain cash settled share-based compensation awards. The estimated fair value of this Level 1 financial instrument will fluctuate with the market price of the Company's shares. The counterparty of this swap agreement is a highly rated financial institution and the Company does not anticipate any non-performance. The estimated fair value of this agreement as at August 31, 2023 is a liability of \$6.0 million (2022 – a liability of \$4.0 million), which has been recorded in the consolidated statement of financial position as an other long-term liability (refer to note 14 of the audited consolidated financial statements for further details) and within employee expenses in the consolidated statement of loss and comprehensive loss (refer to note 17 of the audited consolidated financial statements for further details).



## CONTRACTUAL COMMITMENTS

The Company has the following undiscounted contractual obligations at August 31, 2023:

(thousands of Canadian dollars)	Total	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years
Total debt <sup>(1)</sup>	1,334,909	53,434	80,000	928,975	272,500
Purchase obligations <sup>(2)</sup>	918,655	619,197	292,910	6,548	—
Lease liabilities <sup>(3)</sup>	280,015	32,694	61,986	55,971	129,364
Other obligations <sup>(4)</sup>	181,497	104,311	77,169	17	—
<b>Total contractual obligations</b>	<b>2,715,076</b>	<b>809,636</b>	<b>512,065</b>	<b>991,511</b>	<b>401,864</b>

<sup>(1)</sup> Principal and interest repayments on bank debt and Notes. Credit Facility amendments effective October 26, 2023 will increase principal repayments on Term Facility within 1 year by \$17.5 million, 2-3 years by \$34.9 million and decrease 4-5 years by \$52.4 million.

<sup>(2)</sup> Purchase obligations are contractual obligations under contracts relating to program rights, satellite distribution and license costs and various other operating expenditures, that the Company has committed to for periods ranging from one to five years.

<sup>(3)</sup> Lease liabilities relate to right-of-use assets which include land and buildings related to television and radio operations and equipment leases.

<sup>(4)</sup> Other obligations include financial liabilities, trade marks, other intangibles and forward foreign exchange contracts.

In addition to the contractual obligations in the table above, the Company will pay interest on any bank debt and Notes outstanding in future periods. In fiscal 2023 the Company incurred interest on bank debt and Notes of \$75.2 million (2022 – \$58.5 million).

## KEY PERFORMANCE INDICATORS AND NON-GAAP FINANCIAL MEASURES

The Company measures the success of its strategies using a number of key performance indicators. Certain investors, analysts and others utilize these measures in assessing the Company's operational and financial performance and as an indicator of its ability to service debt and return cash to shareholders. 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 IASB, the Company also provides non-IFRS or non-GAAP financial measures as a method of evaluating the Company's performance. Certain key performance indicators are not financial 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 or non-GAAP 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.

The Company also uses supplementary financial measures that are not (a) presented in the financial statements and (b) are, or are intended to be, disclosed periodically to depict the historical or expected future financial performance, financial position or cash flow, that are not a non-GAAP financial measure or a non-GAAP ratio. The Company has disclosed optimized advertising revenue and new platform revenue as supplementary financial measures as discussed below.

### 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 revenue 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, 2023 derived primarily from three areas: advertising 57%, subscriber fees 33% and distribution, production and other 10% (2022 – 60%, 32% and 8%, respectively).

### OPTIMIZED ADVERTISING REVENUE

Optimized advertising revenue is calculated as advertising revenue attributable to audience segment selling and to the Cynch automated buying platform expressed as a percentage of Television advertising revenue. The Company believes this is an important measure to enable the Company and investors to evaluate the performance on how Television advertising is sold.

(thousands of Canadian dollars, except percentages)	2023	2022	% change
Optimized advertising revenue (numerator)	411,461	371,540	11%
Television advertising revenue (denominator)	768,036	859,598	(11%)
<b>Optimized advertising revenue percentage</b>	<b>54%</b>	43%	

### NEW PLATFORM REVENUE

This metric combines subscriber revenue from streaming initiatives and advertising revenue from digital platforms expressed as a percentage of total Television advertising and subscriber revenue. New platform revenue reflects progress on the Company's participation in rapidly growing streaming distribution platforms and digital advertising markets.

(thousands of Canadian dollars, except percentages)	2023	2022	% change
New platform revenue (numerator)	145,521	142,284	2%
Television advertising revenue	768,036	859,598	(11%)
Television subscriber revenue	502,257	518,483	(3%)
Total Television advertising and subscriber revenue (denominator)	1,270,293	1,378,081	(8%)
<b>New platform revenue percentage</b>	<b>11%</b>	10%	

### 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 revenue is derived); amortization of film investments (costs associated with internally produced and acquired television and film programming, from which distribution and licensing revenue is derived); other cost of sales relating to production service work, book publishing, merchandising, marketing (research and advertising costs); employee remuneration; regulatory licence fees; and, selling, general administration which includes overhead costs. For the year ended August 31, 2023, consolidated direct cost of sales, and general and administrative expenses were comprised of direct cost of sales 57%, employee remuneration 28% and general and administrative expenses 15% (2022 – 54%, 30%, and 16%, respectively).

### SEGMENT PROFIT AND SEGMENT PROFIT MARGIN

Segment profit is calculated as revenue less direct cost of sales, general and administrative expenses as reported in the Company's consolidated statements of income (loss) and comprehensive income (loss). 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; intangible and other asset impairment; debt refinancing; non-cash gains or losses; restructuring and other costs; gain (loss) on disposition; and certain other income and expenses as included in note 19 to the audited consolidated financial statements. Segment profit is also one of the measures used by the investing community to value the Company and is included in note 21 to the audited consolidated financial statements. Segment profit margin is calculated by dividing segment profit by revenue. 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)	2023	2022
Revenue	1,511,240	1,598,586
Direct cost of sales, general and administrative expenses	1,177,235	1,154,943
<b>Segment profit</b>	<b>334,005</b>	443,643
<b>Segment profit margin</b>	<b>22.0%</b>	28.0%

## 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)	2023	2022
Cash provided by:		
Operating activities	122,667	216,835
Investing activities	125,274	25,172
	<b>247,941</b>	242,007
Deduct: cash provided by business dispositions, acquisitions and strategic investments <sup>(1)</sup>	<b>(141,101)</b>	(2,422)
<b>Free cash flow</b>	<b>106,840</b>	239,585

<sup>(1)</sup> 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 and restructuring costs. Management believes that adjusted net income attributable to shareholders and adjusted basic earnings per share are useful measures that facilitate period-to-period operating comparisons. Adjusted net income attributable to shareholders 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 attributable to shareholders and adjusted basic earnings per share should not be considered in isolation or as a substitute for net income (loss) and basic earnings (loss) per share attributable to shareholders as prepared in accordance with IFRS as issued by the IASB.

(thousands of Canadian dollars, except per share amounts)	2023	2022
<b>Net loss attributable to shareholders</b>	<b>(428,724)</b>	(245,058)
<b>Adjustments, net of income tax:</b>		
Goodwill, broadcast licence and other asset impairment	578,453	348,597
Debt refinancing	—	(2,526)
Gain on disposition	<b>(136,479)</b>	—
Restructuring and other costs	15,303	5,925
<b>Adjusted net income attributable to shareholders</b>	<b>28,553</b>	106,938
<b>Basic loss per share</b>	<b>(\$2.15)</b>	(\$1.19)
<b>Adjustments, net of income tax:</b>		
Goodwill, broadcast licence and other asset impairment	\$2.90	\$1.69
Debt refinancing	—	(\$0.01)
Gain on disposition	<b>(\$0.68)</b>	—
Restructuring and other costs	\$0.07	\$0.03
<b>Adjusted basic earnings per share</b>	<b>\$0.14</b>	\$0.52

## NET DEBT

Net debt is calculated as long-term debt plus lease liabilities, 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)	2023	2022
Total debt, net of unamortized financing fees and prepayment options	1,092,384	1,261,650
Lease liabilities	126,084	134,369
Cash and cash equivalents	(56,163)	(54,912)
<b>Net debt</b>	<b>1,162,305</b>	<b>1,341,107</b>

## NET DEBT TO SEGMENT PROFIT

Net debt to segment profit is calculated as net debt divided by segment profit for the year. Net debt to segment profit is an important measure of the Company's liquidity and 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)	2023	2022
Net debt (numerator)	1,162,305	1,341,107
Segment profit (denominator) <sup>(1)</sup>	334,005	443,643
<b>Net debt to segment profit</b>	<b>3.48</b>	<b>3.02</b>
<b>Proforma net debt to segment profit<sup>(2)</sup></b>	<b>3.62</b>	<b>3.02</b>

<sup>(1)</sup> Reflects aggregate amounts for the most recent four quarters, as detailed in the table in the "Quarterly Consolidated Financial Information" section.

<sup>(2)</sup> Proforma net debt to segment profit ratio as at August 31, 2023 excludes contributions to segment profit from Toon Boom for the most recent four quarters.

## ENTERPRISE RISK MANAGEMENT FRAMEWORK AND APPROACH

Risks primarily arise from the Company's business environment, strategies and objectives. Corus strives to proactively mitigate its risk exposures through rigorous performance planning, risk review and reporting, and effective operations and business management. Residual exposure for certain risks is further mitigated through appropriate insurance coverage where this is deemed to be most effective and commercially available.

Corus strives to avoid taking on undue risk outside of its risk appetite and assesses potential risks for alignment with business strategies, objectives, values and risk tolerance. The Company has established an Enterprise Risk Management Framework ("ERMF") which includes identifying, assessing, managing, monitoring and communicating the principal business risks that impact the Company.

Corus' ERMF supports its risk culture, capabilities and practices that we rely on to manage risks in creating, preserving and realizing value. The ERMF emphasizes transparency and accountability and supports a common understanding among stakeholders of how Corus manages risk. Principally, the ERMF enables Corus to:

- determine and define the types risks arising from or most relevant to its strategy and operations;
- create and maintain effective risk management governance and oversight; and
- appropriately manage and respond to risks.

Corus has defined the following major risk categories and related subcategories to which its businesses and operations could be exposed:

MAJOR RISK CATEGORY	RISK
<b>STRATEGIC</b>	Customer Change and Adoption Industry and Competition (including suppliers) Economic Conditions
<b>FINANCIAL</b>	Credit Tax Market Liquidity
<b>OPERATIONAL</b>	Process People Health and Safety Technology and Cybersecurity Physical and Infrastructure
<b>LEGAL AND COMPLIANCE</b>	Legal Regulatory Privacy Compliance
<b>REPUTATIONAL</b>	Reputational Environmental & Social

#### *Risk Culture*

Corus believes that risk culture starts with the “tone at the top” i.e. set by the Board of Directors (“Board”), Chief Executive Officer (“CEO”), and the Executive Leadership Team (“ELT”). The Company’s culture embraces accountability, listening, learning, communication, and transparency. This includes a culture and approach to risk taking and management, which means that all employees are encouraged to identify and escalate risks when they believe the Company is or could be operating outside of its risk appetite.

At Corus, ethical conduct is an important part of the risk culture. Corus has a Code of Business Conduct that applies to and guides employees and directors in their business activities and conduct and requires them to act, at all times, with integrity, professionalism and ethically. If there are any concerns that cannot be or are not addressed through the governance structures in place to identify, discuss and manage risk, Corus has comprehensive policies and processes to enable any employee to raise a concern, including anonymously through a hotline.

#### *Risk Appetite*

Part of delivering against Corus’ strategy and doing the right thing for its stakeholders is growing value. As such, Corus takes risks necessary to build and grow its businesses, products and brands, but only if they:

- fit the Corus business strategy;
- are understood and manageable; and
- do not harm the reputation of the Company or its brand(s).

### **RISK GOVERNANCE**

The Company’s governance structure emphasizes and balances Board and management level oversight with clear ownership of and management of risks within businesses. The Company’s Board 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 its 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; and
- the Company's Risk Management Committee ("RMC"), which oversees and manages risk management processes.

In addition, entity level controls, (including the Company's Code of Business Conduct), 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.

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 RMC, which reports to the ELT, is mandated to maintain the Company's ERMF 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 strategic, operational, financial, legal and compliance as well as reputational 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 ELT, and finally, with the Board as part of the quarterly risk review process.

As part of comprehensive risk management, Corus has risk identification and assessment mechanisms that are focused on recognizing and understanding existing risks, risks that may arise from new or evolving business initiatives, aggregate risks, and non-traditional or emerging risks. The Company supports a process of risk identification and assessment that enable and enhance its understanding of risk interdependencies and support the identification of emerging risk.

Corus has risk control processes that are established and communicated through the Audit Committee and other committees of the Board, ELT and management approved policies. The Company also has associated processes, guidelines and procedures that further enable compliance with these policies. In addition, where required or appropriate, there are risk controls in the form of monetary limits, limitations on delegated authorities to risk tolerances, processes for escalating concerns, incidents or breaches, and review and testing procedures for key controls. The Risk and Compliance group has a direct line of reporting to the Audit Committee and conducts independent testing of key controls in the Company as well as continuous monitoring.

There is regular reporting on risk throughout business activities and in business forums. In addition, the RMC regularly reports on its risk monitoring activities to the ELT, the Board and its committees. Finally, committees are established and convened to monitor and report on certain specific risk areas that may require more focus, particular expertise or frequency of monitoring.

## **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" and the Company's most recent public disclosure documents.

### **A. STRATEGIC RISKS**

#### ***ECONOMIC CONDITIONS***

The Company's operating performance is affected by general Canadian and worldwide economic conditions. Changes or volatility in domestic or international economic conditions or economic uncertainty or geopolitical conflict and tensions, may affect discretionary consumer and business spending, resulting in increased or decreased demand for Corus' product offerings. In addition, elevated consumer price index inflation driven by sharp increases in energy and food prices as well as supply disruptions and strong demand for goods can also affect the Company's business, operations and financial performance. All of the foregoing factors may adversely affect the Company through disruption to supply chains, increased costs of labour or disruption to availability of labour, related reduced advertising demand or spending, or lower demand for the Company's products and services, all of which may lead to decreased revenue or profitability. Finally, in all cases, the Company's business and financial condition are subject to audience and consumer acceptance of its brands, programming,

and talent. Changes to or negative perception of any of Corus' brands, programming or talent could adversely affect the Company, including by affecting audience and consumer acceptance, reducing the attractiveness or value of the Company's brand, programming or talent to advertisers or partners, or disrupting its ability to provide programming as planned or anticipated. Any or all of the foregoing can negatively impact the Company's operations and financial results and plans.

## **INDUSTRY AND COMPETITION; CUSTOMER CHANGE AND ADOPTION**

### ***Industry and Competition***

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 revenue 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 (discretionary) television networks and conventional (basic) 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, new or evolving technologies and from illegal services. The rapid deployment of evolving technologies, services, products and strategic partnerships 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, 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 revenue 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 revenue from advertising and subscribers, while Corus' conventional television services depend primarily on obtaining revenue 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 Revenue***

The conventional and specialty television business and the advertising markets the Company operates in are 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 revenue. The CRTC also does not require 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 revenue 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 revenue as well as maintain or increase current levels of subscriber distribution and penetration.

#### **ii) Programming Expenditures / Audience Acceptance**

Programming costs are 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. Labour action by the WGA (resolved on October 9, 2023) and SAG-AFTRA are currently having a significant impact on the availability of programming. Programming costs are also subject to inflationary factors and macroeconomic conditions.

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 also *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, streaming entities, 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 (including streamed content producers) 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 revenue within its geographic market, its promotional and other expenses incurred to obtain the revenue and the economic strength of its geographic market. Radio advertising revenue is 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 adversely impacted, resulting in lower net revenue.

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.

### **KEY CUSTOMERS AND SUPPLIERS**

Corus uses and recognizes the value of using third parties to support its businesses, as they provide access to leading applications, processes, products and services, specialized expertise, innovation, economies of scale, and operational efficiencies. However, they may also create reliance upon the provider with respect to continuity, reliability, and security, and their associated processes, people and facilities. Applications, processes, products, and services of its providers could be subject to failures or disruptions as a result of human error, natural disasters, utility disruptions, pandemics or other public health emergencies, malicious insiders, cyber-attacks or other criminal or terrorist acts, or non-compliance with regulations, which could in turn impact Corus' operations. Such adverse effects could limit Corus' ability to deliver products and services to customers, or damage its reputation, which in turn could lead to disruptions to its businesses and financial loss.

#### ***Reliance on Key Customers and Suppliers***

Corus procures its content from a limited number of key third party suppliers, some of whom are global in scale and have significant negotiating leverage. Certain of these third parties are launching or have launched their own direct-to-consumer businesses in Canada, which could impact the terms on which the Company is able to secure premium content. 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, including labour strikes, 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 an adverse effect on Corus' operations and/or its financial results if Corus is unable to renew them on acceptable terms or at all, including revenue per subscriber and packaging that affects the networks' subscriber reach. Similarly, the majority of Corus' advertising revenue is 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 adverse 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 an adverse impact on its operations and/or its financial results.

The media industry continues to evolve with a number of recently announced mergers and acquisitions, which may have commercial and competitive implications for the Company and the industry generally. For example, on April 3, 2023 a transaction closed whereby Rogers Communications Inc. ("Rogers") purchased all outstanding Class A Shares and Class B Shares of Shaw Communications Inc. ("Shaw", with the transaction referred to as the "Rogers/Shaw Transaction"). As a result of this transaction, the Shaw Family Living Trust ("SFLT") is one of the largest shareholders in Rogers, but SFLT is not the controlling shareholder. As the integration takes place, there is uncertainty as to the commercial and competitive landscape implications of the merger. While Corus maintains strong business relationships with its key suppliers, clients and partners, including Rogers, the terms and conditions or revenue derived from current subscriber, programming, licensing and advertising arrangements may change in the future and the other risks noted above in respect of BDUs and advertiser revenues may also materialize. In addition, the funding that was provided by Shaw to Corus for the production of local news, pursuant to CRTC policies, has been discontinued as Rogers has redirected these funds to its affiliated Citytv television stations.

## **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.

## **B. OPERATIONAL RISKS**

Corus inherently, and in normal course business, faces operational risks. This includes risks, losses, or other negative impacts associated with or loss resulting from inadequate or failed internal processes or technology or from human activities or from external events. Corus seeks to actively and continuously identify, monitor, manage, mitigate and, where required, remediate operational risk in order to create and sustain shareholder value, successfully execute its business strategies, and operate efficiently. However, failure to adequately mitigate such risks could impact Corus' ability to meet strategic objectives, pose a risk of censure or penalty, may lead to litigation, and increase reputational, financial, legal and other risks.

## **PEOPLE**

### ***Employee Retention, Recruitment, Engagement and Diversity***

Corus' operations depend on the expertise, efforts and engagement of its employees. The talent and workforce in Corus' industry is highly competitive and the Company's success is highly linked to its ability to attract and retain a high-performing, diverse, and engaged workforce, including in key growth areas, of technology and digital media fields as well as in specialized creative, and on-air areas. To achieve this, the Company recognizes the need to focus on providing career and development opportunities, competitive compensation and benefits, fostering an inclusive, equitable and diverse workplace, and a great employee experience to both attract and retain qualified and high performing individuals. The Company undertakes annual talent review and succession planning processes to assess capabilities for all areas of the business. The outcomes from these processes inform plans throughout the Company to retain, develop, or acquire talent.

Failure to maintain and achieve this focus, and changes to the Company's workforce as a result of factors such as turnover, restructuring, retirement, inadequate succession planning, cost reduction initiatives, labour disruption, deterioration in overall employee morale and engagement, or other events, could have an adverse impact on Corus' operations and/or financial results.

The Company's broadcasting assets in television and radio are federally regulated by statute and by related policies governing on air depiction and employment diversity. The Company is committed to building and maintaining a diverse workforce and an inclusive and equitable work environment throughout the organization. To this end the Company has a dedicated Diversity, Equity and Inclusion team to define and lead execution of action plans, as well as a Diversity, Equity and Inclusion Council to provide feedback and ideas about diversity, equity and inclusion priorities, and monitors the implementation of the triennial Employment Equity Plan.

The Company recognizes that an essential element of building a strong and successful company is having and hiring people with the right capabilities, experiences, character and mind-set, and a diverse, equitable and inclusive workforce. In fiscal 2023, the Company continued to enhance how it sources, attracts and selects new Board candidates and employees, with a lens of diversity, equity and inclusion, and a goal of better reflecting the diversity of the communities in which it operates. To further support its commitment to diversity, equity and inclusion, seven Employee Resource Groups have been formed to support Black, Latinx / Hispanic, Asian, 2SLGBTQ+ and indigenous communities, as well as people with disabilities and Women. These groups provide the Company an important sounding board, resource and partners to develop Corus' diversity, equity and inclusion initiatives. Failure to address perceived or actual systemic racism and bias, to recruit and retain a diverse workforce or foster and maintain a diverse, equitable and inclusive work environment could have an adverse impact on Corus' ability to execute its strategies, reputation, operations or financial results.

### ***Unionized Labour***

As at August 31, 2023, 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 and be challenging in the context of a declining workload due to transformation, a maturing footprint and improved efficiencies. During the bargaining process there may be project delays and work disruptions, including work stoppages or work slowdowns, which could have an adverse impact on Corus' operational and/or financial results.

## **TECHNOLOGY AND CYBERSECURITY**

Technology and cyber security risks for virtually all businesses have increased in recent years. This is due, in part, to the proliferation, sophistication and constant evolution of new technologies and attack methodologies used by sociopolitical entities, organized criminals, malicious insiders, or service providers, nation states, hackers and other internal or external parties. In the normal course of business, Corus' technologies, systems and networks, and those of third parties including key suppliers and partners (including mobile, internal, and cable providers) providing services to Corus or distributing Corus' product and content, continue to be subject to cyber-attacks, and may be subject to disruption of services, data security or other breaches. In the ordinary course and from time to time, it does experience a limited number of service disruptions. In general, Corus can experience financial, operational, reputational and other losses or damage arising from technology or cyber security threats to itself or to key suppliers, customers and partners.

### **Information Technology Systems**

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' business, including its ability to manage its day-to-day business and operations, deliver programming and services, 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 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, including the ability to deliver programming and other related services, 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 an adverse impact to Corus' day-to-day operations, including the 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**

### **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, as well as potential for reputational or brand risk.

### **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 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 OPERATIONS**

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 an adverse 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 (see *Reliance on Key Customers and Suppliers*).

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 number of Corus' productions are co-productions involving international treaties that allow Corus to access foreign financing and reduce production risk as well as qualify for Canadian government tax credits. If an existing treaty between Canada and the government of one of the current co-production partners were to be abandoned, one or more co-productions currently underway may also need to be abandoned. Losing the ability to rely on co-productions would have a significant adverse effect on Corus' production capabilities and production financing.

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

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

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

### **HEALTH & SAFETY**

Pandemics, epidemics and other systemic or widespread health and safety risks could occur, and could materially negatively impact the Company's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations, including but not limited to its ability to maintain operations or meet revenue or expense targets, projections or plans. These health and safety risks could have an adverse effect on the Company's ability to maintain operations, the general economy and financial markets and the ability of suppliers to provide products and services needed to operate the business. Any or all of the foregoing can result in a declining level of retail and commercial activity, which could, in turn, have a negative impact on the demand for, and prices of, the Company's products and services. By nature, the severity and length of such risks depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision.

## **ENVIRONMENTAL**

Global climate change could exacerbate certain of the threats facing the Company, including the frequency and severity of weather-related events. Corus' operations, service performance, reputation and business continuity depend on how well the Company and its contracted service providers, protect networks and IT systems, as well as other infrastructure and facilities, from events such as fire, natural disaster (including, without limitation, seismic and severe weather-related events such as snow and wind storms, wildfires, flooding, extended heat waves, and tornadoes), power loss, building cooling loss and other events. Establishing response strategies and business continuity protocols to maintain service consistency if any disruptive event materializes is critical to the achievement of continued operations and could require significant resources and result in significant remediation costs.

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 understand the opportunities and expectations resulting from the societal shift to increased focus on Environmental, Social and Governance ("ESG") factors could result in additional operational costs and overlooking areas for innovation or differentiation.

Any of the above-mentioned events could have an adverse effect on Corus' operational and/or financial results.

## **C. FINANCIAL RISKS**

### **LEVERAGE AND FINANCIAL COVENANT RISK**

While the Company aims to prudently manage capital and debt levels, there is always risk associated with financial covenants. This risk is exacerbated by significant changes in operations or in the macroeconomic environment. In certain circumstances, the Company may exceed the historic or targeted leverage range, but endeavours to return to historic levels as the Company believes that provides a reasonable framework for providing a return to shareholders and is supportive of maintaining the Company's credit ratings.

Under the Credit Facility and unsecured Notes, the Company has undertaken to comply with financial covenants including leverage ratios. Failure to remain in compliance with financial covenants could result in the termination of lender commitments to make advances under the Credit Facility, the acceleration of debt repayment and, in the case of secured lenders, the exercise of any and all rights under the security provided.

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.

### **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, compliance with financial covenants under the Credit Facility and Notes, and approval of the Board of Directors, and is subject to change. The Company manages its approach to capital allocation with prudence and in accordance with changes in economic and industry conditions. In fiscal 2024, the Company announced it would prudently suspend the dividend and redirect the use of free cash flow from dividends to debt repayment given the impact of continuing macroeconomic uncertainty, the extended WGA strike (which resolved on October 9, 2023) and the ongoing labour action of SAG-AFTRA on audience levels, advertising demand and revenue. Actual results may differ from the Company's expectations and there can be no assurance that the Company will resume dividend payments in the future. Suspension 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 judgement 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. 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, 2023, 91% (2022 – 59%) 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, 2023, the Company's trade receivables and allowance for doubtful accounts balances were \$271.1 million and \$2.7 million, respectively.

## **FOREIGN CURRENCY RISK**

A portion of the Company's revenue and expenses are in currencies other than Canadian dollars and, therefore, are subject to fluctuations in exchange rates. In fiscal 2023 approximately 7% (2022 – 5%) of Corus' total revenue was in foreign currencies, the majority of which was U.S. dollars. As at August 31, 2023, the Company had U.S. dollar denominated payables of approximately \$182.0 million (2022 – \$238.8 million). 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, 2023, \$45.0 million (2022 – \$80.5 million in U.S. dollar) 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 23 to the audited consolidated financial statements in the *Risk Management* section.

## **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 of the Company are held by SFLT and its subsidiaries. As at August 31, 2023, SFLT and its subsidiaries hold 2,885,530 Class A Voting Shares, representing approximately 86% of the outstanding Class A Voting Shares, for the benefit of descendants of the late JR Shaw and Carol Shaw. The sole trustee of SFLT is a private company controlled by a board comprised of seven directors, including, as at August 31, 2023, Heather Shaw, Julie Shaw, three other members of their family and two independent directors. 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.

## **E. LEGAL AND COMPLIANCE**

Legal and compliance risk includes legal, regulatory, compliance and related risks. These are risks associated with the Company's actual, threatened, anticipated or perceived failure to comply with applicable laws, rules, regulations, regulatory guidance, contractual obligations, Code of Conduct, or standards of fair business conduct or market conduct, which could lead to financial loss, fines, sanctions, liabilities, or reputational harm that could be material to the Company.

Corus is exposed to such risks, inherently, in virtually all of its activities as part of the normal course of business. While it strives to appropriately and continuously identify, monitor, manage, mitigate and if required, remediate, such risks, failure to adequately mitigate such risks could impact Corus' ability to meet strategic objectives, pose a risk of censure or penalty, may lead to litigation, and increase reputational risks. Financial penalties, reputational damage, and other costs associated with legal proceedings, and unfavourable judicial or regulatory determinations may also adversely affect Corus' prospects, plans, business, results of operations and financial condition.

### **Impact of Regulation and Regulatory Matters**

Corus' radio and television business activities are regulated by the CRTC 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.

### **Group Based Licensing**

In 2010, the CRTC adopted a "group based licensing" ("GBL") approach for the renewal of the television licences of larger groups such as Corus. This established a framework of policy and regulation that is applied on a group basis rather than to individual licensees. The CRTC grouped all services into three licence categories: basic; discretionary; and on-demand services. Radio licensees continue to be renewed on an individual basis.

During the weeks of November 22, 2016 through December 2, 2016, the CRTC held public hearings concerning the renewal of the group based television licences held by the large English- and French-language ownership groups including Corus. On May 15, 2017, the CRTC issued its decisions. All Corus English-language and French-language television services were given new five-year licence terms, which began on September 1, 2017 and were scheduled to conclude on August 31, 2022. The key issues arising from these decisions include the Canadian Program Expenditure ("CPE") requirements and expenditure towards programming of public national interest ("PNI") which for the first time were standardized across all of the large English market media groups. CPE requirements were set at 30% and PNI requirements were set at 5%. The CRTC also removed the vestiges of legacy conditions of licence in accordance with the CRTC's Let's Talk TV policy.

Following an appeal of the 2017 GBL decisions to the federal Cabinet, on August 30, 2018, the CRTC released "reconsideration" decisions for the television services of the large English- and French-language private ownership groups, including Corus. Revised and additional conditions came into effect on September 1, 2018 and were intended to apply until August 31, 2022, the intended conclusion of the licence term.

As a result of the reconsideration, effective September 1, 2018, Corus' English-language group of services became subject to an 8.5% PNI expenditure requirement of the previous year's gross revenue, and a requirement to direct 0.17% of previous year's gross revenue to the Foundation Assisting Canadian Talent on Recordings (or "FACTOR"). Also, per the reconsideration, and effective September 1, 2018, Corus' French-language group of services became subject to a requirement to devote at least 50% of their CPE to original French-language programs. That requirement increased from 50% to 75% as of September 1, 2019. Corus' French-language group was also required to direct 0.17% of their previous year's gross revenue to La Fondation Musicaction éditée (or "MUSICACTION") until the intended end of the licence term.

On July 4, 2022, the CRTC administratively renewed all Corus (and the other large television groups') English- and French-language television licences for two years on their existing terms and conditions with the intention that those licences would expire on August 31, 2024.

On November 17, 2022, Corus filed an application under Part 1 of the Canadian Radio-television and Telecommunications Rules of Practice and Procedures seeking interim relief on CPE, expenditure on PNI, and other changes that have emerged since the Company's last full renewal. Corus filed that application to mitigate the impact of the CRTC's decision to administratively renew Corus' television licences.

On October 11, 2023, Corus filed a new application under Part 1 with the CRTC for interim relief focusing on PNI expenditure relief and greater flexibility of the CPE underspend. On October 19, 2023, the CRTC gazetted a proposed order to reduce Corus' PNI to 5% of the previous year's gross revenues and remove the requirement that all CPE and PNI underspend be made up by the end of the licence term. The order remains pending before the CRTC.

On February 17, 2023, the CRTC confirmed that the requirements to direct payments to FACTOR and Musicaction expired on August 31, 2022, at their end of the original licence term.

On August 8, 2023, the CRTC administratively renewed Corus' English- and French-language television licences (and those of the other large television groups) on the existing terms and conditions for an additional two years. These licences are now scheduled to expire on August 31, 2026.

More information can be found at [www.crtc.gc.ca](http://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.

### **Broadcasting Act Amendments**

On April 27, 2023, Bill C-11 ("Bill") received royal assent. The Bill enacted amendments to the *Broadcasting Act* which explicitly incorporated online broadcasting undertakings that operate in Canada into the Canadian broadcasting regulatory framework.

Rather than prescribe an entire new broadcasting regulatory framework, the Bill brings a new class of "online undertakings" into the existing framework and delegates authority to the CRTC to execute the transition.

To assist the CRTC, the Bill grants the regulator new regulatory tools such as: the authority to issue "administrative monetary penalties" for non-compliance; comprehensive information-gathering and monitoring powers; and the flexibility to structure service conditions at a business segment, corporate group and a service level.

To further guide the CRTC in those processes, on June 10, 2023, the Government published proposed directions to guide the CRTC during its implementation of the *Online Streaming Act* in the *Canada Gazette, Part 1* for public consultation. Following the public consultation, the final policy directions will be published in the *Canada Gazette, Part II* and will become binding on the CRTC at that time.

Concurrently, the CRTC commenced proceedings to implement changes to the *Broadcasting Act* in regulation. Among other things, the CRTC is considering which online undertakings should be required to contribute to the policy objective of the *Broadcasting Act*. A public appearing hearing is scheduled as part of those proceedings in November 2023.

There is no guarantee that future broadcasting regulations will apply equitably between foreign digital and traditional Canadian broadcasters, or will result in new reductions in regulatory requirements on Canadian broadcasting groups.

### **Proposed Amendments to the Food and Drugs Act**

On February 9, 2022, Liberal Member of Parliament, Patricia Lattanzio, introduced a new private member's bill, Bill C-252, which proposed amendments to the *Food and Drug Act* to prohibit certain food and beverage advertising meeting specified nutritional criteria that are directed at children under 13. Bill C-252 is currently at Third Reading in the House of Commons. If Bill C-252 passes Third Reading, it will go to the Senate for further study and consultation. If passed, the legislation and related regulations would enact new restrictions on the sale of advertising on Canadian broadcast networks.

More information can be found at [www.canada.ca](http://www.canada.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.

### **Copyright Act Requirements**

The Company's radio, conventional television and specialty television undertakings rely upon licences issued under 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.

### **PRIVACY**

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. To minimize risks of non-compliance, Corus maintains a set of CASL compliance guidelines for its employees, and provides support to employees through its Privacy Office.

The *Personal Information Protection and Electronic Documents Act* ("PIPEDA") sets out the federal standards for obtaining consent for the collection, use and retention of personal information, and similar privacy requirements apply in Quebec, British Columbia, Alberta and the European Union. 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 steps to comply with privacy legislation, including having appointed a Privacy Officer

to manage all privacy issues relating to Corus' business activities, maintaining privacy breach protocols, and implementing a privacy impact assessment protocol on all new data collection initiatives. Breaches of security safeguards that expose personal information collected or retained by Corus are inherently difficult to predict and may be beyond the Company's capacity to prevent, including in breaches of third party vendor systems which collect or retain personal information on Corus' behalf. In such cases, the Company may become subject to investigations, orders or penalties from relevant privacy regulators and/or liable for civil damages through legal actions commenced by affected individuals.

On June 16, 2022, Bill C-27 was tabled by the Minister of Innovation, Science, and Industry in Parliament. If passed, Bill C-27 will establish a new, federal private sector privacy law, the *Consumer Privacy Protection Act* (replacing PIPEDA), the *Artificial Intelligence and Data Act* and a new Personal Information and Data Protection Tribunal. Bill-27 has yet to receive Royal Assent and become law. 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 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.

#### ***Litigation and 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, 2023, 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.

## **F. REPUTATIONAL**

Corus has reputational risk associated with the potential that stakeholder perceptions, whether true or not, regarding its business prospects, plans, practices, actions or inactions, will or may cause a significant decline in its value, brand, liquidity or customer base, or require costly measures to address. This could include negative perception or publicity of individuals, particularly public-facing talent, who work for or with Corus, whether true or not. Such negative perceptions could harm Corus' reputation overall as well as the reputations, financial values, and prospects of individual brands, programs, stations or businesses.

The Company includes the consideration of Environmental and Social risks as part of reputational risk while recognizing that such risks may impact or be impacted by other types of risks. Environmental and social risk is the risk of financial loss or reputational damage resulting from the Company's inability to appropriately meet or adapt to changing environmental or social risks and opportunities, that impact or are associated with its business and operations, including affects on clients or the communities in which Corus operates. A failure to monitor and address evolving stakeholder expectations, environmental management standards, and prepare for or comply with regulatory requirements related to ESG or sustainability disclosures and performance could adversely impact the Company's reputation and result in higher operational costs and, in the event of regulatory non-compliance, financial loss.

## 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 (see *CONTROL OF CORUS BY THE SHAW FAMILY*).

### SHAW COMMUNICATIONS INC.

The Company has transacted business in the normal course with Shaw and its subsidiaries. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and have normal trade terms. Shaw ceased to be a related party on April 3, 2023, when purchased by Rogers Communications Inc.

The Company recognizes these transactions at the amounts agreed to by the related parties, which were also approved by the Corus Corporate Governance Committee. The amounts owing for these services were unsecured, interest-free, and generally due for payment within one month of the date of the transaction.

(thousands of Canadian dollars)	2023	2022
<b>Revenue</b>		
Advertising	16,807	28,772
Subscriber	59,724	107,171
Distribution, production and other	2,165	3,673
<b>Expenses</b>		
Cable and satellite system distribution access fees	4,960	8,510
Administrative and other fees	1,024	1,762
Advertising	2,152	4,009
<b>Accounts receivable from Shaw</b>	—	20,793
<b>Accounts payable to Shaw</b>	—	2,292

Note: Fiscal 2023 data is for the period September 1, 2022 through April 3, 2023.

## OUTSTANDING SHARE DATA

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.

(shares/units)	As at October 26, 2023	As at August 31, 2022
<b>Shares Outstanding</b>		
Class A Voting Shares	3,365,526	3,371,526
Class B Non-Voting Shares	196,074,632	196,873,632
<b>Stock Options</b>		
Vested	4,811,925	4,852,325
Non-vested	4,490,775	2,730,775

## **IMPACT OF NEW ACCOUNTING POLICIES**

### **NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL 2023**

#### ***IFRS 3 – Business Combinations (“IFRS 3”)***

Amendments to IFRS 3 were issued in May 2020, and are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The amendments update references within IFRS 3 to the 2018 Conceptual Framework and require that the principles in IAS 27 - *Provisions, Contingent Liabilities and Contingent Assets* be used to identify liabilities and contingent assets arising from business combination. The Company has concluded that there is no impact of adopting these amendments on its consolidated financial statements on September 1, 2023.

#### ***IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”)***

Amendments to IAS 37 were issued in May 2020, and are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The amendments address identifying onerous contracts and specify the cost of fulfilling a contract which includes all costs directly related to the contract. These include incremental direct costs and allocations of other costs that relate directly to fulfilling the contract. The Company has concluded that there is no impact of adopting these amendments on its consolidated financial statements on September 1, 2023.

### **PENDING ACCOUNTING PRONOUNCEMENTS**

#### ***IFRS 16 – Leases (“IFRS 16”)***

In September 2022, the IASB issued an amendment to IFRS 16, which add subsequent measurement requirements for sale and leaseback transactions for seller-lessees. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively. The Company is currently assessing the impact of adopting these amendments on its consolidated financial statements.

#### ***IAS 1 – Presentation of Financial Statements (“IAS 1”)***

In January 2020, the IASB issued an amendment to IAS 1, which affects only the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least 12 months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively. The Company is currently assessing the impact of adopting these amendments on its consolidated financial statements.

#### ***IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”)***

Amendments to IAS 8 were issued in February 2021, the IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment replaces the definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has concluded that there is no impact of adopting these amendments on its consolidated financial statements on September 1, 2023.

#### ***IAS 12 – Income Taxes (“IAS 12”)***

Amendments to IAS 12 were issued in May 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amends IAS 12. The amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offset temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company has concluded that there is no impact of adopting these amendments on its consolidated financial statements on September 1, 2023.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company's significant accounting policies are described in note 3 to the fiscal 2023 audited consolidated financial statements and notes thereto, which have been prepared in accordance with IFRS. The preparation of these fiscal 2023 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 revenue and expenses during the reporting periods.

Management uses estimates when accounting for certain items such as revenue, 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 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.

The macroeconomic environment became increasingly uncertain in the fourth quarter of fiscal 2022, characterized by persistently high inflation and continuing supply chain constraints, as a result advertising demand and spending across the North American television media industry contracted meaningfully. These conditions have persisted throughout fiscal 2023. In addition, the continued labour action of the SAG-AFTRA continues to impact the majority of scripted productions world-wide that employ SAG-AFTRA talent, which impacts the timing of premium content premiers and types of programming available for airing on the Company's services in the coming months. This has resulted in a further tightening of advertising demand, particularly in the Television operating segment. The Company's share price has continued to decline meaningfully from August 31, 2021, which resulted in the Company's carrying value being greater than its market enterprise value at August 31, 2022, May 31, 2023, and August 31, 2023. Accordingly, impairment testing was required for both the Television and Radio CGUs at all of the preceding period ends.

For the year ended August 31, 2023, the Company has recorded non-cash impairment charges in the Television CGU against goodwill of \$295.2 million, broadcast licences of \$219.8 million, as well as brand and trade marks of \$175.0 million. No impairment was identified in the Radio operating segment CGUs (refer to note 10 of the consolidated financial statements). There were no previously recorded impairment charges reversed.

For the year ended August 31, 2022, as the Television CGU had actual results that fell short of previous estimates and an outlook that is less robust, a non-cash goodwill impairment charge of \$350.0 million was recorded in the Television CGU. The Company also assessed for indicators that previous impairment losses had decreased. There were no previously recorded impairment charges reversed.

Due to the uncertainty related to the economic environment, the Company has noted there is significant estimation uncertainty related to the Company's growth rates and future cash flow estimates, which could change in the near term and the effect of such changes could be material. 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 both the television and radio goodwill impairment tests, would have resulted in an additional impairment charge in the Television segment of between \$nil million to \$65.0 million.

A significant portion of the Company's total assets are long-lived intangible assets. As at August 31, 2023 44% (2022 — 55%) 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.

## **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 income (loss) and comprehensive income (loss). 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 a supplementary executive non-registered retirement plan which provides 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)	<b>Accrued benefit obligation at August 31, 2023</b>	<b>Pension expense for the year ended August 31, 2023</b>
Weighted average discount rate – registered plans	5.20%	4.80%
Weighted average discount rate – non-registered plans	5.20%	4.80%
Impact of: 1% decrease – registered plans	\$25,168	\$2,404
Impact of: 1% decrease – non-registered plans	\$4,238	\$205

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

## SHARE-BASED COMPENSATION

In the evaluation of the fair value of stock options, DSUs, PSUs, and 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 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, 2023, 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, 2023, 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, 2023.

### **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

There were no changes in the Company's internal control over financial reporting that occurred during fiscal 2023 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.sedarplus.ca](http://www.sedarplus.ca).

## 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, 2023, 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 auditor's 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 auditor.

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditor 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 AUDITOR'S 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, 2023 and August 31, 2022, and the consolidated statements of loss and comprehensive 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, 2023 and August 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

### 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.

### Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

### **Assessment of goodwill and intangible asset impairment**

#### *Key Audit Matter*

As at August 31, 2023, goodwill and indefinite life intangible assets amounted to \$21 million and \$676 million, as disclosed in notes 9 and 10 to the consolidated financial statements, respectively. During the year, the Group recorded an impairment of \$690 million related to the Television cash generating unit ("CGU"), of which \$295 million, \$220 million and \$175 million was related to goodwill, broadcast licenses, and brands and trademarks intangibles, respectively.

Management assesses at least annually, or at any time if an indicator of impairment exists, whether there has been an impairment loss in the carrying value of these assets. When performing impairment tests, the Group estimates the recoverable amount of the cash generating unit (CGU) or group of CGUs, to which goodwill and indefinite life intangible assets have been allocated, using a value in use ("VIU") discounted cash flow model or fair value less costs to sell ("FVLCS") model. The Group discloses significant judgments, estimates and assumptions and the result of their analysis in respect of impairment in Note 10 to the consolidated financial statements.

Auditing management's annual goodwill and indefinite life intangible assets impairment test was complex, given the degree of judgment and subjectivity in evaluating management's estimates and assumptions in determining the recoverable amount of the respective CGU and group of CGUs. Significant assumptions included growth rates, earnings margins, and discount rate, which are affected by expectations about future market and economic conditions. There is also judgment in estimating the allocation of impairment to assets other than goodwill.

### *How our audit addressed the key audit matter*

To test the estimated recoverable amount of the CGU and group of CGUs, our audit procedures included, among others:

- Tested the mathematical accuracy of the impairment models;
- Evaluated the historical accuracy of management's estimates on growth rates and earnings margins by comparing management's past projections to actual performance;
- Compared management's estimated growth rates and the earnings margins to historical performance and economic trends;
- Involved our valuation specialists to assess the Group's impairment models, valuation methodologies, and to compare the aggregate recoverable amounts of the CGUs to the Group's enterprise value;
- With the assistance of our valuation specialists, assessed the selection and application of the discount rate used in the VIU and FVLCS models by comparing the risk-free rate and risk premiums to comparable market data;
- With the assistance of our valuation specialists, assessed the allocation of impairment to assets other than goodwill based on the valuation of the assets being the highest of fair value less costs to dispose and value in use;
- Performed sensitivity analysis on the significant assumptions to evaluate the change in calculated recoverable amounts that would result from changes in the underlying inputs; and
- Assessed the adequacy of the Group's disclosures included in Note 10 of the accompanying consolidated financial statements in relation to this matter.

### **Other information**

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those *charged with governance*, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Toronto, Canada  
October 26, 2023

*Ernst & Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at August 31,

(in thousands of Canadian dollars)

	2023	2022
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	56,163	54,912
Accounts receivable (note 4)	295,175	311,015
Income taxes recoverable	21,597	17,180
Prepaid expenses and other assets	21,285	21,423
<b>Total current assets</b>	<b>394,220</b>	<b>404,530</b>
Tax credits receivable	44,270	32,744
Investments and other assets (note 5)	74,415	63,931
Property, plant and equipment (note 6)	268,214	294,026
Program rights (note 7)	668,976	660,722
Film investments (note 8)	53,085	59,122
Intangibles (notes 9 and 10)	1,198,229	1,937,104
Deferred income tax assets (note 20)	44,653	50,301
	<b>2,746,062</b>	<b>3,502,480</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 11)	565,052	526,899
Current portion of long-term debt (note 13)	13,434	15,574
Provisions (note 12)	9,811	8,540
<b>Total current liabilities</b>	<b>588,297</b>	<b>551,013</b>
Long-term debt (note 13)	1,078,950	1,246,076
Other long-term liabilities (note 14)	316,912	376,570
Provisions (note 12)	9,041	9,830
Deferred income tax liabilities (note 20)	293,862	415,010
<b>Total liabilities</b>	<b>2,287,062</b>	<b>2,598,499</b>
Share capital (note 15)	281,052	781,918
Contributed surplus (note 15)	2,012,936	1,511,481
Accumulated deficit	(2,014,077)	(1,574,358)
Accumulated other comprehensive income (note 16)	37,841	33,000
Total equity attributable to shareholders	317,752	752,041
Equity attributable to non-controlling interests	141,248	151,940
<b>Total equity</b>	<b>459,000</b>	<b>903,981</b>
	<b>2,746,062</b>	<b>3,502,480</b>

Commitments, contingencies and guarantees (notes 13 and 27)

See accompanying notes

## CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

### For the years ended August 31,

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

	2023	2022
Revenue (notes 21 and 25)	1,511,240	1,598,586
Direct cost of sales, general and administrative expenses (note 17)	1,177,235	1,154,943
Depreciation and amortization (notes 6 and 9)	157,645	156,937
Interest expense (note 18)	135,410	107,108
Goodwill, broadcast licence and other asset impairment (notes 9 and 10)	690,000	350,000
Debt refinancing (note 13)	—	(3,428)
Restructuring and other costs (note 12)	20,569	8,062
Gain on disposition (note 26)	(142,288)	—
Other expense (income), net (note 19)	(3,670)	16,847
Loss before income taxes	(523,661)	(191,883)
Income tax expense (recovery) (note 20)	(100,806)	40,355
<b>Net loss for the year</b>	<b>(422,855)</b>	<b>(232,238)</b>
<b>Other comprehensive income, net of income taxes (note 16):</b>		
<b>Items that may be subsequently reclassified to income (loss):</b>		
Unrealized change in fair value of cash flow hedges	4,945	4,891
Unrealized foreign currency translation adjustment	1,067	1,296
	<b>6,012</b>	<b>6,187</b>
<b>Items that will not be reclassified to income (loss):</b>		
Unrealized change in fair value of financial assets	(1,171)	5,002
Actuarial gain on post-retirement benefit plans	9,601	4,466
	<b>8,430</b>	<b>9,468</b>
Other comprehensive income, net of income taxes	14,442	15,655
<b>Comprehensive loss for the year</b>	<b>(408,413)</b>	<b>(216,583)</b>
<b>Net loss attributable to:</b>		
Shareholders	(428,724)	(245,058)
Non-controlling interests	5,869	12,820
	<b>(422,855)</b>	<b>(232,238)</b>
<b>Comprehensive loss attributable to:</b>		
Shareholders	(414,282)	(229,403)
Non-controlling interests	5,869	12,820
	<b>(408,413)</b>	<b>(216,583)</b>
<b>Loss per share attributable to shareholders:</b>		
Basic	(\$2.15)	\$(1.19)
Diluted	(\$2.15)	\$(1.19)

See accompanying notes

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)	Share capital (note 15)	Contributed surplus (note 15)	Accumulated deficit	Accumulated other comprehensive income (note 16)	Total equity attributable to shareholders	Non-controlling interest	Total equity
As at August 31, 2022	<b>781,918</b>	<b>1,511,481</b>	<b>(1,574,358)</b>	<b>33,000</b>	<b>752,041</b>	<b>151,940</b>	<b>903,981</b>
Comprehensive income (loss)	—	—	<b>(428,724)</b>	<b>14,442</b>	<b>(414,282)</b>	<b>5,869</b>	<b>(408,413)</b>
Dividends declared	—	—	<b>(23,475)</b>	—	<b>(23,475)</b>	<b>(17,366)</b>	<b>(40,841)</b>
Reduction of stated capital	<b>(500,000)</b>	<b>500,000</b>	—	—	—	—	—
Change in fair value of put option liability	—	—	<b>(347)</b>	—	<b>(347)</b>	<b>176</b>	<b>(171)</b>
Shares repurchased under normal course issuer bid ("NCIB")	<b>(3,090)</b>	<b>1,119</b>	—	—	<b>(1,971)</b>	—	<b>(1,971)</b>
Reversal of automatic share purchase commitment	<b>2,224</b>	<b>(504)</b>	—	—	<b>1,720</b>	—	<b>1,720</b>
Actuarial gain on post-retirement benefit plans	—	—	<b>9,601</b>	<b>(9,601)</b>	—	—	—
Share-based compensation expense	—	<b>840</b>	—	—	<b>840</b>	—	<b>840</b>
Reallocation of equity interest	—	—	<b>3,226</b>	—	<b>3,226</b>	<b>(3,226)</b>	—
Equity funding by a non-controlling interest	—	—	—	—	—	<b>3,855</b>	<b>3,855</b>
<b>As at August 31, 2023</b>	<b>281,052</b>	<b>2,012,936</b>	<b>(2,014,077)</b>	<b>37,841</b>	<b>317,752</b>	<b>141,248</b>	<b>459,000</b>

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income	Total equity attributable to shareholders	Non-controlling interests	Total equity
As at August 31, 2021	816,189	1,512,431	(1,282,897)	21,811	1,067,534	152,829	1,220,363
Comprehensive income (loss)	—	—	(245,058)	15,655	(229,403)	12,820	(216,583)
Dividends declared	—	—	(49,561)	—	(49,561)	(19,772)	(69,333)
Business acquisition	—	—	—	—	—	864	864
Change in fair value of put option liability	—	—	(1,308)	—	(1,308)	(520)	(1,828)
Shares repurchased under normal course issuer bid	(32,047)	(2,719)	—	—	(34,766)	—	(34,766)
Share repurchase commitment under NCIB	(2,224)	504	—	—	(1,720)	—	(1,720)
Actuarial gain on post-retirement benefit plans	—	—	4,466	(4,466)	—	—	—
Share-based compensation expense	—	1,265	—	—	1,265	—	1,265
Equity funding by a non-controlling interest	—	—	—	—	—	5,719	5,719
As at August 31, 2022	781,918	1,511,481	(1,574,358)	33,000	752,041	151,940	903,981

See accompanying notes



## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended August 31,

(in thousands of Canadian dollars)

	2023	2022
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	<b>(422,855)</b>	(232,238)
Adjustments to reconcile net loss to cash flow from operations:		
Amortization of program rights (notes 7 and 17)	<b>595,179</b>	559,810
Amortization of film investments (notes 8 and 17)	<b>36,760</b>	23,929
Depreciation and amortization (notes 6 and 9)	<b>157,645</b>	156,937
Deferred income tax recovery (note 20)	<b>(124,516)</b>	(10,437)
Goodwill, broadcast licence and other asset impairment (note 10)	<b>690,000</b>	350,000
Gain on business divestiture (note 26)	<b>(142,288)</b>	—
Share-based compensation expense (note 15)	<b>840</b>	1,265
Imputed interest (note 18)	<b>57,547</b>	46,201
Debt refinancing	<b>—</b>	(3,428)
Payment of program rights	<b>(674,535)</b>	(564,214)
Net spend on film investments	<b>(60,341)</b>	(41,168)
Other	<b>1,345</b>	7,628
<b>Cash flow from operations</b>	<b>114,781</b>	294,285
Net change in non-cash working capital balances related to operations (note 24)	<b>7,886</b>	(77,450)
<b>Cash provided by operating activities</b>	<b>122,667</b>	216,835
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment (notes 6 and 21)	<b>(13,302)</b>	(17,810)
Proceeds from sale of property	<b>736</b>	299
Business divestiture, net of divested cash (note 26)	<b>141,172</b>	—
Business combination, net of cash acquired	<b>—</b>	3,606
Venture fund distribution	<b>—</b>	43,478
Net cash flows for intangibles, investments and other assets	<b>(3,332)</b>	(4,401)
<b>Cash provided by investing activities</b>	<b>125,274</b>	25,172
<b>FINANCING ACTIVITIES</b>		
Decrease in bank loans	<b>(171,742)</b>	(354,846)
Financing fees	<b>(998)</b>	(5,892)
Issuance of senior unsecured notes	<b>—</b>	250,000
Share repurchase under NCIB (note 15)	<b>(2,045)</b>	(34,691)
Equity funding by a non-controlling interest	<b>3,855</b>	3,742
Payment of lease liabilities (note 6)	<b>(17,943)</b>	(17,031)
Dividends paid (note 15)	<b>(35,923)</b>	(49,561)
Dividends paid to non-controlling interest	<b>(17,366)</b>	(19,772)
Other	<b>(4,528)</b>	(2,729)
<b>Cash used in financing activities</b>	<b>(246,690)</b>	(230,780)
Net change in cash and cash equivalents during the year	<b>1,251</b>	11,227
Cash and cash equivalents, beginning of the year	<b>54,912</b>	43,685
<b>Cash and cash equivalents, end of the year</b>	<b>56,163</b>	54,912

Supplemental cash flow disclosures (note 24)

See accompanying notes

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## 1. CORPORATE INFORMATION

Corus Entertainment Inc. (the "Company" or "Corus") is a diversified Canadian-based integrated media and content company. The Company is incorporated under the *Canada Business Corporations Act* and its Class B non-voting participating shares ("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 – 2<sup>nd</sup> 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 and conventional television stations, the operation of radio stations; the operation of digital and streaming services, a social media digital agency, a social media creator network, technology and media services; and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, book publishing and animation software (disposed of August 23, 2023).

## 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with 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 26, 2023.

## 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 intercompany balances, transactions, unrealized gains and losses resulting from intercompany 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. In assessing the level of control or influence that the Company has over an investment, management considers ownership percentages, board representation, as well as other relevant provisions in the shareholder agreements.

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 intercompany unrealized gains resulting from intercompany 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 restructuring and other costs.

The Company determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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 that is deemed to be a financial asset or liability will be recognized in accordance with IFRS 9 – *Financial Instruments: Classification and Measurement* ("IFRS 9") 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 revenue is recognized in the period in which the advertising is aired on the Company's television and radio stations or posted on various websites or other digital assets and when collection is reasonably assured.

Subscriber fee revenue is 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 distributors.

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 license 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 license revenue is satisfied at a point in time due to there being limited ongoing involvement in the use of the license following its transfer to the customer. The Company has determined that most service revenue is 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 distribution and production revenue from the distribution and licensing of film rights; royalties from merchandise licensing, publishing and music contracts; sale of licenses, customer support, training and consulting related to the animation software business; revenue 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.

## 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.

### *Leases and right-of-use assets*

The Company assesses whether a contract is, or contains, a lease at the inception of the contract. The Company recognizes a lease liability with a corresponding right-of-use asset for all lease agreements in which it is the lessee, except for short-term leases and leases of low-value assets. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing its carrying amount to reflect accretion on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect lease payments made. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the underlying asset. The Company applies International Accounting Standard ("IAS") 36 – *Impairment of Assets*, to determine whether the asset is impaired and account for any identified impairment loss.

The Company does not recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and do not contain a purchase option or for leases related to low-value assets. Lease payments on short-term leases and lease of low-value assets are recognized as general and administrative expenses in the consolidated statements of income (loss) and comprehensive income (loss).

Right-of-use assets are measured at cost, comprised of the initial measurement of the corresponding lease liabilities and lease payments made at or before the commencement date of any initial direct costs. They are subsequently depreciated on a straight-line basis over their expected useful lives and reduced by impairment losses. Right-of-use assets are tested for impairment if indicators of impairment exist.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are presented as such in the consolidated statements of income (loss) and comprehensive income (loss).

Right-of-use assets are included in property, plant and equipment on the consolidated statements of financial position. The current portion of lease liabilities are included in accounts payable and accrued liabilities on the consolidated statements of financial position, while the long-term portion is included in other long-term liabilities.

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.

### **Depreciation**

Depreciation is recorded on a straight-line basis over the estimated useful lives of the property, plant and equipment and right-of-use assets as follows:

Land and assets not available for use	Not depreciated
Broadcasting equipment	5 – 10 years
Computer equipment	3 – 5 years
Leasehold improvements	Lease term
Right-of-use assets	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 license period has begun, the program material is accepted by the Company and the material is available for airing. Long-term liabilities related to these rights are recorded at the net present value of future cash flows, using an appropriate discount rate. These costs are amortized over the contracted exhibition period as the programs or feature films are aired. Program and film rights are carried at cost less accumulated amortization.

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. 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 over the license term.

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.

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 – 15 years
Software	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 the CGU is the combined group of the conventional television stations and specialty television networks. This is the lowest level at which management monitors broadcast licences for internal management purposes and have independent cash inflows.

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 Television CGU and Radio Group of CGUs. 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 license fee and is recorded as revenue when cash has been received. Government assistance with respect to federal and provincial production tax credits is recorded as a reduction of film investments when eligible expenditures are made and there is reasonable assurance of realization. Assistance in connection with internally produced film investments is recorded as a reduction in film investments. The accrual of production tax credits on a contemporaneous basis with production expenditures are based on a five-year historical trending of the ratio of actual production tax credits received to total production tax credits applied for.

Government 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 as at the consolidated statements of financial position date. Revenue 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 as 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) and comprehensive income (loss), unless it relates to items recognized outside the consolidated statements of income (loss) and comprehensive income (loss). Income tax expense relating to items recognized outside of the consolidated statements of income (loss) and comprehensive 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 as 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.

### **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 consolidated financial position and results of operations.

### **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. Financial instruments are measured by grouping them into classes upon initial recognition, based on the purpose of the individual instruments. All financial instruments are measured at fair value plus, in the case of the Company's financial instruments not classified as fair value through profit and loss ("FVTPL") or fair value through other comprehensive income ("FVTOCI"), transaction costs that are directly attributable to the acquisition or issuance of the financial instruments. The classifications and methods of measurement subsequent to initial recognition of the Company's financial assets and financial liabilities are as follows:

Financial instrument	Classification and measurement method
<b>Financial assets</b>	
Cash and cash equivalents	FVTPL
Accounts receivable	Amortized cost
Investments in venture funds	FVTOCI with no reclassification to net income <sup>(1)</sup>
<b>Financial liabilities</b>	
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Other long-term liabilities	Amortized cost
<b>Derivatives <sup>(2)</sup></b>	
Interest rate swap agreements <sup>(3)</sup>	FVTOCI
Prepayment options of Notes <sup>(4)</sup>	FVTPL
Foreign exchange forward contracts <sup>(4)</sup>	FVTPL
Total return swap agreements <sup>(5)</sup>	FVTPL

<sup>(1)</sup> Subsequently measured at fair value with changes recognized in the FVTOCI investment reserve.

<sup>(2)</sup> Derivatives can be in an asset or liability position at a point in time historically or in the future. For derivatives designated as cash flow hedges for accounting purposes, the effective portion of the hedge is recognized in accumulated other comprehensive income (loss) and the ineffective portion of the hedge is recognized immediately into profit and loss. Derivatives not designated as hedges for accounting purposes are recognized directly in profit and loss.

<sup>(3)</sup> Debt derivatives related to the Company's Credit Facility have been designated as hedges for accounting purposes and are measured at FVTOCI.

<sup>(4)</sup> Subsequent changes are offset against other expense (income), net.

<sup>(5)</sup> Subsequent changes are offset against stock-based compensation expense or recovery in operating costs.

### **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 FVTOCI pursuant to the irrevocable election under IFRS 9. Changes in the fair value of equity securities are permanently recognized in OCI and are not 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 consolidated statements of financial position unless there is a legal right of 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 consolidated statements of income (loss) and comprehensive income (loss). Amounts deferred in OCI are reclassified when the hedged transaction has occurred.

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 debt financing costs.

**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 as well as total return swaps 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 Company's investments in venture funds consist primarily of investments in common shares of a venture fund that invests in common and preferred shares of entities in the media and entertainment industry, which have little to no market activity. As a result, these investments are classified within Level 3.

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.

**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 units under such plans awarded to certain employees and directors.

The fair value of the stock options granted that 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 increase to the 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 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 transferred to retained earnings and are not reclassified to profit or loss in subsequent periods. The asset or liability that is recognized on the consolidated statements of financial position is the present value of the defined benefit obligation at the reporting date less the fair value of the plans' assets. For the funded plans, the value of any additional minimum funding requirements (as determined by the applicable pension legislation) is recognized to the extent that the amounts are not considered recoverable. Recoverability is primarily based on the extent to which the Company can reduce the future contributions to the plans.

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

## **IMPAIRMENT OF LONG-LIVED ASSETS**

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

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

### ***Goodwill***

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

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

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

### ***Broadcast 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 10 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 (that 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.

## **EARNINGS (LOSS) PER SHARE**

Basic earnings (loss) per share is 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 revenue 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, right-of-use assets, program rights, film investments, goodwill, broadcast licences and intangible assets; and 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 right-of-use assets;
- determining discount rates used to measure lease liabilities; 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;
- inclusion of renewal periods covered by options to extend lease terms included in the measurement of right-of-use assets and liabilities;
- 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 ACCOUNTING POLICIES**

### ***IFRS 3 – BUSINESS COMBINATIONS (“IFRS 3”)***

Amendments to IFRS 3 were issued in May 2020, and are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The amendments update references within IFRS 3 to the 2018 Conceptual Framework and require that the principles in IAS 27 - *Provisions, Contingent Liabilities and Contingent Assets* be used to identify liabilities and contingent assets arising from business combination. The Company has concluded there is no impact of adopting these amendments on its consolidated financial statements.

### ***IAS 37 – PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (“IAS 37”)***

Amendments to IAS 37 were issued in May 2020, and are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The amendments address identifying onerous contracts and specify the cost of fulfilling a contract which includes all costs directly related to the contract. These include incremental direct costs and allocations of other costs that relate directly to fulfilling the contract. The Company has concluded that there is no impact of adopting these amendments on its consolidated financial statements.

## **PENDING ACCOUNTING PRONOUNCEMENTS**

### ***IFRS 16 – LEASES (“IFRS 16”)***

In September 2022, the IASB issued an amendment to IFRS 16, which add subsequent measurement requirements for sale and leaseback transactions for seller-lessees. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively. The Company is currently assessing the impact of adopting these amendments on its consolidated financial statements.

**IAS 1 – PRESENTATION OF FINANCIAL STATEMENTS (“IAS 1”)**

In January 2020, the IASB issued an amendment to IAS 1, which affects the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least 12 months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual periods beginning on or after January 1, 2024 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its consolidated financial statements.

**IAS 8 – ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS (“IAS 8”)**

Amendments to IAS 8 were issued in February 2021, IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment replaces the definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty.” The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company has concluded that there is no impact of adopting these amendments on its consolidated financial statements on September 1, 2023.

**IAS 12 – INCOME TAXES (“IAS 12”)**

Amendments to IAS 12 were issued in May 2021, IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amends IAS 12. The amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offset temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company has concluded that there is no impact of adopting these amendments on its consolidated financial statements on September 1, 2023.

**4. ACCOUNTS RECEIVABLE**

	2023	2022
Trade	271,130	291,175
Other	26,718	23,000
	<b>297,848</b>	314,175
Less allowance for doubtful accounts	2,673	3,160
	<b>295,175</b>	311,015

## 5. INVESTMENTS AND OTHER ASSETS

	Investments in venture funds	Other assets	Total
Balance - August 31, 2021	61,320	37,347	98,667
Increase in investments	126	5	131
Fair value adjustment through OCI with no reclassification to net income (note 16)	12,894	(6,239)	6,655
Distribution from a venture fund investment	(43,478)	—	(43,478)
Post-retirement plan asset change (note 28)	—	(1,971)	(1,971)
Derivative fair value change (note 13)	—	3,927	3,927
Balance - August 31, 2022	30,862	33,069	63,931
Decrease in investments	(457)	(8)	(465)
Fair value adjustment through OCI with no reclassification to net income (note 16)	(2,066)	—	(2,066)
Investment recovery (note 19)	—	800	800
Post-retirement plan asset change (note 28)	—	7,225	7,225
Derivative fair value change (note 13)	—	4,990	4,990
<b>Balance - August 31, 2023</b>	<b>28,339</b>	<b>46,076</b>	<b>74,415</b>

### INVESTMENT IN VENTURE FUNDS

In accordance with 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 net asset position of registered pension plans, derivative financial instruments and investments in associates.

## 6. PROPERTY, PLANT AND EQUIPMENT AND LEASE LIABILITIES

	Land	Broadcasting and computer equipment	Buildings and leasehold improvements	Furniture and fixtures	Right-of- use assets	Other	Total
<b>Cost</b>							
Balance - August 31, 2021	34,555	234,976	161,157	13,405	141,172	18,632	603,897
Additions	—	21,097	1,867	244	1,722	(6,492)	18,438
Disposals and retirements	(100)	(574)	(1,242)	—	(430)	(976)	(3,322)
Balance - August 31, 2022	34,455	255,499	161,782	13,649	142,464	11,164	619,013
Additions	—	11,877	2,897	232	3,620	(2,598)	16,028
Disposals and retirements	(367)	(12,879)	(308)	(107)	(1,916)	(439)	(16,016)
<b>Balance - August 31, 2023</b>	<b>34,088</b>	<b>254,497</b>	<b>164,371</b>	<b>13,774</b>	<b>144,168</b>	<b>8,127</b>	<b>619,025</b>



	Land	Broadcasting and computer equipment	Buildings and leasehold improvements	Furniture and fixtures	Right-of-use assets	Other	Total
<b>Accumulated depreciation</b>							
Balance - August 31, 2021	—	172,323	76,610	10,818	23,857	4,063	287,671
Depreciation	—	17,274	7,456	916	12,605	960	39,211
Disposals and retirements	—	(243)	(443)	—	(216)	(993)	(1,895)
Balance - August 31, 2022	—	189,354	83,623	11,734	36,246	4,030	324,987
Depreciation	—	15,992	7,418	809	12,934	922	38,075
Disposals and retirements	—	(9,683)	(245)	(107)	(1,816)	(400)	(12,251)
<b>Balance - August 31, 2023</b>	<b>—</b>	<b>195,663</b>	<b>90,796</b>	<b>12,436</b>	<b>47,364</b>	<b>4,552</b>	<b>350,811</b>
<b>Net book value</b>							
Balance - August 31, 2022	34,455	66,145	78,159	1,915	106,218	7,134	294,026
<b>Balance - August 31, 2023</b>	<b>34,088</b>	<b>58,834</b>	<b>73,575</b>	<b>1,338</b>	<b>96,804</b>	<b>3,575</b>	<b>268,214</b>

### LEASES AND RIGHT-OF-USE ASSETS

The Company has the right-of-use of land and buildings under leases. The Company primarily leases land and buildings related to its television and radio operations. The non-cancellable contract period for the Company's leases typically range from 2 to 23 years for offices and 5 to 30 years for transmitter sites.

Variable lease payments included in operating costs were \$13.6 million in fiscal 2023 (2022 – \$12.6 million).

For the year ended August 31,	2023	2022
Variable lease payment expenses not included in the measurement of lease liabilities	13,590	12,639
Interest expense on lease liabilities	6,144	6,456
Expenses for leases of low-value assets	999	1,120
Expenses for short-term leases	2,345	2,297
Rental income from subleasing activities	3,690	3,403

### Lease liabilities

Below is a summary of the activity related to lease liabilities for the year ended August 31:

As at August 31, 2021	143,546
Additions	1,722
Lease terminations	(324)
Interest expense	6,456
Payments	(17,031)
As at August 31, 2022	134,369
Additions	3,620
Lease terminations	(106)
Interest expense	6,144
Payments	(17,943)
Less current portion of lease liabilities (note 11)	(14,335)
Long-term portion of lease liabilities (note 14)	111,749

## 7. PROGRAM RIGHTS

Balance - August 31, 2021	576,076
Additions	636,412
Transfers from film investments (note 8)	8,044
Amortization (note 17)	(559,810)
Balance - August 31, 2022	660,722
Additions	595,282
Transfers from film investments (note 8)	8,151
Amortization (note 17)	(595,179)
<b>Balance - August 31, 2023</b>	<b>668,976</b>

The Company expects that approximately 40% of the net book value of program rights will be amortized during the year ending August 31, 2024. The Company expects the net book value of program rights to be fully amortized by August 2029.

## 8. FILM INVESTMENTS

Balance - August 31, 2021	39,732
Additions	60,168
Tax credit accrual	(15,497)
Transfer to program rights (note 7)	(8,044)
Acquisitions (note 26)	6,692
Amortization (note 17)	(23,929)
Balance - August 31, 2022	59,122
Additions	73,786
Tax credit accrual	(34,912)
Transfer to program rights (note 7)	(8,151)
Amortization (note 17)	(36,760)
<b>Balance - August 31, 2023</b>	<b>53,085</b>

The Company expects that approximately 18% of the net book value of film investments will be amortized during the year ending August 31, 2024. The Company expects the net book value of film investments to be substantially amortized by August 2042.

## 9. INTANGIBLES

	Broadcast licences <sup>(1)</sup>	Brands and trade marks	Goodwill <sup>(1)</sup>	Other <sup>(2)</sup>	Total
Balance - August 31, 2021	895,983	780,748	664,958	10,701	2,352,390
Additions	—	46,673	—	6,621	53,294
Acquisitions (note 26)	—	—	1,350	—	1,350
Impairments (note 10)	—	(2,204)	(350,000)	—	(352,204)
Amortization	—	(110,021)	—	(7,705)	(117,726)
Balance - August 31, 2022	895,983	715,196	316,308	9,617	1,937,104
Additions	—	58,272	—	13,674	71,946
Impairment (note 10)	(219,791)	(175,000)	(295,209)	—	(690,000)
Disposition (note 26)	—	—	—	(1,251)	(1,251)
Amortization	—	(111,212)	—	(8,358)	(119,570)
<b>Balance - August 31, 2023</b>	<b>676,192</b>	<b>487,256</b>	<b>21,099</b>	<b>13,682</b>	<b>1,198,229</b>

<sup>(1)</sup> Broadcast licences and goodwill are located in Canada.

<sup>(2)</sup> Other intangibles are principally comprised of computer software.

The Company expects that approximately 16% of the net book value of brands and trade marks with a finite life will be amortized during the year ending August 31, 2024. 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 and goodwill, are tested for impairment annually as at August 31 or more frequently if events or changes in circumstances indicate that they may be impaired.

At August 31, 2023, the Company performed impairment testing and has recorded total non-cash impairment charges in the Television CGU against goodwill of \$295.2 million, broadcast licences of \$219.8 million, as well as brand and trade marks of \$175.0 million. No impairment was identified in the Radio operating segment CGUs.

For the year ended August 31, 2022, as the Television operating segment had actual results that fell short of previous estimates and an outlook that was less robust, a non-cash goodwill impairment charge of \$350.0 million was recorded in the Television CGU.

## 10. 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.

In fiscal 2023, the Company determined the VIU calculation for the Television CGU was higher than FVLCS and, therefore, the recoverable amount was based on VIU. The recoverable amount for the Radio CGUs was based on FVLCS as it was determined that it was higher than the VIU.

In fiscal 2022, the Company determined the VIU calculation was higher than FVLCS and, therefore, the recoverable amount for all CGUs or groups of CGUs was based on VIU. The recoverable amount for the Television CGU was less than the Television CGU carrying value, while the recoverable amount for the Radio group of CGUs was greater than the Radio group of CGUs carrying value.

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 individual 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 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 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 Television CGU generally range from 12% to 16% (2022 – 12% to 15%) and nil to 1% (2022 – nil to 1%), respectively.

The pre-tax discount and growth rates included in the FVLCS calculation of the Radio groups of CGUs generally ranged from 12% to 16% (2022 – 12% to 15%) and nil to 1% (2022 – nil to 1%), respectively.

As a result of intangible impairment testing in the third and fourth quarter of fiscal 2023, the Company recorded total non-cash impairment charges in the Television CGU against goodwill of \$295.2 million, broadcast licences of \$219.8 million, as well as brands and trade marks of \$175.0 million. No impairment was identified in the Radio operating segment CGUs. The recoverable amount for the Televisions CGU was less than the carrying value for the impairment tests, while the recoverable amount for the Radio CGUs was greater than the carrying value for the Radio group of CGUs. The Company also assessed for any indicators of whether previous impairment losses had decreased. No previously reported impairment losses on broadcast licenses or other intangible assets were reversed.

As a result of the the goodwill impairment testing in fiscal 2022 of the Television CGU, the Company recorded a goodwill impairment charge of \$350.0 million in the Television segment that reduced the carrying value of goodwill of this CGU to its recoverable amount. No goodwill or broadcast licence impairments were identified on the Radio groups of CGUs. 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***

Due to the uncertainty related to the macroeconomic environment, characterized by persistently high inflation and continuing supply chain constraints, and as a result advertising demand and spending across the North American television media industry has contracted meaningfully, the Company has noted there is significant estimation uncertainty related to the Company's growth rates and future cash flow estimates, which could change in the near term and the effect of such changes could be material. 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 both the Television and Radio goodwill impairment tests, would have resulted in an additional incremental impairment charge in the Television CGU between \$nil and \$65.0 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:

	2023	2022
<b>Broadcast licences</b>		
Television	633,114	852,905
Radio		
Toronto	21,775	21,775
Vancouver	21,303	21,303
	<b>676,192</b>	<b>895,983</b>
<b>Goodwill</b>		
Television	—	295,209
Radio	21,099	21,099
	<b>21,099</b>	<b>316,308</b>

## 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023	2022
Program rights payable	317,166	312,254
Trade accounts payable and accrued liabilities	156,236	136,360
Trade marks and distribution rights	71,558	48,906
Short-term portion of lease liabilities (note 6)	14,335	14,632
Software license liabilities	4,145	996
Film investment accruals	1,612	1,280
Dividends payable	—	12,471
	<b>565,052</b>	<b>526,899</b>

## 12. PROVISIONS

The Company recorded restructuring and other costs of \$20,569 (2022 – \$8,062) associated with employee exits and system integration costs.

	Restructuring	Onerous lease obligation	Asset retirement obligations (ARO)	Other	Total
Balance – August 31, 2021	5,927	1,660	8,932	180	16,699
Additions	4,135	—	—	400	4,535
Interest	—	—	216	—	216
Payments	(2,893)	(194)	7	—	(3,080)
Balance – August 31, 2022	7,169	1,466	9,155	580	18,370
Additions (reductions) <sup>(1)</sup>	17,340	(1,160)	(3,337)	200	13,043
Interest	—	—	193	—	193
Payments	(12,699)	(55)	—	—	(12,754)
<b>Balance – August 31, 2023</b>	<b>11,810</b>	<b>251</b>	<b>6,011</b>	<b>780</b>	<b>18,852</b>
Current	8,780	251	—	780	9,811
Long-term	3,030	—	6,011	—	9,041
<b>Balance – August 31, 2023</b>	<b>11,810</b>	<b>251</b>	<b>6,011</b>	<b>780</b>	<b>18,852</b>

<sup>(1)</sup> Includes an ARO and onerous lease obligation write-down relating to decommissioned transmitter sites with a corresponding reduction to the net book value of towers and transmitters and integration expense.

### 13. LONG-TERM DEBT

	2023	2022
Senior unsecured guaranteed notes ("Notes")	750,000	750,000
Bank loans	337,295	505,577
Interim production financing	13,434	15,574
Deferred financing charges	(8,345)	(9,501)
Net debt	1,092,384	1,261,650
Less current portion of long-term debt	(13,434)	(15,574)
	<b>1,078,950</b>	<b>1,246,076</b>

#### SENIOR UNSECURED NOTES AND CREDIT FACILITIES

The carrying value of the debt is accreted using the effective interest rate method over the remaining term of the Credit Facility or the Senior Unsecured Notes with the accretion recognized within interest expense on the condensed consolidated statements of loss and comprehensive loss.

##### *Senior Unsecured Notes*

The Company has \$500.0 million in principal amount of 5.0% Senior Unsecured Notes due May 11, 2028 (the "2028 Notes") and \$250.0 million in principal amount of 6.0% Senior Unsecured Notes due February 28, 2030 (the "2030 Notes" and, collectively with the 2028 Notes, the "Notes"). The 2030 Notes were issued on February 28, 2022 and the net proceeds were used to repay amounts under the Term Facility.

The Notes are senior unsecured obligations guaranteed by certain of the Company's subsidiaries and contain covenants that limit the Company's ability to incur additional debt, make certain restricted payments and investments, create liens, enter into transactions with affiliates, and consolidate, merge, transfer or sell all or substantially all of its property and assets. Interest on the Notes is paid semi-annually.

At any time prior to May 11, 2024 (first optional early redemption date for the 2028 Notes), the Company may redeem all or part of the 2028 Notes at a make-whole price determined by discounting the future interest and early redemption payments to the first optional early redemption date with reference to prevailing market Government of Canada rates plus 1%, but in any case at a redemption price that is no less than 101% of the principal amount of the 2028 Notes being redeemed, plus accrued and unpaid interest to the date of redemption. On or after May 11, 2024, the Company may redeem all or part of the 2028 Notes at the redemption price of 102.5% to May 11, 2025, 101.25% to May 11, 2026 and 100% thereafter, plus accrued and unpaid interest to the date of redemption.

At any time prior to February 28, 2025 (first optional early redemption date for the 2030 Notes), the Company may redeem all or part of the 2030 Notes at a make-whole price determined by discounting the future interest and early redemption payments to the first optional early redemption date with reference to prevailing market Government of Canada rates plus 1%, but in any case at a redemption price that is no less than 101% of the principal amount of the 2030 Notes being redeemed, plus accrued and unpaid interest to the date of redemption. On or after February 28, 2025, the Company may redeem all or part of the 2030 Notes at the redemption price of 103% to February 28, 2026, 101.5% to February 28, 2027 and 100% thereafter, plus accrued and unpaid interest to the date of redemption.

The prepayment options associated with the Notes were fair valued at the time of debt issuance. The initial value of the prepayment options related to the Notes was a \$9.6 million increase to indebtedness. This liability has been subsequently amortized using the effective interest rate method and as at August 31, 2023 was \$7.4 million.

##### *Credit Facility*

Interest rates on the bank loans fluctuate with Canadian bankers' acceptances. As at August 31, 2023, the weighted average interest rate on the outstanding bank loans and Notes was 5.9% (2022 – 5.6%). The effective interest rate on the bank loans averaged 6.0% for fiscal 2023 (2022 – 4.5%).

The banks hold, as collateral, a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the Credit Facility, as amended from time to time. Under the Credit 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 Credit Facility as at August 31, 2023.

#### **Term Facility**

On October 26, 2023, the Company's Credit Facility was amended to increase the maximum total debt to cash flow ratio required under the financial covenants up to and including August 31, 2024, reintroduce mandatory quarterly repayments of the Term Facility, change certain conditions related to the use of proceeds on asset disposals and to introduce additional restrictions on distributions to shareholders.

On February 17, 2023, the Credit Facility was amended. The principal amendment was to increase the maximum total debt to cash flow ratio required under the financial covenants up to and including November 30, 2023. The amendment of the Credit Facility resulted in the Company recording additional deferred financing fees of \$1.0 million.

On March 18, 2022, the Credit Facility was amended and restated. The principal amendments were to extend the maturity on both the Term Facility and the Revolving Facility to March 18, 2027 and to eliminate quarterly mandatory repayments and mandatory repayments from the net proceeds from the issue of other debt on the Term Facility. Net proceeds from the 2030 Notes issued on February 28, 2022 were used for repayment of the Term Facility and resulted in the Company recording net debt refinancing costs of \$0.8 million for the non-cash write-off of unamortized financing fees. The March 18, 2022 amendment and restatement of the Credit Facility resulted in the Company recording a net debt refinancing gain of approximately \$4.2 million.

As at August 31, 2023, the Term Facility balance was \$337.3 million with a maturity date of March 18, 2027. 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.

#### **Revolving Facility**

With the amendment and restatement of the Credit Facility effective March 18, 2022, the maturity of the Revolving Facility was extended to March 18, 2027. 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, Secured Overnight Financing Rate ("SOFR") advance 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, 2023, the Company has approximately \$300.0 million under the Revolving Facility, \$285.9 million of which could be drawn.

#### **Interim Production Financing**

A non-wholly owned subsidiary of Corus has incurred revolving demand loans with certain financial institutions as interim financing for film or television productions. As at August 31, 2023, four interim financing agreements for television productions are drawn in the total amount of \$13.4 million.

## INTEREST RATE SWAP AGREEMENTS

The Company had a Canadian interest rate swap agreement to fix the interest rate on a portion of its outstanding term loan facility, which expires on March 18, 2027. The counterparties of the swap agreement were highly rated financial institutions and the Company did not experience 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. In fiscal 2023, the Company had assessed that there was no ineffectiveness in the hedge of its interest rate exposure. As an effective hedge, unrealized gains or losses on the interest rate swap agreement were recognized in other comprehensive loss (note 16). The estimated fair value of these agreements as at August 31, 2023 was an asset of \$6.7 million (2022 – \$nil). The effectiveness of the hedging relationship was reviewed on a quarterly basis.

## TOTAL RETURN SWAPS

The Company has a total return swap agreement on 1,706,000 share units to offset its exposure to changes in the fair value of certain cash settled share-based compensation awards. The estimated fair value of this Level 1 financial instrument will fluctuate with the market price of the Company's shares. The counterparty of this swap agreement is a highly rated financial institution and the Company does not anticipate any non-performance. The estimated fair value of this agreement as at August 31, 2023 is a liability of \$6.0 million (2022 – \$4.0 million), which has been recorded in the consolidated statements of financial position as an other long-term liability and within employee costs in the consolidated statements of loss and comprehensive loss (note 17).

On December 8, 2022, 1,891,500 shares under a total return swap were settled at a cost of \$4.7 million.

## FORWARD CONTRACTS

All foreign exchange forward contracts fix the foreign exchange rate and cash flows related to a portion of the Company's U.S. dollar denominated liabilities. As at August 31, 2023, the total amount of foreign exchange forward contracts outstanding was \$45.0 million U.S dollars. 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 U.S. dollar forward contract derivatives change with fluctuations in the foreign exchange rate of U.S. dollars to Canadian dollars. The estimated fair value of these agreements as at August 31, 2023 was an asset of \$2.2 million (2022 – \$1.6 million), which has been recorded in the consolidated statements of financial position as investment and other assets (note 5), and within other expense (income), net (note 19) , in the consolidated statements of loss and comprehensive loss.

## 14. OTHER LONG-TERM LIABILITIES

	2023	2022
Program rights payable	115,534	147,671
Lease liabilities (note 6)	111,749	119,737
Trade mark liabilities	35,996	45,687
Long-term employee obligations	25,688	31,419
Post employment benefit plans	12,316	12,624
Unearned revenue	9,511	15,856
Software license liabilities	4,119	1,748
Aircraft Pictures Limited put option (note 26)	1,999	1,828
	<b>316,912</b>	<b>376,570</b>



## 15. SHARE CAPITAL

### AUTHORIZED

The Company is authorized to issue, upon approval of holders of no less than two-thirds of the existing Class A shares, an unlimited number of Class A participating shares ("Class A Voting Shares"), as well as an unlimited number of Class B Non-Voting 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 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 as at August 31, 2023.

### ISSUED AND OUTSTANDING

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	\$	#	\$	\$
Balance – August 31, 2021	3,412,392	9,439	204,954,666	806,750	816,189
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(40,866)	(113)	40,866	113	—
Shares repurchased under NCIB	—	—	(8,141,900)	(32,047)	(32,047)
Shares repurchase commitment under NCIB	—	—	(565,000)	(2,224)	(2,224)
Balance – August 31, 2022	3,371,526	9,326	196,288,632	772,592	781,918
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(4,000)	(4)	4,000	4	—
Reduction of stated capital <sup>(1)</sup>	—	(6,000)	—	(494,000)	(500,000)
Shares repurchased under NCIB	—	—	(785,000)	(3,090)	(3,090)
Reversal of automatic share purchase commitment	—	—	565,000	2,224	2,224
<b>Balance – August 31, 2023</b>	<b>3,367,526</b>	<b>3,322</b>	<b>196,072,632</b>	<b>277,730</b>	<b>281,052</b>

<sup>(1)</sup>Reduction of stated capital approved at the Company's Annual General and Special Meeting of Shareholders on January 19, 2023.

## 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 per share amounts:

	2023	2022
<b>Net loss attributable to shareholders (numerator)</b>	<b>(428,724)</b>	(245,058)
<b>Weighted average number of shares outstanding (denominator)</b>		
Weighted average number of shares outstanding – basic	199,521	205,905
Effect of dilutive securities	—	337
<b>Weighted average number of shares outstanding – diluted</b>	<b>199,521</b>	206,242

The calculation of diluted loss per share for fiscal 2023 excluded 7,255 (2022 – 6,335) 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 that the Company is authorized to issue under the Plan is 10% of the issued and outstanding Class B Non-Voting Shares. All options granted prior to fiscal 2023 are for terms not to exceed 7 years, while all options granted in fiscal 2023 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, 2021	7,225,650	8.41
Granted	889,100	5.74
Forfeited or expired	(531,650)	18.53
Outstanding – August 31, 2022	7,583,100	7.38
Granted	3,004,200	1.43
Forfeited or expired	(1,284,600)	9.38
<b>Outstanding – August 31, 2023</b>	<b>9,302,700</b>	<b>5.19</b>

As at August 31, 2023, the options outstanding and exercisable consist of the following:

Range of exercise price (\$)	Options outstanding			Options exercisable	
	Number outstanding (#)	Weighted average remaining contractual life (years)	Weighted average exercise price (\$)	Number outstanding (#)	Weighted average exercise price (\$)
1.43 – 2.40	3,004,200	9.5	1.43	—	—
2.41 – 4.13	1,249,500	4.6	3.38	624,750	3.38
4.14 – 5.59	2,071,400	3.1	5.14	1,849,550	5.11
5.60 – 8.82	1,062,900	5.1	5.80	422,925	5.88
8.83 – 12.62	1,914,700	1.0	11.97	1,914,700	11.97
	<b>9,302,700</b>	<b>5.2</b>	<b>5.19</b>	<b>4,811,925</b>	<b>7.68</b>

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 2023, the Company recorded share-based compensation expense of \$840 (2022 – \$1,265). This charge has been credited to contributed surplus. Unrecognized share-based compensation expense at August 31, 2023 related to the Plan was \$1,091 (2022 – \$1,097).

The fair value of each option granted in fiscals 2023 and 2022 was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Grant date	April 2023	October 2021
Fair value	\$0.31	\$1.66
Risk-free interest rate	3.1%	1.4%
Expected dividend yield	8.4%	4.3%
Expected share price volatility	48.8%	45.7%
Expected time until exercise (years)	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.

In the third quarter of fiscal 2023, 3,004,200 stock options were granted at a weighted average exercise price of \$1.43.

#### SHARE-BASED COMPENSATION

The following table provides a summary of the changes in the number of units for the PSUs, DSUs and RSUs as follows:

	PSUs	DSUs	RSUs
Balance – August 31, 2021	3,116,096	2,295,982	1,996,849
Additions	762,350	148,811	634,810
Deemed dividend equivalents	143,010	122,508	101,834
Forfeitures	(19,200)	—	(54,906)
Payments	(1,005,603)	(119,132)	(473,154)
Balance – August 31, 2022	2,996,653	2,448,169	2,205,433
Additions	3,021,200	347,169	2,479,574
Deemed dividend equivalents	265,165	224,626	216,094
Forfeitures	(76,600)	—	(78,713)
Payments	(826,786)	(252,580)	(396,660)
<b>Balance – August 31, 2023</b>	<b>5,379,632</b>	<b>2,767,384</b>	<b>4,425,728</b>

Share-based compensation recorded for the fiscal year in respect of these plans was a recovery of \$2,097 (2022 – expense of \$2,931). As at August 31, 2023, the carrying value of the liability for PSU, DSU and RSU units was \$6,698 (2022 – \$16,949).

## 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 2023 was \$23,971 (2022 – \$49,561).

## DIVIDEND REINVESTMENT PLAN (“DRIP”)

There is a DRIP that does not currently provide for a discount for the Class B Non-Voting Shares. Shares are purchased in the open market to satisfy the Company’s delivery obligations pursuant to its DRIP.

## NORMAL COURSE ISSUER BID (“NCIB”)

On January 13, 2022, the Company announced that the TSX had accepted the notice filed by the Company for the renewal of an NCIB for its Class B Non-Voting Shares through the facilities of the TSX, and/or other alternative Canadian trading systems. The Company could purchase for cancellation a maximum of 9,669,705 Class B Non-Voting Shares during the period from January 17, 2022 through January 16, 2023.

On August 9, 2022, the Company announced that the TSX had accepted the notice filed by the Company to amend its NCIB for its Class B Non-Voting Shares. The principle amendment increases the maximum number of Class B Non-Voting Shares that could be repurchased from 9,669,705 Class B Non-Voting Shares to 19,339,410 Class B Non-Voting Shares. The NCIB was not renewed upon expiration of the term on January 16, 2023.

The shares purchased for cancellation are as follows:

	#	\$	Average per share \$
January 2022	300,000	1,480	4.93
February 2022	949,600	4,878	5.14
March 2022	395,000	1,967	4.98
April 2022	500,000	2,275	4.55
May 2022	3,223,000	13,379	4.15
June 2022	1,454,600	5,882	4.04
July 2022	874,700	3,184	3.64
August 2022	445,000	1,721	3.87
Fiscal 2022	8,141,900	34,766	4.27
			Average per share \$
	#	\$	\$
September 2022 <sup>(1)</sup>	435,000	1,163	2.67
October 2022	350,000	808	2.31
Fiscal 2023	785,000	1,971	2.51

<sup>(1)</sup> Amount does not include the reversal of an automatic share purchase commitment from August 31, 2022 of 565,000 shares at \$1.7 million, net of 435,000 shares purchased at \$1.2 million.

During fiscal 2023, the total cash consideration paid was lower than the carrying value of the shares repurchased by \$1,119, (2022 – exceeded carrying value by \$2,719), which was charged to contributed surplus.

## 16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Unrealized change in fair value of cash flow hedges	Unrealized foreign currency translation adjustment	Unrealized change in fair value of financial assets	Actuarial gains (losses) on defined benefit plans	Total
Balance – August 31, 2021	(4,891)	6,882	19,820	—	21,811
Items that may be subsequently reclassified to income (loss):					
Amount	6,655	1,296	—	—	7,951
Income tax	(1,764)	—	—	—	(1,764)
	—	8,178	19,820	—	27,998
Items that will not be reclassified to income (loss):					
Amount	—	—	6,655	6,076	12,731
Income tax	—	—	(1,653)	(1,610)	(3,263)
	—	—	5,002	4,466	9,468
Transfer to retained earnings	—	—	—	(4,466)	(4,466)
Balance – August 31, 2022	—	8,178	24,822	—	33,000
Items that may be subsequently reclassified to income (loss):					
Amount	6,728	1,067	—	—	7,795
Income tax	(1,783)	—	—	—	(1,783)
	4,945	9,245	24,822	—	39,012
Items that will not be reclassified to income (loss):					
Amount	—	—	(2,066)	13,062	10,996
Income tax	—	—	895	(3,461)	(2,566)
	—	—	(1,171)	9,601	8,430
Transfer to retained earnings	—	—	—	(9,601)	(9,601)
<b>Balance – August 31, 2023</b>	<b>4,945</b>	<b>9,245</b>	<b>23,651</b>	<b>—</b>	<b>37,841</b>

## 17. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
<b>Direct cost of sales</b>		
Amortization of program rights (note 7)	595,179	559,810
Amortization of film investments (note 8)	36,760	23,929
Other cost of sales	39,976	43,488
<b>General and administrative expenses</b>		
Employee costs	322,890	341,565
Other general and administrative	182,430	186,151
	<b>1,177,235</b>	1,154,943

## 18. INTEREST EXPENSE

	2023	2022
Interest on long-term debt	75,240	58,481
Imputed interest on long-term liabilities	57,547	46,201
Other expense	2,623	2,426
	<b>135,410</b>	107,108

## 19. OTHER EXPENSE (INCOME), NET

	2023	2022
Foreign exchange loss (notes 13 and 23)	4,625	9,821
Fair value loss on Notes prepayment options (note 13)	2,324	7,301
Asset impairment reversal (note 5)	(800)	—
Trademark intangible write-off (note 9)	—	2,204
Equity gain of associates	(31)	(41)
Other income	(9,788)	(2,438)
	<b>(3,670)</b>	16,847

## 20. INCOME TAXES

The significant components of income tax expense are as follows:

	2023	2022
Current income tax expense	23,711	50,793
Deferred income tax expense (recovery)		
Resulting from temporary differences	(127,309)	(12,732)
Resulting from the utilization of tax losses	14,521	1,662
Resulting from tax rate changes	6	(1)
Resulting from the creation of various future tax reserves	(12,517)	890
Other	782	(257)
Income tax expense reported in the consolidated statements of loss and comprehensive loss	<b>(100,806)</b>	40,355

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

	2023		2022	
	(\$)	(%)	(\$)	(%)
Income tax at combined federal and provincial rates	(138,644)	26.5	(50,665)	26.4
Differences from statutory rates relating to:				
Goodwill impairment	71,065	(13.6)	91,003	(47.4)
Increase (reduction in deferred income taxes resulting from rate changes)	6	—	(1)	—
Miscellaneous differences	1,586	(0.3)	227	(0.1)
Non-taxable portion of capital gains	(19,568)	3.7	(4)	—
Transaction costs	187	—	(57)	—
Increase in (recovery of) various income tax reserves	(15,354)	2.9	771	(0.4)
Income subject to tax at less than statutory rates	(84)	—	(919)	0.5
	(100,806)	19.2	40,355	(21.0)

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, 2021	(425,220)	11,361	16,779	10,422	7,423	(3,439)	(744)	4,505	(378,913)
Recognized in profit or loss	17,509	(3,192)	(1,959)	(1,913)	(1,662)	1,266	1,796	(1,408)	10,437
Recognized in OCI	—	(1,610)	—	—	—	7,141	(1,764)	—	3,767
Balance – August 31, 2022	(407,711)	6,559	14,820	8,509	5,761	4,968	(712)	3,097	(364,709)
Recognized in profit or loss	127,398	243	(2,671)	2,335	(3,670)	442	719	(280)	124,516
Recognized in OCI	—	(3,461)	—	—	—	(3,831)	(1,783)	—	(9,075)
Acquisitions (dispositions)	—	—	3	—	—	—	—	56	59
<b>Balance – August 31, 2023</b>	<b>(280,313)</b>	<b>3,341</b>	<b>12,152</b>	<b>10,844</b>	<b>2,091</b>	<b>1,579</b>	<b>(1,776)</b>	<b>2,873</b>	<b>(249,209)</b>

At August 31, 2023, the Company had approximately \$9,370 (2022 – \$26,047) of non-capital loss carryforwards available, which expire between the years 2026 and 2043. A deferred income tax asset of \$2,092 (2022 – \$5,761) has been recognized in respect of these losses and an income tax benefit of \$392 (2022 – \$1,084) has not been recognized.

At August 31, 2023, the Company had approximately \$4,170 (2022 – \$40,882) 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 the Company attached to the payment of dividends, in either 2023 or 2022, by the Company to its shareholders.

## 21. BUSINESS SEGMENT INFORMATION

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

### TELEVISION

The Television segment comprises 33 specialty television networks, 15 conventional television stations, digital and streaming services, a social media digital agency, a social media creator network, technology and media services, and the Corus content business, which includes the production and distribution of films and television programs, merchandise licensing, book publishing, and animation software (sold August 23, 2023). Revenue is generated from advertising, subscribers and the licensing of proprietary films and television programs, merchandise licensing, book publishing, animation software, and technology and media service sales.

### RADIO

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

### CORPORATE

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 revenue less direct cost of sales, general and administrative expenses. Segment profit (loss) excludes depreciation and amortization, interest expense, debt refinancing costs, restructuring and other costs, impairments, gains or losses on dispositions, and certain other income and expenses.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in note 3.

### REVENUE AND SEGMENT PROFIT

Year ended August 31, 2023	Television	Radio	Corporate	Consolidated
Revenue	1,408,468	102,772	—	1,511,240
Direct cost of sales, general and administrative expenses	1,067,888	89,312	20,035	1,177,235
<b>Segment profit (loss)</b>	<b>340,580</b>	<b>13,460</b>	<b>(20,035)</b>	<b>334,005</b>
Depreciation and amortization				157,645
Interest expense				135,410
Goodwill, broadcast licence and other asset impairment				690,000
Restructuring and other costs				20,569
Gain on disposition				(142,288)
Other income, net				(3,670)
<b>Loss before income taxes</b>				<b>(523,661)</b>

Year ended August 31, 2022	Television	Radio	Corporate	Consolidated
Revenue	1,492,708	105,878	—	1,598,586
Direct cost of sales, general and administrative expenses	1,034,563	92,611	27,769	1,154,943
<b>Segment profit (loss)</b>	<b>458,145</b>	<b>13,267</b>	<b>(27,769)</b>	<b>443,643</b>
Depreciation and amortization				156,937
Interest expense				107,108
Goodwill, broadcast licence and other asset impairment				350,000
Debt refinancing				(3,428)
Restructuring and other costs				8,062
Other expense, net				16,847
<b>Loss before income taxes</b>				<b>(191,883)</b>



The following tables present further details on revenue composition, location and timing of recognition in the Television and Radio segments.

Revenue is derived from the following areas:

	2023	2022
Advertising	865,633	960,192
Subscriber fees	502,257	518,483
Distribution, production and other	143,350	119,911
	<b>1,511,240</b>	1,598,586

Revenue is derived from the following geographical sources, by location of customer:

	2023	2022
Canada	1,411,819	1,519,216
International	99,421	79,370
	<b>1,511,240</b>	1,598,586

International revenue pertains to customers in the Television segment only.

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

	2023	2022
Products transferred at a point in time	971,392	1,045,852
Products and services transferred over time	539,848	552,734
	<b>1,511,240</b>	1,598,586

#### SEGMENT ASSETS AND LIABILITIES

	2023	2022
<b>Assets</b>		
Television	2,374,571	3,124,315
Corporate	252,169	254,213
Radio	119,322	123,952
	<b>2,746,062</b>	3,502,480
<b>Liabilities</b>		
Corporate	1,282,667	1,438,328
Television	941,229	1,090,061
Radio	63,166	70,110
	<b>2,287,062</b>	2,598,499

#### CAPITAL EXPENDITURES BY SEGMENT

	2023	2022
Television	9,730	10,871
Corporate	2,158	4,795
Radio	1,414	2,144
	<b>13,302</b>	17,810

Property, plant and equipment are located primarily within Canada.

## 22. CAPITAL MANAGEMENT

The Company's capital management objectives are to maintain appropriate financial flexibility in order to pursue organic growth, achieve business goals and repay debt, all with the objective 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:

	2023	2022
Total debt, net of unamortized financing fees (note 13)	1,092,384	1,261,650
Lease liabilities (notes 11 and 14)	126,084	134,369
Cash and cash equivalents	(56,163)	(54,912)
Net debt	1,162,305	1,341,107
Equity attributable to shareholders	317,752	752,041
	<b>1,480,057</b>	<b>2,093,148</b>

The Company monitors capital using several key performance metrics, including net debt to segment profit ratio. The Company's stated long-term objective is a leverage target (net debt to segment profit ratio) of below 2.5 times. In the short term, the Company may permit the long-term range to be exceeded, but endeavours to return to the leverage target range. As at August 31, 2023, the Company's leverage ratio was 3.48 times net debt to segment profit, up from 3.02 times at August 31, 2022.

## 23. FINANCIAL INSTRUMENTS

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

As at August 31, 2023	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	56,163	—	—	—	—	56,163
Accounts receivable	—	295,175	—	—	—	295,175
Investments and other assets	3,238	—	64,449	6,728	—	74,415
Intangibles	—	—	—	—	1,198,229	1,198,229
Other assets	—	97,355	—	—	1,024,725	1,122,080
<b>Total assets</b>	<b>59,401</b>	<b>392,530</b>	<b>64,449</b>	<b>6,728</b>	<b>2,222,954</b>	<b>2,746,062</b>
Accounts payable, accrued liabilities and provisions	—	574,863	—	—	—	574,863
Long-term debt	—	1,092,384	—	—	—	1,092,384
Other long-term liabilities and provisions	15,692	278,438	31,823	—	—	325,953
Deferred income tax liabilities	—	—	—	—	293,862	293,862
<b>Total liabilities</b>	<b>15,692</b>	<b>1,945,685</b>	<b>31,823</b>	<b>—</b>	<b>293,862</b>	<b>2,287,062</b>

As at August 31, 2022	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	54,912	—	—	—	—	54,912
Accounts receivable	—	311,015	—	—	—	311,015
Investments and other assets	4,189	—	59,742	—	—	63,931
Intangibles	—	—	—	—	1,937,104	1,937,104
Other assets	—	91,866	—	—	1,043,652	1,135,518
<b>Total assets</b>	<b>59,101</b>	<b>402,881</b>	<b>59,742</b>	<b>—</b>	<b>2,980,756</b>	<b>3,502,480</b>
Accounts payable, accrued liabilities and provisions	—	535,439	—	—	—	535,439
Long-term debt	—	1,261,650	—	—	—	1,261,650
Other long-term liabilities and provisions	29,156	326,501	30,743	—	—	386,400
Deferred income tax liabilities	—	—	—	—	415,010	415,010
<b>Total liabilities</b>	<b>29,156</b>	<b>2,123,590</b>	<b>30,743</b>	<b>—</b>	<b>415,010</b>	<b>2,598,499</b>

## 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.

The fair value of the Company's Notes is based on the trading price of the Notes, which takes into account the Company's own credit risk. As at August 31, 2023, the Company has estimated the fair value of its Notes to be approximately \$511,250 (2022 – \$632,188).

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.

Periodically, the Company enters 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.

Periodically, the Company enters 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:

<b>As at August 31, 2023</b>	<b>Quoted prices in active markets for identical assets or liabilities (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
<b>Assets</b>			
Cash and cash equivalents	56,163	—	—
Prepayment option of Notes	—	9	—
Foreign exchange forward contracts	—	2,180	—
Interest return swap	—	6,728	—
Investments in venture funds	—	—	28,339
<b>Assets carried at fair value</b>	<b>56,163</b>	<b>8,917</b>	<b>28,339</b>
<b>Liabilities</b>			
Total return swap	5,998	—	—
<b>Liabilities carried at fair value</b>	<b>5,998</b>	<b>—</b>	<b>—</b>

As at August 31, 2022

<b>Assets</b>			
Cash and cash equivalents	54,912	—	—
Prepayment option of Notes	—	2,333	—
Foreign exchange forward contracts	—	1,594	—
Investments in venture funds	—	—	30,862
<b>Assets carried at fair value</b>	<b>54,912</b>	<b>3,927</b>	<b>30,862</b>
<b>Liabilities</b>			
Total return swap	4,005	—	—
<b>Liabilities carried at fair value</b>	<b>4,005</b>	<b>—</b>	<b>—</b>

## 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:

	2023	2022
<b>Trade</b>		
Current	152,518	140,117
One to three months past due	100,223	97,295
Over three months past due	18,389	53,763
	<b>271,130</b>	291,175
<b>Other</b>	<b>26,718</b>	23,000
	<b>297,848</b>	314,175
Less allowance for doubtful accounts	2,673	3,160
	<b>295,175</b>	311,015

	2023	2022
Balance, beginning of year	3,160	3,948
Reversal for doubtful accounts	(263)	(652)
Dispositions (note 26)	(177)	—
Recoveries	(47)	(136)
<b>Balance, end of year</b>	<b>2,673</b>	<b>3,160</b>

In fiscal 2023, the Company earned 8% of its revenue from Rogers Communications Inc. (2022 - 5%). This entity is not a related party, but comprises 11% of the accounts receivable balance as at August 31, 2023 (2022 - 4%).

In fiscal 2023, the Company earned 5% of its revenue from Shaw Communications Inc. (2022 - 9%). This related party comprises nil of the accounts receivable balance as at August 31, 2023 (2022 - 7%) (note 29).

### **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 credit facilities, and by continuously monitoring forecast and actual cash flows. The unused capacity as at August 31, 2023 was \$285,900 (2022 - \$300,000). Further information with respect to the Company's credit facilities is provided in note 13.

The following table sets out the undiscounted contractual obligations as at August 31, 2023:

	Total	Less than one year	One to three years	Beyond three years
Total debt <sup>(1)</sup>	1,334,909	53,434	80,000	1,201,475
Accounts payable and accrued liabilities	565,052	565,052	—	—
Other obligations <sup>(2)</sup>	181,497	104,311	77,169	17

<sup>(1)</sup> Principal and interest repayments on bank debt and Notes. Credit Facility amendments effective October 26, 2023 will increase principal repayments on Term Facility within 1 year by \$17.5 million, 2-3 years by \$34.9 million and decrease 4-5 years by \$52.4 million.

<sup>(2)</sup> Other obligations included financial liabilities, trade marks, other intangibles and U.S. dollar forward currency swaps.

In fiscal 2023, the Company incurred interest on bank loans, Notes and swaps on credit facilities of \$75,240 (2022 - \$58,481).

### **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:

	2023	2022
Direct cost of sales, general and administrative expenses	23	100
Other expense (income), net (note 19)	4,625	9,821
	<b>4,648</b>	<b>9,921</b>

An assumed 10% increase or decrease in exchange rates as at August 31, 2023 would have an impact of approximately \$19,900 (2022 - \$26,500) on net income (loss) 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 13, 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, 2023 would have had a significant impact on net loss 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 13, to reduce 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.

**24. CONSOLIDATED STATEMENTS OF CASH FLOWS**

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

	2023	2022
Accounts receivable	14,161	23,575
Prepaid expenses and other	(361)	3,959
Accounts payable and accrued liabilities	27,639	(48,821)
Provisions	1,271	1,338
Income taxes payable (recoverable)	510	(20,436)
Other long-term liabilities	(46,956)	(32,052)
Other	11,622	(5,013)
	<b>7,886</b>	<b>(77,450)</b>

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

	2023	2022
Interest paid	77,837	61,235
Interest received	3,921	518
Income taxes paid	13,952	64,257

**25. GOVERNMENT FINANCING AND ASSISTANCE**

Revenue includes \$2,056 (2022 – \$2,672) of production financing obtained from government programs. This financing provides a supplement to a production series' Canadian license fees and is not repayable.

As well, revenue includes \$1,227 (2022 – \$1,308) of government grants relating to the marketing of books in both Canada and international markets. The majority of the grants are repayable if the average profit margin for the three-year period following receipt of the funds equals or is greater than 15%.

## 26. BUSINESS COMBINATIONS AND DIVESTITURES

### Disposition of Toon Boom Animation Inc. ("Toon Boom")

On August 23, 2023, the Company sold 100% of its interest in Toon Boom, a subsidiary of Nelvana Limited, for \$149.3 million, the fair value at the date of the sale. The operating results of Toon Boom are included in the consolidated financial statements to the date of disposal.

#### Net gain on disposition

Consideration in cash <sup>(1)</sup>	149,288
Carrying amount of Toon Boom	(985)
Disposition related costs	(6,015)
Gain on disposal	142,288
Income taxes	(5,809)
<b>Net gain on disposal</b>	<b>136,479</b>

<sup>(1)</sup> Net cash proceeds \$141.2 million

### Acquisition of 51% interest in Aircraft Pictures Limited ("Aircraft")

On February 1, 2022, the Company acquired a 51% interest in Aircraft for cash consideration of \$2.2 million. The purchase was accounted for using the purchase method. This business is included in the Television segment effective February 1, 2022.

In connection with this business acquisition, the Company has established a liability for put options in respect of non-controlling interests. The Company has provided put options to the selling shareholders under which they could require the Company to acquire a further 29% of the non-controlling interests at, or after, a specified date. As at August 31, 2022, the fair value of the puttable shares held by the non-controlling shareholders are recorded as an other long-term liability in the amount of \$1.8 million.

The Company has made an accounting policy choice to account for these put options as if exercised by the holders of the non-controlling interest. In accordance with IFRS 10 – *Consolidated Financial Statements*, any changes in the fair value of the put option, net of the 29% non-controlling interest is reflected as a reallocation of equity interest at each period end.

## 27. COMMITMENTS, CONTINGENCIES AND GUARANTEES

The Company has the following commitments as at August 31, 2023 as detailed in the following table:

	Total	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years
Purchase obligations <sup>(1)</sup>	918,655	619,197	292,910	6,548	—
Lease liabilities	280,015	32,694	61,986	55,971	129,364
Other obligations <sup>(2)</sup>	181,497	104,311	77,169	17	—
<b>Total contractual obligations</b>	<b>1,380,167</b>	<b>756,202</b>	<b>432,065</b>	<b>62,536</b>	<b>129,364</b>

<sup>(1)</sup> Purchase obligations are contractual obligations under contracts relating to program rights, satellite costs and various other operating expenditures that the Company has committed to, for periods ranging from 1 to 5 years.

<sup>(2)</sup> Other obligations included financial liabilities, trade marks, other intangibles, 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, 2023, management believed there was only a remote possibility that the indemnification provisions would require any material cash payment.

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

## 28. 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% (2022 – 6%) of an employee's earnings, not exceeding the limits set by the *Income Tax Act* (Canada). The amount contributed in fiscal 2023 related to the defined contribution plans was \$9,284 (2022 – \$9,237). The amount contributed is approximately the same as the expense included in the consolidated statements of loss and comprehensive loss.

### NON-REGISTERED DEFINED BENEFIT PENSION PLANS

The Company provides supplemental executive retirement plans ("SERP"), which are non-contributory, unfunded defined benefit pension plans for certain of its senior executives that are included in long-term employee obligations (note 14). 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.

	2023	2022
Accrued benefit obligation and plan deficit, beginning of year	15,325	17,611
Current service costs	935	955
Past service cost	1,044	—
Interest cost	823	553
Payment of benefits	(326)	(326)
Remeasurements:		
Effect of changes in financial assumptions	(891)	(4,087)
Effect of experience adjustments	(372)	619
<b>Accrued benefit obligation and liability, end of year</b>	<b>16,538</b>	<b>15,325</b>

The weighted average duration of the defined benefit obligation of the SERP as at August 31, 2023 is 14.3 years. The tables below show the significant weighted-average assumptions used to measure the pension obligation and costs for this plan.



	<b>2023</b>	2022
<b>Accrued benefit obligation</b>	<b>(%)</b>	(%)
Discount rate	<b>5.20</b>	4.80
Rate of compensation increase	<b>2.00</b>	2.00

	<b>2023</b>	2022
<b>Benefit cost for the year</b>	<b>(%)</b>	(%)
Discount rate	<b>4.80</b>	3.00
Rate of compensation increase	<b>2.00</b>	2.00

The following table illustrates the incremental impact on the defined benefit obligation as at August 31, 2023 and the pension expense for the fiscal year then ended, with respect to the three key factors in determining the benefit obligation:

<b>Sensitivity analysis</b>	<b>Benefit obligation at August 31, 2023</b>	<b>Pension expense for fiscal 2023</b>
Discount rate – 1% decrease	<b>2,361</b>	<b>183</b>
Salary increase – 1% increase	<b>424</b>	<b>141</b>
Mortality – one-year increase in the expected future lifetime	<b>333</b>	<b>154</b>

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:

	<b>2023</b>	2022
Current service cost	<b>935</b>	955
Past service cost	<b>1,044</b>	—
Interest cost	<b>823</b>	553
<b>Pension expense</b>	<b>2,802</b>	1,508

## REGISTERED PENSION PLANS

The Company has a number of funded defined benefit pension plans that 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:

	2023	2022
Accrued benefit obligation, beginning of year	189,687	238,655
Current service cost	3,834	5,841
Interest cost	9,107	7,364
Employee contributions	643	750
Payment of benefits	(10,992)	(9,262)
Effect of changes in financial assumptions	(9,438)	(53,231)
Effect of experience adjustments	(1,834)	(430)
Accrued benefit obligation, end of year	181,007	189,687
Fair value of plan assets, beginning of year	220,340	270,396
Employer contributions	—	2,908
Employee contributions	643	750
Interest income	10,352	8,163
Payment of benefits	(10,992)	(9,262)
Administrative expenses paid from plan assets	(866)	(871)
Return on plan assets, excluding interest income	743	(51,744)
Fair value of plan assets, end of year	220,220	220,340
Effect of asset ceiling limit	(3,103)	(1,768)
Fair value of plan assets, end of year, net of asset ceiling limit	217,117	218,572
<b>Accrued benefit asset and plan surplus, end of year</b>	<b>36,110</b>	<b>28,885</b>

The weighted average duration of the defined benefit obligation as at August 31, 2023 is 13.9 years.

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

	2023	2022
Equity – Canadian	23,265	25,870
Equity – Foreign	82,955	81,568
Fixed income – Canadian	114,000	112,902
	220,220	220,340

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:

	2023	2022
<b>Accrued benefit obligation</b>	<b>(%)</b>	<b>(%)</b>
Discount rate	5.20	4.80
Rate of compensation increase	2.00	2.00
<b>Benefit cost for the year</b>	<b>(%)</b>	<b>(%)</b>
Discount rate	4.80	3.10
Rate of compensation increase	2.00	2.00

The following table illustrates the incremental impact on the defined benefit obligation at August 31, 2023 and the pension expense for the fiscal year then ended, with respect to the three key factors in determining the benefit obligation:

<b>Sensitivity analysis</b>	<b>Benefit obligation at August 31, 2023</b>	<b>Fiscal 2023 benefit cost</b>
Discount rate – 1% decrease	<b>25,168</b>	<b>2,404</b>
Salary – 1% increase	<b>4,166</b>	<b>545</b>
Weighted average duration of defined benefit obligation in years		
Effective discount rate 1% decrease	<b>13.9</b>	<b>n/a</b>

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:

	<b>2023</b>	2022
Current service cost	<b>4,700</b>	6,712
Pension expense	<b>4,700</b>	6,712

#### **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:

	<b>2023</b>	2022
Accrued benefit obligation and plan deficit, beginning of year	<b>12,708</b>	13,960
Current service costs	<b>222</b>	151
Interest cost	<b>571</b>	392
Payment of benefits	<b>(506)</b>	(538)
Remeasurements:		
Effect of demographic assumptions	<b>(265)</b>	259
Effect of changes in financial assumptions	<b>(698)</b>	(3,534)
Effect of experience adjustments	<b>384</b>	2,018
<b>Accrued benefit obligation and liability, end of year</b>	<b>12,416</b>	12,708

The weighted average duration of the defined benefit obligation of the post-retirement plans as at August 31, 2023 is 13.9 years.

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

	<b>2023</b>	2022
<b>Accrued benefit obligation</b>	<b>(%)</b>	<b>(%)</b>
Discount rate	<b>5.20</b>	4.80
Salary increase	<b>2.00</b>	2.00
	<b>2023</b>	2022
<b>Benefit cost for the year</b>	<b>(%)</b>	<b>(%)</b>
Discount rate	<b>4.80</b>	2.98
Salary increase	<b>2.00</b>	2.00

The following table illustrates the incremental impact on the benefit obligation as at August 31, 2023 and the expense for the fiscal year then ended, with respect to the two key factors in determining the benefit obligation:

<b>Sensitivity analysis</b>	<b>Benefit obligation at August 31, 2023</b>	<b>Service and interest costs fiscal 2023</b>
Discount rate – 1% decrease	<b>1,877</b>	<b>22</b>
Trend rate – 1% increase	<b>2,689</b>	<b>205</b>

When calculating the sensitivity of the benefit obligation to significant actuarial assumptions, the present value of the benefit obligation has been calculated using the projected benefit method, which is the same method that is applied in calculating the 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 benefit plan expense, which is included in employee costs, is comprised of the following components:

	<b>2023</b>	2022
Current service cost	<b>222</b>	151
Interest cost	<b>571</b>	392
<b>Pension expense</b>	<b>793</b>	543

## 29. TRANSACTIONS WITH RELATED PARTIES

### 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. As at August 31, 2023, SFLT and its subsidiaries hold 2,885,530 Class A Voting Shares, representing approximately 86% of the outstanding Class A Voting Shares, for the benefit of the descendants of the late JR Shaw and Carol Shaw. The sole trustee of SFLT is a private company controlled by a board comprised of seven directors, including as at August 31, 2023, Heather Shaw, Julie Shaw, three other members of their family and two independent directors. 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 Corus and to control the vote on matters submitted to a vote of Corus' Class A shareholders.

SFLT was the controlling shareholder of Shaw Communications Inc. ("Shaw"), and as a result, Shaw and Corus were subject to common voting control until Shaw was purchased by Rogers Communications Inc. ("Rogers") on April 3, 2023. Rogers is not a related party for accounting purposes.

## 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 parties and having normal trade terms.

	2023	2022
<b>Revenue</b>		
Advertising	16,807	28,772
Subscriber	59,724	107,171
Distribution, production and other	2,165	3,673
<b>Expenses</b>		
Cable and satellite system distribution access fees	4,960	8,510
Administrative and other fees	1,024	1,762
Advertising	2,152	4,009
<b>Accounts receivable from Shaw</b>	—	20,793
<b>Accounts payable to Shaw</b>	—	2,292

Note: Fiscal 2023 data is for the period September 1, 2022 through April 3, 2023.

## SIGNIFICANT SUBSIDIARIES

The following table includes the significant subsidiaries of the Company:

Name	Jurisdiction	Equity interest	
		2023 (%)	2022 (%)
Corus Television Limited Partnership	Manitoba	100	100
Corus Media Holdings Inc.	Alberta	100	100
Corus Radio Inc.	Canada	100	100
Corus Sales Inc.	Canada	100	100
9329994 Canada Inc.	Canada	100	100
Food Network Canada Inc.	Canada	71	71
HGTV Canada Inc.	Canada	67	67
History Television Inc.	Canada	100	100
NGC Channel Inc.	Canada	50	50
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 and the Executive Leadership Team ("ELT"), who have the authority and responsibility for planning, directing and controlling the activities of the Company. All members of the ELT are also officers of the Company.

	<b>2023</b>	2022
Salaries and benefits	<b>7,033</b>	8,736
Post-employment benefits	<b>2,802</b>	1,508
Share-based compensation expense (recovery) (note 15)	<b>(6,667)</b>	(4,130)
	<b>3,168</b>	6,114

Except for the President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer and the Executive Vice President and General Counsel, no member of the ELT 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 ELT and officers of the Company, other than the President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer and the Executive Vice President and General Counsel, under 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.

# 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 0R5

## **Executive Office**

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

## **Website**

[www.corusent.com](http://www.corusent.com)

## **Auditors**

Ernst & Young LLP

## **Shareholder Services**

For assistance with the following:

- Change of address or account updates
- Transfer or replace share certificates
- Dividend payments or direct deposit of dividends
- Dividend Reinvestment Plan
- Enrol in e-delivery to receive corporate documents electronically

please contact our **Transfer Agent and Registrar:**

TSX Trust Company  
301,100 Adelaide Street West  
Toronto, Ontario, M5H 4H1

Telephone:

North America: 1.800.387.0825

International: 1.416.682.3860

Email Inquiries:

[shareholderinquiries@tmx.com](mailto:shareholderinquiries@tmx.com)

Website: [www.tsxtrust.com](http://www.tsxtrust.com)

## **Sustainability**

Corus Entertainment has broadened the scope of its sustainability efforts with an expanded environmental, social and governance (ESG) program. Further information about the Company's ESG program and goals, related activities, and the Sustainability Report are available in the Sustainability section of Corus Entertainment's website ([www.corusent.com](http://www.corusent.com)). To receive a copy of the Sustainability Report, please email your request to [sustainability@corusent.com](mailto:sustainability@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](http://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](http://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](http://www.corusent.com)).

To receive additional copies of Corus Entertainment's Annual Report, please email your request to [investor.relations@corusent.com](mailto:investor.relations@corusent.com).

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