

annual report.

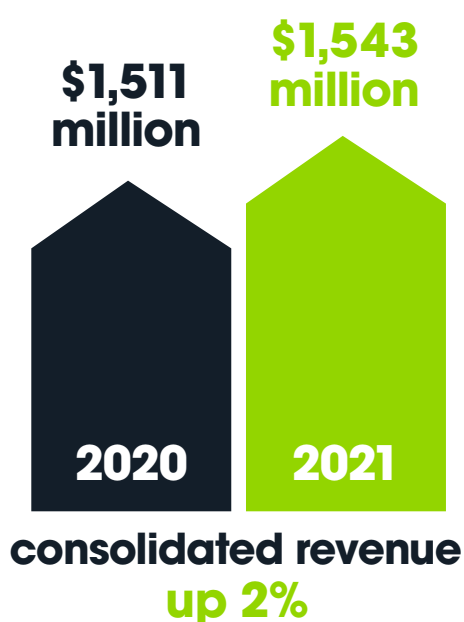
corus.



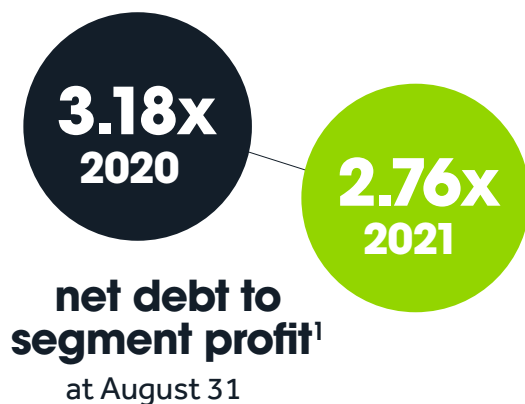
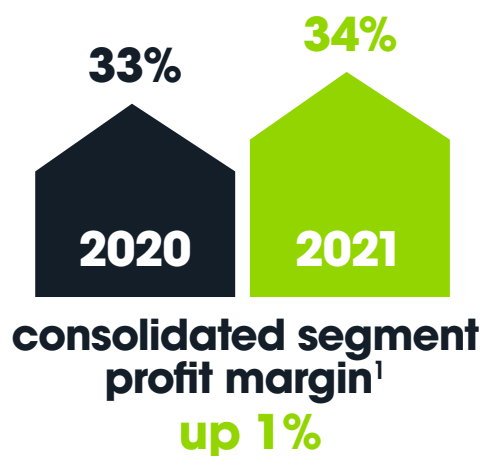
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financial highlights 2021



\$252
million
free cash flow¹
2021



¹ Segment profit, segment profit margin, free cash flow and 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" section of Management's Discussion and Analysis on page 24.

ANNUAL SELECTED FINANCIAL INFORMATION⁽¹⁾

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

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

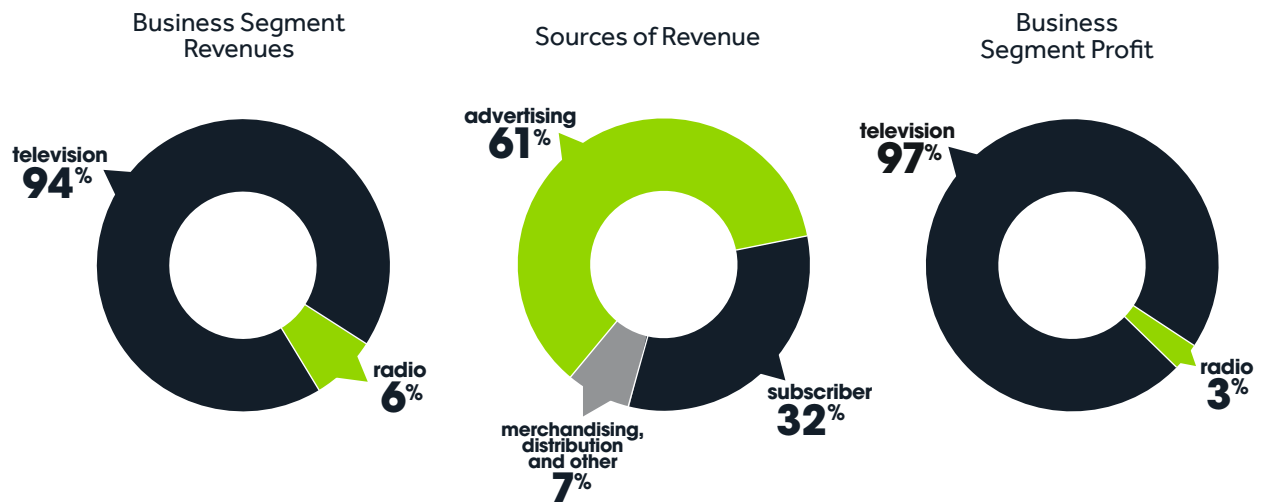
	2021	2020
Revenues	1,543.5	1,511.2
Segment profit ⁽²⁾	524.6	505.8
Net income (loss) attributable to shareholders	172.6	(625.4)
Adjusted net income attributable to shareholders ⁽²⁾	182.2	158.1
Basic earnings (loss) per share	\$0.83	\$(2.98)
Adjusted basic earnings per share ⁽²⁾	\$0.88	\$0.75
Diluted earnings (loss) per share	\$0.83	\$(2.98)
Free cash flow ⁽²⁾	251.9	296.2
Total assets	3,856.6	3,970.9
Long-term debt (inclusive of current portion)	1,349.3	1,506.1
Cash dividends declared per share		
Class A Voting	\$0.2350	\$0.2350
Class B Non-Voting	\$0.2400	\$0.2400

Notes:

⁽¹⁾ For further information refer to Management's Discussion and Analysis on page 13.

⁽²⁾ 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" section of Management's Discussion and Analysis on page 24.

FISCAL 2021 FINANCIAL PROFILE



message to shareholders



From the beginning of the pandemic, we have been committed to seeing Corus emerge on a stronger strategic and financial footing than when it all started. Our strategic priorities that launched at the beginning of fiscal 2021 have been our guide and our performance is evidence of this plan in motion.



The purposeful execution of our strategic plan has enabled us to adeptly navigate our business through this most challenging environment, and deliver the following results for you, our shareholders:

- Consolidated revenues of \$1.543 billion, up 2%;
- Consolidated segment profit of \$525 million, up 4%;
- Resilient free cash flow of \$252 million; and
- Diversification of our sources of financing with a successful half billion dollar high yield offering.

We now have improved financial flexibility through the ongoing deleveraging of our balance sheet from 3.18 times to 2.76 times net debt to segment profit year over year as we progress towards our new long-term leverage target of under 2.5 times.

our growth narrative

We believe that our Company's strategic plan is the foundation that will enable consolidated revenue growth year over year as we begin to put the pandemic behind us. Our focus is on diversifying and growing our revenues in advertising, subscriptions and owned content. We remain confident in the long term resiliency of the video channels business.

It is important to acknowledge the opportunities provided by the unique market structure in Canada. Our market is highly concentrated, with three broadcasters accounting for 83% of the English traditional television audience share.¹ It is a market that is also vertically integrated, with two of those three broadcasters owned by broadcasting distributors that are investing in video platform technology to support subscriber retention. The industry is deeply committed to enhancing the

value proposition for subscribers with robust premium video-on-demand and TV everywhere offerings such as Corus' Global TV App. As a result, approximately 74% of Canadians subscribe to a channels offering, reflecting its undeniable value.²

The biggest broadcasters in Canada are also deeply committed to providing value for advertising clients and agencies, and aligning on industry solutions for advanced advertising initiatives. Collectively, we are transforming how television is sold. One example of this is the use of common definitions for audience segments, which enables an advertising campaign to be deployed across all participating broadcasters reaching over 90% of total traditional television audience share.³ Collaboration will continue and is an industry dynamic unique to Canada.

optimized advertising revenue – transforming how we sell television

Over the last five years, Corus has invested more than \$50 million in transforming how we sell television, by providing better data-driven audience targeting and automation to enhance the effectiveness and efficiency of advertising buys. We announced a new operating metric last year: "Optimized Advertising Revenue" which tracks our progress on this transformation and includes revenues contributed from common audience segment advertising sales as well as from Cynch, our automated advertising buying platform.⁴ Optimized advertising revenue increased 43% in the year, reflecting the ongoing transition from traditional advertising buys to these more targeted and automated offerings.



1. Numeris Personal People Meter Data, Total Canada, Fall 2021 season-to-date (August 30, 2021–October 31, 2021), share% based on total minutes viewed(000,000). Canadian English Stations (excluding Pay). Individuals age 2+, Monday to Sunday 2 a.m. – 2 a.m., Corus, Bell & Rogers – conventional and specialty stations (excluding pay).

2. CTAM Canada Media 360 – May 2021 National Results/Charlton Insights 2021.

3. ThinkTV press release. <https://thinktv.ca/wp-content/uploads/2020/06/Press-Release-English-Common-Audience-Segments-June-18-2020.pdf>

4. Optimized Advertising Revenue does not have a standardized meaning prescribed by IFRS. The Company believes this non-IFRS measure is frequently used as a key measure to evaluate performance. Optimized Advertising Revenue reflects progress on the transformation of how Television advertising is sold. This metric includes revenue from audience segment selling as well as the Cynch automated buying platform expressed as a percentage of Television advertising revenue.

This year, in partnership with ThinkTV, seven new profiles were added to our industry-wide common audience segments, with 26 profiles now offered to clients. In addition to our ability to build virtually any custom segment as desired by our advertisers, Corus is at the forefront of changing how TV is sold, with a unique mix of industry, customized and automated solutions that improve targeting and drive results.

new platform revenue - more content in more places

Corus is a premiere steward of some of the biggest and best channel brands. These powerful entertainment and lifestyle channels are favourites with Canadians and are now available in more places.

STACKTV is a game-changer with its bundle of our best lifestyle and entertainment channels available both live and on-demand. This unique value proposition and its impressive appeal to Canadians is evident in the fast-growing base of subscribers who are STACKTV fans!

Our streaming business has more than doubled in the past year, now with more than 675,000 paying subscribers to STACKTV and Nick+. Recently, we announced our new target of one million paying streaming subscribers based on our success to-date and our revised sizing of the addressable market for these products.



675,000+ paying subscribers

We describe this as the 're-aggregation of the channels bundle' brought to you by a streaming platform that offers both lean-back live television and video-on-demand. Providing new options for audiences has created notable growth opportunities in subscription and advertising revenue as we find new audiences (digital natives, cord-nevers) outside the traditional television system.

As we head into fiscal 2022, we have unlocked yet another new revenue stream by providing the ability to dynamically insert advertising within STACKTV video-on-demand viewing. Corus is the only Canadian broadcaster with dynamic advertising insertion capabilities within Amazon Prime Video. This provides us with a unique opportunity to deliver targeted advertising against premium long form video content within the Amazon marketplace.

Revenue growth from the pursuit of these rapidly growing streaming platforms, such as STACKTV, and new digital video initiatives, is captured in the other new operating metric we announced this past year: "New Platform Revenue".⁵ This metric tracks our success in putting more content in more places to find new audiences, create more viewing impressions and drive revenue growth. *New Platform Revenue* increased 62% in the year.

In early 2020, we launched our new Global TV App. Authenticated subscribers within the traditional television subscription system are now provided with access to up to nine of our premium specialty TV channels in addition to Global. The Global TV App also provides a broad spectrum of viewers with ad supported content and 14 regional Global News streams for free in front of the subscription payroll. This creates additional advertising impressions and revenue opportunities while enabling sampling of our great content. Ad supported premium video online is in high demand from audiences and advertisers alike and also provides additional value to our subscribers.



Usage of the Global TV App continues to grow, with over three million hours of average monthly time spent this past year, more than doubling over the prior year.⁶

Whether it's STACKTV, the Global TV App or the next new digital product in our pipeline, Corus is focused on growth opportunities in the digital video marketplace.

evolving our partnerships - innovating to achieve mutually beneficial outcomes

Corus has an enviable roster of partnerships with the world's pre-eminent studios and content companies. Time and again, in this competitive media and content marketplace we have successfully innovated with our partners to achieve mutually beneficial business outcomes that advance our collective strategies.

A prime example of this was our multi-faceted collaboration with Discovery, Inc., our joint venture channel partner of over 20 years. This past year, we entered a marketing partnership to support the launch of discovery+ in Canada while addressing the long-term opportunities for our highly differentiated channels joint venture that includes Canada's HGTV, Food Network, Cooking Channel and DIY Network, as well as for our OWN Canada relationship. Beyond the Canadian border, this past year Discovery acquired from Corus Studios approximately 220 hours of hit lifestyle and factual reality shows to deploy across their various channels and digital platforms in the US and around the world.

In addition to the progress we have made with all our partners in growing our business in Canada, we have also been very successful in broadening and deepening these strategic content partnerships to pursue opportunities outside of our domestic market.

5. New Platform Revenue does not have a standardized meaning prescribed by IFRS. The Company believes this non-IFRS measure is frequently used as a key measure to evaluate performance. New Platform Revenue reflects progress on Corus' participation in rapidly growing streaming distribution platforms and digital advertising markets. This metric includes incremental subscriber revenue from new streaming initiatives and advertising revenue from digital platforms expressed as a percentage of total Television advertising and subscriber revenue.

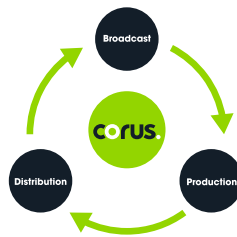
6. Adobe Analytics, Global TV App data, 12 months ended August 31, 2020 vs. August 31, 2021.

owning more content – growing our studio business

The Corus Advantage is a true differentiator for our Company as we seek revenue growth in the content hungry global video marketplace. As a producer and broadcaster, Corus has immediate credibility in the international market when we pitch our shows with proven strong audience ratings. We are building an ever-growing slate of programming that drives ratings on our networks in Canada and feeds that international demand.

Demand for our original content from Corus Studios and Nelvana is robust as we ramp up our production investment to deliver more seasons of new and returning hit shows. Our content teams have done a tremendous job in building up the business and this plays an important role in our growth narrative.

In 2021, we produced over 350 episodes of content. Many of these are additional seasons of proven hits, which creates franchise value. Others are promising new projects resulting from the purposeful investments we have made in our development slate over the past two years.



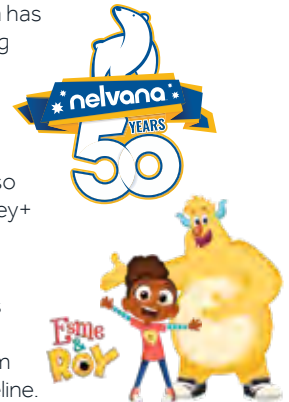
Our ability to control the 'greenlight' means we are not burdened with long waits for a broadcast pick-up as most, if not all, shows will air on our own networks. It also means we do not have to produce a pilot before a streaming platform or international broadcaster will buy our shows outright.

Streaming platforms around the world are hungry for premium content as evidenced by the sales of *Big Timber* to Netflix, *Rust Valley Restorers* to Motortrend Group as well as Corus Studios' largest sale to date, with 200 episodes sold to U.S. streamer, Hulu!



In June, Nelvana celebrated an incredible 50 years as a globally recognized producer, developer and licensor of award-winning children's animated and live-action content. From its humble beginnings in Canada in 1971, Nelvana has produced over 4,800 episodes of programming that have or currently air in over 180 countries around the world. Nelvana has earned over 70 major international awards including Emmy® nominations for *Esme and Roy* and live action series *The Hardy Boys* (which was also picked up by Hulu for the U.S. market and Disney+ for the international market).

Nelvana's recent return to producing live action series is notable as we look to expand the genres in which we produce content to satisfy global marketplace demand and realize the returns from our investment in the creative development pipeline.



supporting our people and our communities

Corus continues to demonstrate its commitment to meeting the needs of all our stakeholders and supporting the communities where we live and work. This year, we helped raise over \$15 million for more than 600 charitable organizations across Canada through our Corus Cares initiative. Our team has a true passion for serving our local communities, and their dedication is inspiring.

Our commitment to diversity, equity and inclusion is demonstrated through a holistic action plan with a scope that encompasses our workplace, our content and our industry. As we take what we've learned through the pandemic along with extensive input from our people, we are embracing a more flexible and inclusive *Future of Work* approach. Our people are continuing to deliver against our priorities as we position Corus for success in the coming fiscal year.

We are very proud to once again be recognized with the 2021 award from Waterstone Human Capital as one of Canada's Most Admired Corporate Cultures.

Waterstone
CANADA'S
**MOST
ADMIRABLE**
**CORPORATE
CULTURES**
2021



delivering strong consolidated revenue growth in the years ahead

We place the well-being and engagement of our people and the long-term sustainability of our business among our top priorities. This means we continue our focus on building a strong, purpose-led organization as we take meaningful steps to advance our leadership position in advertising innovation, expand our streaming business with unique offerings such as STACKTV, and leverage our Corus Advantage to meet the robust international demand for Nelvana and Corus Studios original content.

This past year, we delivered successful diversification of our sources of financing, solid free cash flow and increased financial flexibility. We are actively pursuing our revised leverage target of below 2.5 times net debt to segment profit to provide even more financial flexibility as we make targeted investments in growth opportunities and fund our attractive dividend.

Corus is well positioned to meet the challenges of a highly competitive industry through innovation, partnership and great content, as our talented team has demonstrated time and again. In closing, and as we look back at fiscal 2021 and take stock of where we are today, we have terrific momentum. We are confident that we have the right strategic plan and priorities that will deliver on our commitment to achieve consolidated revenue growth year-over-year-over-year.

Doug Murphy
President and CEO

Heather Shaw
Executive Chair

Corus Television

Conventional Stations



B.C.
Okanagan
Lethbridge

Calgary
Edmonton
Saskatoon

Regina
Winnipeg
Toronto

Durham
Peterborough
Kingston

Montreal
New Brunswick
Halifax

Lifestyle



DTOUR

COOKING*
CHANNEL

Lifetime

NATIONAL
GEOGRAPHIC

NAT GEO
WILD



SLICE

OWN



Drama



CMT

abc spark

MovieTime

CRIME+
INVESTIGATION



[adult swim]

séries
plus

Kids



Treehouse

Disney
CHANNEL

Disney
LA CHAÎNE

Disney
Junior



nickelodeon

CN
CARTOON NETWORK

TELETOON

TELETOON

Original Content



CORUS
STUDIOS

Kids Can Press

Toon Boom
Bring Your Stories To Life

Multi-Platform Presence



nick+

premium
VOD

STACKTV

so.da

KIN

CURIOUS
CAST

Radioplayer
CANADA

Corus Radio

Vancouver, British Columbia



CHMJ-AM
AM730 All Traffic
All The Time



CKNW-AM
Global News Radio
980 CKNW



CFMI-FM
Rock 101
Vancouver's
Greatest Hits



CFOX-FM
The World
Famous CFOX

Calgary, Alberta



CHQR-AM
Global News Radio
770 CHQR



CFGQ-FM
Q107 Calgary's
Classic Rock



CKRY-FM
Country 105
Today's Country

Edmonton, Alberta



CHED-AM
630 CHED



CHQT-AM
Global News Radio
880 Edmonton



CISN-FM
CISN Country
103.9



CKNG-FM
92.5 The CHUCK
80s, 90s, EVERYTHING

Winnipeg, Manitoba



CJOB-AM
Global News Radio
680 CJOB



CJGV-FM
Peggy @ 99.1



CJKR-FM
Power 97

Barrie/Collingwood, Ontario



CHAY-FM
Fresh 93.1



CIQB-FM
Big 101.1



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
our community first



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
Global News Radio
900 CHML



CING-FM
Energy 95.3



CJXY-FM
Y108

London/Woodstock, Ontario



CFPL-AM
Global News Radio
980 CFPL



CFHK-FM
103.1 Fresh Radio



CFPL-FM
FM96



CKDK-FM
Country 104
#1 for Country HITS!

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
CENTRAL ONTARIO'S BEST ROCK

Toronto, Ontario



CFMJ-AM
Global News Radio
640 Toronto



CFNY-FM
102.1 the Edge



CILQ-FM
Q107

board of directors

Heather Shaw

Chair of the Board of Directors

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 Human Resources and Compensation Committee

Michael D'Avella

Member of the Corporate Governance Committee

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

Julie Shaw

Vice Chair of the Board of Directors

Member of the Corporate Governance Committee

executive leadership team

Doug Murphy

President and Chief Executive Officer

John Gossling, FCPA, FCA

Executive Vice President and Chief Financial Officer

Colin Bohm

Executive Vice President,
Content and Corporate Strategy

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, Broadcast Networks

officers

Heather Shaw

Executive Chair

Executive Leadership Team

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the financial position and results of operations for the year ended August 31, 2021 is prepared as at October 30, 2021. The following should be read in conjunction with the Company's August 31, 2021 audited consolidated financial statements and notes therein. The financial highlights included in the discussion of the segmented results are derived from the audited consolidated financial statements. All amounts are stated in Canadian dollars unless specified otherwise.

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

USE OF NON-IFRS FINANCIAL MEASURES

The Management's Discussion and Analysis contains references to certain measures that do not have a standardized meaning under IFRS as prescribed by the International Accounting Standards Board ("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 measures should not be considered in isolation nor as a substitute for analysis of financial information reported under IFRS. The Company presents non-IFRS measures, specifically, segment profit, segment profit margin, adjusted segment profit, adjusted net income attributable to shareholders, adjusted basic earnings per share, free cash flow, net debt and net debt to segment profit.

The Company believes these non-IFRS measures are frequently used by securities analysts, investors and other interested parties as measures of financial performance and to provide supplemental measures of operating performance and thus highlight trends that may not otherwise be apparent when relying solely on IFRS financial measures. A reconciliation of the Company's non-IFRS measures is included in the *Key Performance Indicators* 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"). These forward-looking statements relate to, among other things, our objectives, goals, strategies, intentions, plans, estimates and outlook, including our anticipation of generating sufficient free cash flow to sustain our dividend through fiscal 2022, advertising, distribution, merchandise and subscription revenue, operating costs and tariffs, taxes and fees, currency value fluctuations and interest rates, and can generally be identified by the use of words such as "believe", "anticipate", "expect", "intend", "plan", "will", "may" and other similar expressions. The forward looking information contained in this document includes, but is not limited to: expected timing for certain legislative changes; Corus' anticipated indebtedness and pro forma leverage and dividend yield targets. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances may be considered forward-looking information.

Although Corus believes that the expectations reflected in such forward-looking information are reasonable, such statements involve assumptions, risks and uncertainties and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied with respect to the forward-looking information above, including without limitation: the estimates and judgments set out under the heading "*Critical Accounting Estimates and Judgments*", in this document; factors and assumptions regarding general market conditions and general outlook for the industry, interest rates, stability of the advertising, distribution, merchandise and subscription markets, operating costs and tariffs, taxes and fees, our ability to source desirable content, currency value fluctuations, technology developments and assumptions regarding the stability of laws and governmental regulation and policies and the interpretation or application of those laws, regulations and policies, consistent application of accounting policies, segment profit growth rates, future levels of capital expenditures, expected future cash flows and discount rates, and actual results may differ materially from those expressed or implied in such statements.

Important factors that could cause actual results to differ materially from these expectations include, among other things: our ability to attract and retain advertising and subscriber revenue; audience acceptance of our television programs and cable networks; our ability to recoup production costs, the availability of tax credits and the existence of co-production treaties; our ability to compete in any of the industries in which we do business; the opportunities (or lack thereof) that may be presented to and pursued by us; conditions in the entertainment, information and communications industries and technological developments therein; changes

in laws, regulations and policies or the interpretation or application of those laws, regulations and policies; our ability to integrate and realize anticipated benefits from our acquisitions and to effectively manage our growth; our ability to successfully defend ourselves against litigation matters arising out of the ordinary course of business; failure to meet covenants under our senior credit facility; epidemics, pandemics or other public health crises, including the ongoing novel coronavirus ("COVID-19") outbreak; and changes in accounting standards. Additional information about these factors and about the material assumptions underlying such forward-looking information are set out under the heading "Risks and Uncertainties" in this document and under the heading "Risk Factors" in our Annual Information Form. Corus cautions that the foregoing list of important factors that may affect future results is not exhaustive.

When relying on our forward-looking information to make decisions with respect to Corus, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise specified, all forward-looking information in this document speaks as of the date of this document. Unless otherwise required by applicable securities laws, Corus disclaims any intention or obligation to publicly update or revise any forward-looking information whether as a result of new information, events or circumstances that arise after the date thereof or otherwise.

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

OVERVIEW

Corus is a diversified Canadian-based integrated media and content company that creates and delivers high quality brands and content across platforms for audiences in Canada and around the world. The Company's portfolio of multimedia offerings encompasses 33 specialty television networks, 15 conventional television stations, 39 radio stations, digital assets, a social media digital agency, a social media creator network, 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 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, digital assets, 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. On December 31, 2020, Corus ceased operation of the BBC channel. On December 31, 2019, Corus ceased operation of the FYI channel. On September 30, 2019, Corus ceased operation of the Cosmo TV and IFC channels.

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, 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, 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)

	2021	2020
Revenue		
Television	1,446.3	1,408.2
Radio	97.2	103.0
Consolidated revenue	1,543.5	1,511.2
Segment profit (loss) ⁽¹⁾		
Television	549.2	508.7
Radio	14.2	16.0
Corporate	(38.7)	(18.9)
Consolidated segment profit ⁽¹⁾	524.6	505.8
Depreciation and amortization	152.3	158.5
Interest expense	104.1	115.2
Broadcast licence and goodwill impairment	—	786.8
Debt refinancing	1.9	—
Integration, restructuring and other costs	11.3	19.1
Other income, net	(8.2)	(8.1)
Income (loss) before income taxes	263.3	(565.7)
Income tax expense	68.8	41.9
Net income (loss) for the year	194.6	(607.7)
Net income (loss) attributable to:		
Shareholders	172.6	(625.4)
Non-controlling interest	22.0	17.7
Net income (loss) for the year	194.6	(607.7)
Adjusted net income attributable to shareholders ⁽¹⁾	182.2	158.1
Basic earnings (loss) per share	\$0.83	\$(2.98)
Adjusted basic earnings per share ⁽¹⁾	\$0.88	\$0.75
Diluted earnings (loss) per share	\$0.83	\$(2.98)
Free cash flow ⁽¹⁾	251.9	296.2
Total assets	3,856.6	3,970.9
Long-term debt (inclusive of current portion)	1,349.3	1,506.1
Cash dividends declared per share		
Class A Voting	\$0.2350	\$0.2350
Class B Non-Voting	\$0.2400	\$0.2400

Notes:

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

FISCAL 2021 COMPARED TO FISCAL 2020

For a discussion on the Company's results of operations for the fourth quarter of fiscal 2021, we refer you to Corus' Fourth Quarter 2021 Report to Shareholders filed on SEDAR on October 22, 2021.

The following discussion describes the significant changes in the consolidated results from operations for the year ended August 31, 2021 compared to the prior year.

REVENUE

For the year ended August 31, 2021, consolidated revenue of \$1,543.5 million increased 2% from \$1,511.2 million in the prior year. On a consolidated basis, advertising revenue increased 1%, subscriber revenue was up 1% and merchandising, distribution and other revenue increased by 12% from the prior year. Revenue increased 3% from the prior year in Television and decreased 6% 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, 2021, direct cost of sales, general and administrative expenses of \$1,018.9 million increased 1% from \$1,005.4 million in the prior year. On a consolidated basis, direct cost of sales decreased 1%, other general and administrative costs decreased 13% from the prior year, while employee costs increased 15%. The decrease in direct cost of sales was driven principally by the decreases in amortization of film investments and program rights, offset by higher costs associated with certain sales initiatives. The increase in employee costs was primarily attributable to the reduction in estimated CEWS benefits to approximately \$13.5 million (2020 – \$34.9 million), higher share-based compensation expense, short-term compensation accruals, as well as increased commission costs. Other general and administrative expenses decreased as a result of relief on Part I and Part II CRTC fees of \$8.6 million, lower trade mark fees and lower tariff royalties that are positively correlated with revenue, decreased travel and entertainment costs, as well as reductions in estimated credit losses, professional and consulting fees, telephone, and transmission and distribution costs, partially offset by increases in property taxes and insurance costs. Further analysis of expenses is provided in the discussion of segmented results.

SEGMENT PROFIT

For the year ended August 31, 2021, consolidated segment profit was \$524.6 million, an increase of 4% from \$505.8 million in the prior year. Segment profit margin of 34% for the year ended August 31, 2021 was up from 33% 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, 2021 was \$152.3 million, a decrease from \$158.5 million in the prior year. The decrease for the year resulted from lower amortization of capital assets of \$4.1 million, brands of \$1.5 million and other intangible assets of \$0.7 million.

INTEREST EXPENSE

On May 11, 2021, the Company issued \$500.0 million in Senior Unsecured Notes due May 31, 2028 (the "Notes") that pay interest at 5.0%. The Company used the net proceeds of the Notes issuance to repay bank debt. On May 31, 2021, the Company's credit facility with a syndicate of banks was amended. The principal amendments were to reduce the senior secured term credit facility (the "Term Facility") to one tranche in the initial amount of \$923.7 million and to extend the maturity dates on both the Term Facility and the senior secured revolving facility (the "Revolving Facility") to May 31, 2025.

Interest expense for the year ended August 31, 2021 of \$104.1 million decreased from \$115.2 million in the prior year. The decrease in interest expense is a result of lower interest on long-term debt of \$4.5 million and lower imputed interest of \$10.1 million on long-term liabilities associated with program rights, trade marks and right-of-use assets, offset by \$3.5 million lower amortization of a deferred gain from other comprehensive income on interest rate swaps settled in November 2017. Interest on long-term debt is lower due to lower bank debt levels, partially offset by accrued interest on the Notes.

The effective interest rate on bank loans and Notes for the year ended August 31, 2021 was 4.2% compared to 4.0% in the prior year. The increase in the rate results from an increase in margins under the amended and restated Credit Facility and the issue of Notes at a 5% interest rate.

BROADCAST LICENCE AND GOODWILL IMPAIRMENT

Broadcast licences and goodwill are tested for impairment annually as at August 31 or more frequently if events or changes in circumstances indicate that they may be impaired. The Company has completed its annual impairment testing of broadcast licences and goodwill and determined that there were no impairment charges required at August 31, 2021.

In the third quarter of fiscal 2020, management identified indicators of impairment at the enterprise level, notably a significant decline in the Company's share price from August 31, 2019, which resulted in the Company's carrying value being significantly greater than its current market enterprise value. Accordingly, interim goodwill impairment testing was required for both the Television and Radio cash generating units ("CGUs"). As a result of these tests, the Company recorded a non-cash goodwill impairment charge of \$673.0 million and \$46.0 million in the Television and Radio operating segments, respectively (refer to note 11 of the audited consolidated financial statements for further details).

In addition, the pervasive economic impact of COVID-19 on Radio revenue meant that certain Radio markets had actual results and revised financial projections that fell well short of previous estimates, indicating that interim broadcast licence impairment testing was required. As a result of these tests, the Company recorded non-cash broadcast licence impairment charges of \$67.8 million in the Radio segment in the third quarter of fiscal 2020 (refer to note 11 of the audited consolidated financial statements for further details).

DEBT REFINANCING

On May 31, 2021, the Company amended its credit agreement (refer to note 14 of the audited consolidated financial statements for further details), which resulted in a non-cash write off of unamortized debt financing fees of \$3.5 million, offset by a gain on debt modification of \$1.6 million.

INTEGRATION, RESTRUCTURING AND OTHER COSTS

For the year ended August 31, 2021, the Company incurred \$11.3 million of integration, restructuring and other costs compared to \$19.2 million in the prior year. The current fiscal year costs relate to restructuring costs associated with employee exits, as well as certain costs associated with the shut-down of the BBC Canada channel, system integration and continued transmitter decommissioning costs. The prior year costs relate to restructuring costs associated with employee exits, certain costs associated with the shut-down of the FYI channel, transmitter decommissioning costs and system integration costs.

OTHER INCOME, NET

Other income for the year ended August 31, 2021 was \$8.2 million compared to \$8.1 million in the prior year. In the current year, other income includes foreign exchange gains of \$5.1 million net of losses on foreign exchange forward contracts, income of \$3.1 million from short-term investments, rental income, gains relating to net insurance proceeds received, gains from property sales, and miscellaneous interest income. For the year ended August 31, 2021, forward foreign exchange contracts resulted in unrealized foreign exchange loss of \$5.7 million, which offset foreign exchange gains recorded related to the period end revaluation of U.S. dollar denominated long term liabilities. In the prior year, other income included foreign exchange gains of \$4.3 million and \$3.8 million from short-term investments, rental income, gains from property sales, and miscellaneous interest income. Further discussion of the foreign exchange forward contracts can be found in the *Liquidity and Capital Resources* section of this report under the heading *Off-balance Sheet Arrangements and Derivative Financial Instruments*.

INCOME TAX EXPENSE

The effective tax rate for the year ended August 31, 2021 was 26.1% compared to the Company's 26.5% statutory tax rate. The effective tax rate for the year ended August 31, 2020 was a recovery of 7.4% compared to the Company's 26.5% statutory tax rate. The lower effective tax rate for the prior year was a result of the impairment recorded on goodwill in the television and radio operating segments.

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

Net income attributable to shareholders for the year ended August 31, 2021 was \$172.6 million (\$0.83 per share basic), compared to net loss attributable to shareholders of \$625.4 million (\$2.98 loss per share basic) in the prior year. Net income attributable to shareholders for fiscal 2021 includes integration, restructuring and other costs of \$11.3 million (\$0.04 per share) and debt refinancing costs of \$1.9 million (\$0.1 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of \$182.2 million (\$0.88 per share basic) for the current fiscal year. Net loss attributable to shareholders for the year ended August 31,

2020 includes broadcast licence and goodwill impairments of \$786.8 million (\$3.66 per share) and integration, restructuring and other costs of \$19.2 million (\$0.07 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of \$158.1 million (\$0.75 per share basic) for the prior year period.

The weighted average number of basic shares outstanding for the year ended August 31, 2021, was 208,367,000 compared to 209,769,000 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 November 2019 and April 2020.

OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAX

Other comprehensive income for the year ended August 31, 2021 was \$43.4 million, compared to a loss of \$5.6 million in the prior year. For the year ended August 31, 2021, other comprehensive income includes an actuarial gain on the remeasurement of post-employment benefit plans of \$19.4 million, an unrealized gain on the fair value of cash flow hedges of \$12.3 million, and an unrealized gain on the fair value of financial assets of \$12.3 million, offset by an unrealized loss from foreign currency translation adjustments of \$0.5 million. The prior year other comprehensive loss includes an unrealized loss on the fair value of cash flow hedges of \$15.5 million and an unrealized loss from foreign currency translation adjustments of \$0.1 million, offset by an actuarial gain on the remeasurement of post-employment benefit plans of \$8.9 million and an unrealized gain on the fair value of financial assets of \$1.1 million.

TELEVISION

The Television segment is comprised of 33 specialty television services (34 prior to December 31, 2020; 35 prior to December 31, 2019; 37 prior to September 30, 2019), 15 conventional television stations, digital media assets, 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.

FINANCIAL HIGHLIGHTS

	Year ended August 31,	
(thousands of Canadian dollars)	2021	2020
Revenue		
Advertising	842,202	823,448
Subscriber	498,049	490,985
Merchandising, distribution and other	106,036	93,805
Total revenue	1,446,287	1,408,238
Expenses	897,128	899,523
Segment profit ⁽¹⁾	549,159	508,715
Segment profit margin ⁽¹⁾	38%	36%

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

Revenue for the year ended August 31, 2021 was up 3% from the prior year as a result of increases of 2% in advertising revenue, 1% in subscriber revenue, and 13% in merchandising, distribution and other revenue. Television advertising revenue in the last half of the year has improved from the lows of the prior year primarily driven by the impact of COVID-19 pandemic. A more robust recovery was muted with continued COVID-19 restrictions and concerns around a fourth wave fueled by the Delta variant throughout Canada that are still impacting some advertising categories. Subscriber revenue benefited from growth on streaming services STACKTV and Nick+ that offset lower subscribers in the traditional system. Increases in merchandising, distribution and other revenue was driven by licensing of Corus Studios content and Toon Boom Animation software licensing, as well as Nelvana service work, partially offset by a decline in Nelvana content licensing sales compared to the prior year.

Expenses for the year ended August 31, 2021 were consistent with the prior year as a result of the 1% decrease in direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) being offset by the 1% increase in general and administrative expenses (which includes employee costs and other general and administrative costs). The decrease in direct cost of sales was driven by lower amortization of film investments and program rights amortization, partially offset by higher costs associated with certain sales initiatives. Employee costs increased 9% primarily due to the reduction in estimated CEWS benefits to

\$11.1 million (2020 – \$27.8 million), as well as increased commission and short-term compensation costs. Other general and administrative expenses were down 12% from the prior year from relief on CRTC Part I and Part II fees of \$0.9 million (2020 – \$8.4 million), curtailment of spending on travel and entertainment, advertising and marketing, as well as reductions in the provision for estimated credit losses, lower rent, maintenance, transmission and distribution costs.

Segment profit⁽¹⁾ was up 8% in fiscal 2021 as a result of increases in revenue, while total expenses remained flat with the prior year. Segment profit margin⁽¹⁾ for the year ended August 31, 2021 was 38%, up from the prior year at 36%.

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

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,	
	2021	2020
Revenue	97,196	102,998
Expenses	83,045	86,975
Segment profit ⁽¹⁾	14,151	16,023
Segment profit margin ⁽¹⁾	15%	16%

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

For the year ended August 31, 2021, revenue decreased 6% compared to the prior year. Advertising revenue in the latter half of fiscal 2021 continued to rebound from the lows experienced in the latter half of fiscal 2020, but a more robust recovery was muted by continued COVID-19 restrictions and concerns about the fourth wave fueled by the Delta variant throughout Canada that are still impacting some advertising categories.

Direct cost of sales, general and administrative expenses decreased 5% in fiscal 2021 compared to the prior year. The decrease was attributable to reductions on tariff royalties levied under the Copyright Act that are positively correlated with movements in revenue, relief on Part I and Part II CRTC fees, suspension of most discretionary spending on travel, entertainment, advertising and promotions, as well as decreased sports rights costs, and reductions over the prior year for estimated credit losses, offset by the reduction in CEWS benefits to \$1.9 million for the year (2020 – \$4.7 million).

For the year ended August 31, 2021, segment profit⁽¹⁾ decreased \$1.9 million and segment profit margin⁽¹⁾ of 15% was down from 16% in the prior year.

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

CORPORATE

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

FINANCIAL HIGHLIGHTS

(thousands of Canadian dollars)	Year ended August 31,	
	2021	2020
Share-based compensation	17,734	4,429
Other general and administrative costs	20,958	14,470
	38,692	18,899

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

The increase of \$13.3 million in share-based compensation expense for the year ended August 31, 2021 reflects the increase in the Company's share price from August 31, 2020, partially offset by the change in the fair value of the total return swaps (refer to the *Liquidity and Capital Resources* section of this report under the heading *Off-balance Sheet Arrangements and Derivative financial Instruments* for further details on this swap arrangement).

Other general and administrative costs for fiscal 2021 increased \$6.5 million from the prior year. The increase is principally related to a reduction in estimated CEWS benefits (2021 – \$0.5 million; 2020 – \$2.3 million), increased short-term compensation accruals, higher rent, licenses, consulting costs, and COVID-19 related costs, partially offset by decreases in travel, entertainment and professional fees.

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.

In fiscal 2021, the Company has seen a return to historical seasonal trends with the first and third quarter results being the highest and second and fourth quarter results being the lowest in the fiscal year. In fiscal 2020, the pandemic resulted in advertising revenue deviating from historical distribution patterns with the third quarter of fiscal 2020 being lower than both the first and second quarters, which resulted in a downward trend in the second half of that fiscal year. The same pattern is observable in segment profit for fiscal 2020. The Company's merchandising and distribution revenue is dependent on the number and timing of film and television programs delivered, as well as the timing and level of success achieved of associated merchandise licensed in the market, which cannot be predicted with certainty. Consequently, the Company's results may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods.

The following table sets forth certain unaudited data derived from the Company's interim condensed consolidated financial statements for each of the eight most recent quarters ended August 31, 2021. In Management's opinion, these unaudited interim condensed consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements in the Company's Annual Report for the years ended August 31, 2021 and August 31, 2020, except as disclosed in note 3 of the consolidated financial statements.

	Revenue ⁽¹⁾	Segment profit ⁽¹⁾	Net income (loss) attributable to shareholders	Adjusted net income attributable to shareholders ⁽¹⁾	Earnings (loss) per share			Free cash flow ⁽¹⁾
					Basic	Diluted	Adjusted ⁽¹⁾	
2021								
4th quarter	361,255	102,700	19,920	21,669	\$ 0.10	\$ 0.10	\$ 0.10	35,181
3rd quarter	402,999	130,671	40,666	44,324	\$ 0.20	\$ 0.19	\$ 0.21	64,702
2nd quarter	358,874	112,640	35,300	37,496	\$ 0.17	\$ 0.17	\$ 0.18	89,690
1st quarter	420,355	178,607	76,664	79,851	\$ 0.37	\$ 0.37	\$ 0.38	62,374
2020								
4th quarter	318,396	94,502	30,278	33,181	\$ 0.15	\$ 0.15	\$ 0.16	87,353
3rd quarter	348,967	111,313	(752,280)	18,996	\$ (3.61)	\$ (3.61)	\$ 0.09	90,773
2nd quarter	375,995	115,909	18,524	25,900	\$ 0.09	\$ 0.09	\$ 0.12	65,073
1st quarter	467,878	184,115	78,116	79,980	\$ 0.37	\$ 0.37	\$ 0.38	53,048

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

SIGNIFICANT ITEMS CAUSING VARIATIONS IN QUARTERLY RESULTS

- Net income attributable to shareholders for the fourth quarter of fiscal 2021 was negatively impacted by integration, restructuring and other costs of \$2.4 million (\$nil per share).
- Net income attributable to shareholders for the third quarter of fiscal 2021 was negatively impacted by debt refinancing costs of \$1.9 million (\$0.01 per share) and integration, restructuring and other costs of \$1.6 million (\$nil per share).

- Net income attributable to shareholders for the second quarter of fiscal 2021 was negatively impacted by integration, restructuring and other costs of \$3.0 million (\$0.01 per share).
- Net income attributable to shareholders for the first quarter of fiscal 2021 was negatively impacted by integration, restructuring and other costs of \$4.3 million (\$0.01 per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2020 was negatively impacted by integration, restructuring and other costs of \$4.0 million (\$0.01 per share).
- Net loss attributable to shareholders for the third quarter of fiscal 2020 was negatively impacted by non-cash radio broadcast licence and television and radio goodwill impairment charges of \$786.8 million (\$3.69 per share) and integration, restructuring and other costs of \$2.6 million (\$0.01 per share).
- Net income attributable to shareholders for the second quarter of fiscal 2020 was negatively impacted by integration, restructuring and other costs of \$10.0 million (\$0.03 per share).
- Net income attributable to shareholders for the first quarter of fiscal 2020 was negatively impacted by integration, restructuring and other costs of \$2.5 million (\$0.01 per share).

FINANCIAL POSITION

Total assets at August 31, 2021 were \$3.9 billion, compared to \$4.0 billion at August 31, 2020. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2020.

Current assets at August 31, 2021 were \$399.0 million, up \$38.4 million from August 31, 2020.

Cash and cash equivalents decreased by \$2.2 million from August 31, 2020. Refer to the discussion of cash flows in the next section.

Accounts receivable increased \$28.0 million from August 31, 2020. The increase was a result of an increase in trade accounts receivable, a decrease in the allowance for doubtful accounts, offset by a decrease in other 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 decreased \$2.2 million from August 31, 2020 as a result of tax credit receipts exceeding accruals relating to film productions.

Investments and other assets increased \$39.2 million from August 31, 2020, as a result of an increase in the net asset position of certain post employment benefits, a net increase in the fair value measurement on investments in venture funds, offset by a decrease in unrealized gains related to forward foreign exchange contracts that are in a liability position at the end of the period.

Property, plant and equipment decreased \$17.5 million from August 31, 2020 as a result of depreciation expense exceeding additions.

Program rights decreased \$61.7 million from August 31, 2020, as additions of acquired rights of \$434.5 million were offset by amortization of \$493.6 million and the \$2.6 million write-off of certain program rights related to the BBC Canada channel shut-down on December 31, 2020.

Film investments decreased \$5.2 million from August 31, 2020, as film additions (net of tax credit accruals) of \$7.8 million were offset by film amortization of \$12.9 million.

Intangibles decreased \$101.6 million from August 31, 2020, primarily as a result of amortization of finite life intangibles exceeding additions, while goodwill remained unchanged from August 31, 2020.

Accounts payable and accrued liabilities increased \$58.1 million from August 31, 2020, principally as a result of higher trade accounts payable, short-term compensation accruals, program rights payable, interest accruals, unearned revenue, and other accrued liabilities, which include other working capital accruals, offset by decreases to trade marks payable and capital asset purchases.

Provisions, including the long-term portion, at August 31, 2021 of \$16.7 million decreased \$1.4 million from August 31, 2020 principally as a result of restructuring related payments exceeding additions and reductions in certain estimated asset retirement obligations.

Long-term debt, including the current portion, as at August 31, 2021 was \$1,349.3 million compared to \$1,506.1 million as at August 31, 2020. As at August 31, 2021, the \$35.3 million classified as the current portion of bank debt reflects mandatory repayments in the following 12 months. During the year ended August 31, 2021,

the Company repaid bank debt of \$650.6 million, issued Notes of \$500.0 million, added deferred fees of \$12.1 million related to the issuance of the Notes, wrote off \$3.5 million of previously deferred fees and recognized a refinancing gain of \$1.6 million, both related to bank debt amendments, as well as amortized \$4.1 million of deferred financing charges.

Other long-term liabilities decreased \$161.5 million from August 31, 2020, primarily from decreases in long-term program rights payable, long-term liabilities related to trade marks, merchandising and other intangible rights, adjustments to the fair value of interest rate swap and foreign exchange forward derivatives, as well as decreases in lease obligations, unearned revenue, employee obligations, and software licenses.

Share capital remained unchanged from August 31, 2020. Contributed surplus increased by \$1.1 million as a result of share-based compensation expense.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Overall, the Company's cash and cash equivalents position decreased by \$2.2 million from the prior year. Free cash flow⁽¹⁾ for the year ended August 31, 2021 decreased to \$251.9 million, from \$296.2 million in the prior year. The decrease in free cash flow⁽¹⁾ for fiscal 2021 resulted principally from higher income tax installments, offset by CEWS receipts of \$33.0 million. A reconciliation of free cash flow⁽¹⁾ to the consolidated statements of cash flows is provided in the *Key Performance Indicators* section of this report.

Cash provided by operating activities for the year ended August 31, 2021 was \$274.5 million, compared to \$313.3 million in the prior year. The decrease for the year in cash provided by operating activities of \$38.8 million arises from an increase in cash flow from operations of \$36.5 million, which includes lower spending on film investments of \$25.5 million and program rights of \$13.6 million, offset by a decrease in cash provided from working capital of \$75.3 million.

Cash used in investing activities for the year ended August 31, 2021 was \$29.5 million, compared to \$19.0 million in the prior year. In the current year, the Company had additions to property, plant and equipment of \$19.6 million and net cash outflows of \$10.3 million for intangibles, investments and other assets, offset by proceeds from asset sales of \$0.3 million. The prior year includes additions to property, plant and equipment of \$15.4 million and net cash outflows of \$3.9 million for intangibles, investments and other assets, offset by proceeds from asset sales of \$0.3 million.

Cash used in financing activities for the year ended August 31, 2021 was \$274.2 million, compared to \$330.9 million in the prior year. In the current year, the Company paid down bank debt by \$650.6 million, issued Notes of \$500.0 million, paid dividends of \$67.7 million to shareholders and non-controlling interests, made payments related to right-of-use leases of \$16.3 million and software licenses of \$3.0 million, paid \$12.1 million in deferred financing fees, returned capital of \$1.6 million to a non-controlling interest related to the wind up of Cosmopolitan TV, and received equity funding from a non-controlling interest of \$4.1 million. In the prior year, the Company repaid bank debt of \$229.5 million, paid dividends of \$70.4 million to shareholders and non-controlling interests, repurchased shares of \$16.9 million, made payments related to right-of-use leases of \$15.9 million, and made payments of \$3.6 million related to software license liabilities, and received equity funding from a non-controlling interest of \$5.4 million.

⁽¹⁾ A definition and reconciliation of free cash flow to the consolidated statements of cash flows is provided in the *Key Performance Indicators* section of this report.

LIQUIDITY

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

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

The Company monitors capital using several key performance metrics, including: net debt to segment profit ratio and dividend yield. The Company's stated long-term objectives are a leverage target (net debt to segment profit ratio) below 2.5 times and to maintain a dividend yield in excess of 2.5%. In the short term, the Company may permit the long-term leverage range to be exceeded (for long-term investment opportunities), but endeavours

to return to the leverage target range as the Company believes that these objectives provide a reasonable framework for providing a return to shareholders and is supportive of maintaining the Company's credit ratings.

As at August 31, 2021, the Company had a cash and cash equivalents balance of \$43.7 million and had available approximately \$300.0 million under the Revolving Facility, all of which could be drawn. The Company was in compliance with all loan covenants. Management believes that cash flow from operations and existing credit facilities will provide the Company with sufficient financial resources to fund its operations for the following 12 months.

TOTAL CAPITALIZATION

As at August 31, 2021, total capitalization was \$2,669.5 million compared to \$2,657.2 million at August 31, 2020, an increase of \$12.3 million. The increase in total capitalization is principally related to a decrease in accumulated deficit of \$142.5 million and an increase in accumulated other comprehensive income of \$24.1 million, offset by lower long-term debt of \$156.8 million.

OFF BALANCE SHEET ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

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

The Company has entered into Canadian interest rate swap agreements to fix the interest rate on a portion of its outstanding term loan facilities. The current notional value of the interest rate swap agreements is \$467.0 million at 2.004%, plus applicable margins to August 31, 2022. The counterparties of the swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The fair value of future cash flows of interest rate swap derivatives change with fluctuations in market interest rates. The estimated fair value of these agreements as at August 31, 2021 was \$6.7 million (2020 – \$26.3 million), which has been recorded in the consolidated statements of financial position as a long-term liability (refer to note 15 of the audited consolidated financial statements for further details).

As at August 31, 2021, the Company has a series of forward foreign exchange contracts totalling \$132.3 million U.S. dollar, 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, 2021 was a liability of \$2.6 million (2020 – asset of \$3.1 million), which has been recorded in the consolidated statements of financial position as an other long-term liability (refer to note 15 of the audited consolidated financial statements for further details), and within other expense (income), net in the consolidated statements of income (loss) and comprehensive income (loss) (refer to note 20 of the audited consolidated financial statements for further details).

The Company has total return swap agreements on 3,197,500 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 these Level 1 financial instruments will fluctuate with the market price of the Company's shares. The counterparties of these swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The estimated fair value of these agreements as at August 31, 2021 was an asset of \$4.9 million (2020 – liability of \$3.3 million), which has been recorded in the consolidated statement of financial position in investments and other assets (refer to note 5 of the audited consolidated financial statements for further details) and within employee expenses in the consolidated statement of income (loss) and comprehensive income (loss) (refer to note 18 of the audited consolidated financial statements for further details).

CONTRACTUAL COMMITMENTS

The Company has the following undiscounted contractual obligations at August 31, 2021:

(thousands of Canadian dollars)	Total	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years
Total debt ⁽¹⁾	1,374,163	35,328	70,657	768,178	500,000
Purchase obligations ⁽²⁾	1,029,039	634,412	338,848	55,779	—
Lease liabilities ⁽³⁾	333,380	32,017	60,716	57,216	183,431
Other obligations ⁽⁴⁾	282,636	131,469	124,008	27,159	—
Total contractual obligations	3,019,218	833,226	594,229	908,332	683,431

⁽¹⁾ Principal repayments

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

⁽³⁾ Lease liabilities relate to right-of-use assets which include land and buildings related to television and radio operations.

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

In addition to the contractual obligations in the table above, the Company will pay interest on any bank debt and Notes outstanding in future periods. In fiscal 2021, the Company incurred interest on bank debt and Notes of \$63.0 million (2020 – \$67.5 million).

KEY PERFORMANCE INDICATORS

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 supplementary non-IFRS measures as a method of evaluating the Company's performance. Certain key performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS. These non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

REVENUE

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

The primary sources of 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, 2021 derived primarily from three areas: advertising 61%, subscriber fees 32% and merchandising, distribution and other 7% (2020 – 61%, 32% and 7%, respectively).

DIRECT COST OF SALES, AND GENERAL AND ADMINISTRATIVE EXPENSES

Direct cost of sales, and general and administrative expenses include amortization of program rights (costs of programming intended for broadcast, from which advertising and subscriber 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 merchandising, studio service work, book publishing, marketing (research and advertising costs); employee remuneration; regulatory licence fees; and, selling, general administration which includes overhead costs. For the year ended August 31, 2021, consolidated direct cost of sales, and general and administrative expenses were comprised of direct cost of sales 53%, employee remuneration 32%, and general and administrative expenses 15% (2020 – 54%, 28%, and 18%, 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; significant intangible and other asset impairment; debt refinancing; non-cash gains or losses; integration, restructuring and other costs; gain (loss) on disposition; and certain other income and expenses as included in note 20 to the audited consolidated financial statements. Segment profit is also one of the measures used by the investing community to value the Company and is included in note 22 to the audited consolidated financial statements. Segment profit margin is calculated by dividing segment profit by 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)	2021	2020
Revenue	1,543,483	1,511,236
Direct cost of sales, general and administrative expenses	1,018,865	1,005,397
Segment profit	524,618	505,839
Segment profit margin	34.0%	33.0%

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)	2021	2020
Cash provided by (used in):		
Operating activities	274,493	313,272
Investing activities	(29,526)	(19,005)
	244,967	294,267
Add back: cash used for business combinations and strategic investments ⁽¹⁾	6,980	1,980
Free cash flow	251,947	296,247

⁽¹⁾ Strategic investments are comprised of investments in venture funds and associated companies.

ADJUSTED NET INCOME AND ADJUSTED BASIC EARNINGS PER SHARE

Management uses adjusted net income attributable to shareholders and adjusted basic earnings per share as a measure of enterprise-wide performance. Adjusted net income attributable to shareholders and adjusted basic earnings per share are defined as net income and basic earnings per share before items such as: non-recurring gains or losses related to acquisitions and/or dispositions of investments; costs of debt refinancing; non-cash impairment charges; and business acquisition, integration and restructuring costs. Management believes that adjusted net income and adjusted basic earnings per share are useful measures that facilitate period-to-period operating comparisons. Adjusted net income and adjusted basic earnings per share do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other companies. Adjusted net income and adjusted basic earnings per share should not be considered in isolation or as a substitute for net income (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)	2021	2020
Net income (loss) attributable to shareholders	172,550	(625,362)
Adjustments, net of income tax:		
Broadcast licences and goodwill impairment	—	769,338
Debt refinancing	1,389	—
Integration, restructuring and other costs	8,279	14,081
Adjusted net income attributable to shareholders	182,218	158,057
Basic earnings (loss) per share	\$0.83	\$(2.98)
Adjustments, net of income tax:		
Broadcast licences and goodwill impairment	—	\$3.66
Debt refinancing	\$0.01	—
Integration, restructuring and other costs	\$0.04	\$0.07
Adjusted basic earnings per share	\$0.88	\$0.75

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)	2021	2020
Total debt, net of unamortized financing fees	1,349,293	1,506,089
Lease liabilities	143,546	148,580
Cash and cash equivalents	(43,685)	(45,900)
Net debt	1,449,154	1,608,769

NET DEBT TO SEGMENT PROFIT

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

(thousands of Canadian dollars)	2021	2020
Net debt (numerator)	1,449,154	1,608,769
Segment profit (denominator) ⁽¹⁾	524,618	505,839
Net debt to segment profit	2.76	3.18

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

ENTERPRISE RISK MANAGEMENT

Corus' enterprise risks 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.

RISK GOVERNANCE

The Company's Board of Directors has overall responsibility for risk governance and ensures that there are processes in place to effectively identify, assess, monitor, and manage principal business risks to which the Company is exposed. This includes oversight of the implementation of enterprise risk management procedures and the development of entity level controls. The Board carries out its risk management mandate primarily through 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 Conduct which is required to be reviewed and signed to confirm compliance annually by directors, officers and certain other employees of the Company), financial controls and other governance processes are in place and monitored regularly by the Company's Risk and Compliance group, which functions independently from management and provides the Audit Committee and management with objective evaluations of the Company's risk and control environment.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

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

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

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

RISKS AND UNCERTAINTIES

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

A. GENERAL RISKS

ECONOMIC CONDITIONS

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

COMPETITION AND TECHNOLOGICAL DEVELOPMENTS

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

Corus also faces competition from both regulated and unregulated players using existing, 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 no longer requires the licensing of new discretionary services. These services can be launched at any time using the CRTC's exemption order which further increases competition. Corus' services also compete with a number of foreign programming services which have been authorized for distribution in Canada by the CRTC, such as A&E and CNN. This competition is for both supply of programming and also for audiences and can affect both the costs and 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 (see *PANDEMICS*).

ii) Programming Expenditures / Audience Acceptance

Programming costs are one of the most significant expenses in the Television segment. Although the Company has processes to effectively manage these costs, increased competition in the television broadcasting industry due to factors mentioned above, changes in viewer preferences and other developments could impact the availability of premium content and/or increase the cost of programming content which could have a material adverse effect on Corus' operations and/or financial results.

In addition, programming content may be purchased or commissioned for broadcast one or two years in advance, making it more difficult to predict how such content will perform in terms of audience acceptance. Audience acceptance cannot be accurately predicted. The success of a program also depends on the type and extent of promotional and marketing activities, the quality and acceptance of competing programs, general economic conditions and other intangible factors, all of which can rapidly change and many of which are beyond Corus' control. A failure to select and obtain content demanded by viewers or otherwise a lack of audience acceptance of Corus' television programming could have a material adverse effect on Corus' operations and/or financial results.

Commission of original television programs requires a significant amount of capital. Factors such as labour disputes, technology changes or other disruptions affecting aspects of production may affect Corus or its independent production partners and cause cost overruns and delay or hamper completion of a production (see *RELIANCE ON KEY SUPPLIERS AND CUSTOMERS* and *PANDEMICS*).

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 (see *PANDEMICS*).

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.

B. BUSINESS RISKS

PANDEMICS

Pandemics, epidemics and other systemic or widespread health and safety risks could occur, any of which could adversely affect the Company's ability to maintain operations or meet revenue or expense targets or plans and may also adversely affect the ability of suppliers to provide products and services needed to operate the business. Pandemics, epidemics and other health and safety risks could also have an adverse effect on the economy and financial markets resulting in a declining level of retail and commercial activity, which could have a negative impact on the demand for, and prices of, the Company's products and services.

The COVID-19 pandemic continues to impact the well-being of individuals as well as the Canadian and global economies. The Company, informed by measures recommended by public health agencies, continues to provide its essential services and support to customers while safeguarding the health and safety of employees. Since the onset of the pandemic in March 2020, this has included restricting on-site Company staff to only those considered essential. In fiscal 2022, the Company anticipates that it will increase on-site capacity for employees with a gradual approach and adopting flexible work arrangements where this is practicable and so long as the health of the Company's people and communities they work are appropriately protected.

The impact of COVID-19 and measures to prevent its spread have affected the Company in a number of ways. Advertising sales in the latter half of fiscal 2021 rebounded from the lows experienced in the latter half of fiscal 2020, but a more robust recovery was muted by continued COVID-19 restrictions, vaccine hesitancy and concerns about the fourth wave fueled by the Delta variant throughout Canada. The Company continues to work closely with its advertisers and agencies to create relevant and innovative marketing and advertising opportunities, which has meant that revenue declines are not as pronounced as they were when strict quarantine measures were in place. There is no guarantee that further impacts may not occur depending on pandemic recovery conditions and pace within Canada and globally.

In addition, there have been industry-wide disruptions in the production and availability of content, including suspension or delays in production of film and television content. This has led to a larger number of repeats and fewer new episodes on all networks that has resulted in lower programming costs for Corus in fiscal 2021 and fiscal 2020. The shut-down and slow restart of Canadian productions resulted in the Company being unable to meet all of its Canadian programming expenditures ("CPE") regulatory requirements in fiscal 2020 resulting in a shortfall in spending of approximately \$50.0 million. In August 2021, the CRTC provided television broadcasters with the flexibility to make up the shortfalls on CPE obligations during fiscal 2020 over an extended period. The Company anticipates that it will meet the CRTC's CPE requirement by the mandated date of August 31, 2023. The Company has ramped up its development efforts for new original programming, however there are risks that the Company will continue to be challenged to meet CPE requirements, particularly if productions are shut-down again as a result of continuing pandemic conditions and impacts.

However, overall, given the constantly evolving nature, extent and sentiments about the COVID-19 pandemic, it is difficult to predict with certainty medium or long-term impacts of the pandemic to the Company. Key unknowns which may affect the Company and its business and financial positions include the duration, severity and the impact of a resurgence of the outbreaks, imposition of new or reintroduction of emergency measures, timing and extent of, border closures or reopening timing, changes to travel restrictions, and fluctuations in financial and commodity markets. In addition, labour shortages due to illness or, restrictions on the movement of personnel as well as supply chain disruptions could result in a material reduction or even cessation of all or a portion of the Company's operations. Further spread or severity of COVID-19 in Canada and globally could also have a material adverse effect on the regional economies in which the Company operates, could negatively impact stock markets, including the trading price of its Class B Non-Voting Shares, adversely impact the Company's ability to raise capital, cause continued interest rate volatility or make obtaining financing or renegotiating the terms of its existing financing more challenging or more expensive. Potential related impacts include, but are not limited to, an impairment of long-lived assets, an impairment of investments in venture funds and a change in the estimated credit loss on accounts receivable.

The company is constantly evaluating the situation and monitoring any impacts or potential impacts to its business. The Company has recorded approximately \$13.5 million (2020 — \$34.9 million) in estimated CEWS benefits that were recorded principally as a reduction of employee costs in the consolidated financial statements. In addition to government programs, in fiscal 2021, the Company initiated other operating expense savings measures to safeguard its financial position and preserve cash which include: pausing the buying back of shares under the Company's NCIB; scaling back capital investments; suspending new non-critical employee hiring; suspending travel and non-critical spending; and continuing to evaluate and apply for other government programs where applicable.

However, in summary, the extent to which COVID-19 and any other pandemic or public health or safety crisis impacts the Company's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision.

RELIANCE ON KEY SUPPLIERS AND CUSTOMERS

Corus procures its content from a limited number of key third party suppliers, some of whom are global in scale and have significant negotiating leverage. Certain of these third parties are launching 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 (see *PANDEMICS*).

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 March 15, 2021 a transaction was announced whereby Rogers Communications Inc. ("Rogers") would purchase all outstanding Class A Shares and Class B Shares of Shaw (referred as the "Proposed Rogers/Shaw Transaction"). This transaction has been approved by the shareholders of Shaw, but is still subject to regulatory review by the Competition Bureau, the CRTC and Innovation, Science and Economic Development Canada. These parallel review processes are ongoing. If successful, this transaction would see the Shaw Family Living Trust ("SFLT") become one of the largest shareholders in Rogers, but SFLT would not be the controlling shareholder. As such, there is uncertainty as to the commercial and competitive landscape implications of the resulting merger, if approved, as well as the timing. While Corus maintains strong business relationships with its key suppliers, clients and partners, including Rogers and Shaw, 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 advertisers revenues may also materialize. In addition, it is possible that funding currently provided by Shaw to Corus for the production of local news, pursuant to CRTC policies, may not be provided to Corus in the future as a result of Rogers' position that it will discontinue the Shaw-Corus local funding arrangement, and redirect these funds to Rogers-owned Citytv stations.

INFORMATION SYSTEMS AND INTERNAL BUSINESS PROCESSES

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

An inability to protect the Company's systems, applications and information repositories against cyber threats, which include cyber attacks such as, but not limited to, hacking, computer viruses, denial of service attacks, industrial espionage, unauthorized access to confidential, proprietary or sensitive information, unauthorized access to corporate or network information technology systems or other breaches of security could result in service disruptions to, or could have an adverse impact on, the Company's business operations and could harm

the Company's brand, reputation and customer relationships. Although the Company has taken steps to reduce these risks, there can be no assurance that future cyber threats, if to occur, will not have an adverse effect on the Company's operating results. Establishing response strategies and business continuity protocols to maintain operations if any disruptive event materializes is critical to the Company. A failure to complete planned and sufficient testing, maintenance or replacement of the Company's networks, equipment and facilities as appropriate, could disrupt the Company's operations or require significant resources.

The Company uses several cloud-based systems in the operation of its business. The Company depends on these cloud-based technology system providers to provide uninterrupted system access as well as to ensure the Company's data, which resides in those systems, is appropriately protected and safeguarded. An inability to have continuous access to these systems could result in 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 / PIRACY

Television / Radio – Broadcast Business

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

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

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

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

Corus' linear television and digital platforms and services broadcast, make available, distribute and may contain many forms of content including licensed audio-visual programming, text, news, graphics, databases, photographs, recipes, audio files (music or otherwise) and rich interactive content, blog content, and user-generated content including story comments, and internal and external links. Corus takes steps to ensure that procedures are in place to clear rights and to monitor user-generated content. There remains a risk, however, that some potentially defamatory or infringing content can be posted on a Corus website. Corus carries insurance coverage against this risk but there remains an exposure to liability for third-party claims.

Television – Content Business

Corus must be able to protect its trade marks, copyrights and other proprietary rights to competitively produce, distribute and licence its television programs and published materials and market its merchandise. Accordingly, Corus devotes the Company's resources to the establishment and protection of trade marks, copyrights and other proprietary rights on a worldwide basis.

From time to time, various third parties may contest or infringe upon the Company's intellectual property rights. The Company reviews these matters to determine what, if any, actions may be required or should be taken, including legal action or negotiated settlement. There can be no assurance that the Company's actions to establish and protect trade marks, copyrights and other proprietary rights will be adequate to prevent imitation or unauthorized reproduction of the Company's products by others or prevent third parties from seeking to block sales, licensing or reproduction of these products as a violation of their trade marks, copyrights and proprietary rights. Moreover, there can be no assurance that others will not assert rights in, or ownership of, the Company's trade marks, copyrights and other proprietary rights, or that the Company will be able to successfully resolve these conflicts. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States or Canada.

NEWS

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

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

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

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

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

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

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.

MERCHANDISING

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

PEOPLE

Employee Retention, Recruitment, Engagement and Diversity

Corus' operations depend on the expertise, efforts and engagement of its employees. The talent and workforce in our 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, in technology and digital fields as well as in creative, media 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 and diverse workplace, and a great employee experience to both attract qualified and high performing individuals and to retain them. 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 negotiations, 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 inclusive work environment throughout the organization. To this end the Company has created a Diversity, Equity and Inclusion Council that provides feedback and ideas about diversity, equity and inclusion priorities, monitors the implementation of the triennial Employment Equity Plan and the Diversity, Equity and Inclusion Plan.

The Company continues to re-examine its diversity, equity and inclusion plans and business processes as they pertain to recruitment. 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, which has a direct impact on evolving the diversity of its workforce. In fiscal 2021, the Company began conducting inclusion training for the senior leadership team, which will be cascaded to all of the Company's employees. The Company has adopted changes in how it sources, attracts and selects new Board candidates and employees, with a lens of diversity, equity and inclusion, which will ensure all levels of the Company better reflect the diversity of the communities in which it operates. To further support its commitment to diversity and inclusion, three Employee Resource Groups have been formed: CREATE, Corus Recognizes Excellence in Asian Talent and Energy; BOLD, Black Organization for Leadership and Development, and Out@Corus, a group for 2SLGBTQ+ team members. These groups provide the Company an important sounding board, resource and partners to

develop our anti-racism, diversity and inclusion initiatives. Failure to address perceived or actual systemic racism and bias, to recruit and retain a diverse and inclusive workforce or foster and maintain a diverse 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, 2021, 27% 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.

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 we and our 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 ice, snow and wind storms, wildfires, flooding, extended heat waves, and tornadoes), power loss, building cooling loss and other events. Climate change could heighten the occurrence of the above-mentioned environmental risks. 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 recognize and adequately respond to changing governmental and public expectations on environmental matters could result in fines, remedial costs, missed opportunities, additional regulatory scrutiny or harm Corus' brand and reputation.

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

C. FINANCIAL RISKS

LEVERAGE RISK

The Company's stated long-term objectives are a leverage target (net debt to segment profit ratio) below 2.5 times and to maintain a dividend yield in excess of 2.5%. In the short-term, the Company may permit the long-term leverage range to be exceeded (for long-term investment opportunities), but endeavours to return to the leverage target range as the Company believes that these objectives provide a reasonable framework for providing a return to shareholders and is supportive of maintaining the Company's credit ratings.

The Company's maintenance of increased levels of debt could adversely affect its financial condition and results of operations. In addition, increased debt service payments could adversely impact cash flows from operating activities, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions, future business opportunities, and other general corporate purposes, as well as limiting the Company's ability to pay dividends at current levels.

DIVIDEND PAYMENTS

Payment of dividends on the Company's Class A Voting Shares and Class B Non-Voting Shares is dependent on the cash flow of the Company and subject to change. The Company currently pays quarterly share dividends on both its Class A Voting Shares and Class B Non-Voting Shares in amounts approved quarterly by the Board of Directors. While the Company expects to generate sufficient free cash flow in fiscal 2022 to fund the Company's annual dividend rate for fiscal 2022, actual results may differ from the Company's expectations and there can be no assurance that the Company will be able to continue dividend payments at the currently anticipated rate or at all in the future. A reduction or cessation of the payment of dividends could materially affect the trading price of the Class B Non-Voting Shares.

MARKET VOLATILITY

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

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 (see *PANDEMICS*).

TAXES

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

INTEREST RATE RISK

The Company utilizes long-term financing extensively in its capital structure, which includes a banking facility, as more fully described in note 14 to the audited consolidated financial statements. Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances. 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, 2021, 70% (2020 – 92%) of the Company's consolidated long-term debt was fixed with respect to interest rates for at least the next year. 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 (see *PANDEMICS*).

As at August 31, 2021, the Company's trade receivables and allowance for doubtful accounts balances were \$311.9 million and \$3.9 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. Approximately 5% of Corus' total revenue in fiscal 2021 (2020 – 4%) were in foreign currencies, the majority of which was U.S. dollars. The Company had U.S. dollar denominated payables of approximately \$210.5 million at August 31, 2021 (2020 – \$325.2 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, 2021, \$132.3 million (2020 – \$48.3 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 24 to the audited consolidated financial statements in the *Risk Management* section.

ACQUISITIONS AND OTHER STRATEGIC TRANSACTIONS

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

HOLDING COMPANY STRUCTURE

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

D. OWNERSHIP RISK

CONTROL OF CORUS BY THE SHAW FAMILY

A majority of the outstanding Class A Voting Shares of the Company are held by Shaw Family Living Trust ("SFLT") and its subsidiaries. As at August 31, 2021, SFLT and its subsidiaries hold 2,885,530 Class A Voting Shares, representing approximately 85% 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, 2021, 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.

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

E. REGULATORY RISKS

IMPACT OF REGULATION

Corus' radio and television business activities are regulated by the Canadian Radio-television and Telecommunications Commission ("CRTC" or the "Commission") under the *Broadcasting Act*. Accordingly, Corus' results of operations could be adversely affected by changes in regulations, policies and decisions by the CRTC. These changes may relate to, or may have an impact on, among other matters, licensing, 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. Also refer to the discussion of the "Proposed Rogers/Shaw Transaction" in the *Reliance on Key Suppliers and Customers* section in this document.

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 will end on August 31, 2022. The key issues arising from these decisions include the Canadian Programming 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" of decisions for the television services of large English- and French-language private ownership groups, including Corus. Revised and additional conditions came into effect on September 1, 2018 and will apply until August 31, 2022, the end of the current licence term. For the English-language groups, the CRTC established new PNI expenditures based on historical expenditures for each group.

Corus' English-language group of services are now subject to an 8.5% PNI expenditure requirement of the previous year's gross revenue and will be required to direct 0.17% of its previous year's gross revenue to FACTOR, a temporary requirement which will be in effect for the current licence term. The CRTC determined that specific funding for short-form films and documentary content is not necessary. French-language groups will be required to devote at least 75% of their CPE to original French-language programs effective September 1, 2019, and at least 50% of their CPE for the 2018-2019 broadcast year. French-language groups will be required, as a temporary measure, to direct 0.17% of their previous year's gross revenue to MUSICATION for the remainder of the current licence term.

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

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

Broadcasting Act Amendments and Pandemic-related Regulatory Measures

On November 3, 2020, the Government of Canada tabled Bill C-10 ("Bill"), which proposed amendments to the *Broadcasting Act*. The Bill proposed incorporating online broadcasting undertakings which operate in Canada but are currently exempt from regulation, in the Canadian broadcasting regulatory framework.

Bill C-10 also proposed eliminating "conditions of licence," which attach to individual broadcasting licence-holders. In their place, the CRTC would acquire new power to issue orders that impose "conditions of service," to either individual entities, or broader classes of regulated actors. Whereas "conditions of licence" are only applicable to traditional broadcasting licence-holders, "conditions of service" would be applicable to all entities captured by the *Broadcasting Act*, including "online undertakings."

Notably, Bill C-10 would have left a number of substantive decisions to the CRTC, such as the process for establishing "conditions of service", and the nature and level of the conditions.

To further guide the CRTC in those processes, the Government promised to issue a separate, binding "policy direction" to the CRTC that addressed "contributions from online broadcasters" and "Regulatory fairness," among other themes.

The Bill proceeded through much of the multi-stage review process in Parliament in late 2020 and early 2021, but did not receive Royal Assent before a federal election was called on August 15, 2021. As such, Bill C-10 died on the order paper, and will not become law. Any future amendments to the *Broadcasting Act* will have to be re-introduced, and begin the legislative process anew.

The Liberal Party of Canada won the greatest number of seats (159) in the September 20, 2021 federal election, and will form a minority government. The Liberal Party campaigned on a pledge to "reintroduce legislation to reform the Broadcasting Act to ensure foreign web giants contribute to the creation and promotion of Canadian stories and music ... within the first 100 days." Therefore, it is possible the new federal government will pursue (and ultimately enact) similar amendments to the Broadcasting Act as were proposed in Bill C-10, however, the probability is difficult to predict. As such, the impact is not determinable at this time but could affect the Company's results of operations and financial performance.

The CRTC launched a public consultation on September 17, 2020 to consider whether to grant licenced broadcasters temporary regulatory relief in response to COVID-19. Among other things, in its August 12, 2021 decision, the CRTC provided television broadcasters with the flexibility to repay any 2019-2020 Canadian programming expenditure ("CPE") shortfalls over an extended period. All large television ownership groups (including Corus' English- and French-language television services) will have until August 31, 2023 to meet their 2019-2020, COVID-19 induced CPE shortfalls. Smaller broadcasters will have an additional year to satisfy their requirements (August 31, 2024). All broadcasters will be free to manage their under-expenditure as they see fit over the course of their extended repayment periods.

More information can be found at 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 (Canada)* (the "Copyright Act") to make use of the music component of the programming and other uses of works used or distributed by these undertakings. Under these licences, the Company is required to pay a range of tariff royalties established by the Copyright Board pursuant to the requirements of the *Copyright Act* to collectives (which represent the copyright owners) and individual copyright owners. These royalties are paid by these undertakings in the normal course of their business.

The levels of the tariff royalties payable by the Company are subject to change upon application by the collective societies and approval by the Copyright Board. The Government of Canada may, from time to time, make amendments to the *Copyright Act* to implement Canada's international treaty obligations and for other purposes. Any such amendments could result in Corus' broadcasting undertakings being required to pay additional royalties for these licences.

DIGITAL TRANSITION AND REPURPOSING OF SPECTRUM

The technical aspects of the operation of radio and television stations in Canada are also subject to the licensing requirements and oversight of Innovation, Science and Economic Development Canada ("ISED"), a Ministry of the Government of Canada. More information can be found at www.ic.gc.ca/eic/site/icgc.nsf/eng/home. Information contained on, or accessible through, third party websites is not deemed to form a part of, or be incorporated by reference into, this Annual Management's Discussion and Analysis.

On August 14, 2015, the Government of Canada confirmed its intent to proceed with repurposing some of the 600 MHz spectrum band and to jointly establish a new allotment plan in collaboration with the United States. ISED has aligned with the US Federal Communications Commission to participate in a spectrum redistribution plan that will require broadcasters to vacate spectrum in TV channels 37-51 (608-692 MHz), as that will be repurposed for use. The Company reduced exposure by decommissioning a number of sites in remote and rural areas. Accommodating these changes required Corus to install new equipment or reconfigure existing equipment at affected sites. The Company has two remaining transmitters scheduled to be transitioned in fiscal 2022.

The Company has concluded that the impact of migrating the remaining two transmitter sites in fiscal 2022 will not materially impact Corus' business, results of operations, prospects and financial condition.

ANTI-SPAM / PRIVACY PROTECTION LEGISLATION

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

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

On November 17, 2020, Bill C-11 was tabled by the Minister of Innovation, Science and Industry in Parliament. If it had passed, Bill C-11 would have established a new private sector privacy law in Canada - the Consumer Privacy Protection Act - and a new Personal Information and Data Protection Tribunal. Bill C-11 did not receive Royal Assent before a federal election was called on August 15, 2021. As such, Bill C-11 died on the order paper, and will not become law. Any future privacy-related legislative changes will have to be re-introduced, and begin the legislative process anew. It is uncertain whether Canada's recently elected federal government will table similar privacy legislation in the future.

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

RESTRICTIONS ON NON-CANADIAN OWNERSHIP AND CONTROL

The Company is subject to Canadian ownership and control restrictions, including restrictions on the ownership of the Class A Voting Shares and Class B Non-Voting Shares under the *Broadcasting Act*. Although the Company believes it to be in compliance with the relevant legislation, there can be no assurance that a future CRTC determination, or events beyond the Company's control, will not result in Corus ceasing to be in compliance with the relevant legislation. If such a development were to occur, the ability of Corus' subsidiaries to operate as Canadian carriers under the *Broadcasting Act* could be jeopardized and the Company's business could be materially adversely affected.

F. CONTINGENCIES

The Company and its subsidiaries are involved in litigation arising in the ordinary course and conduct of its business from time to time. The Company recognizes liabilities for contingencies when a loss is probable and capable of being estimated. As at August 31, 2021, there were no actions, suits or proceedings pending or against the Company or its subsidiaries which would, in management's estimation, likely be determined in such a manner as to have a material adverse effect on the business of the Company. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating as well as the trading price of the Class B Non-Voting Shares.

TRANSACTIONS WITH RELATED PARTIES

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

CONTROL OF THE COMPANY BY THE SHAW FAMILY

A majority of the outstanding Class A Voting Shares of the Company are held by Shaw Family Living Trust ("SFLT") and its subsidiaries. As at August 31, 2021, SFLT and its subsidiaries hold 2,885,530 Class A Voting Shares, representing approximately 85% 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, 2021, 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.

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

On March 15, 2021, a transaction was announced whereby Rogers Communications Inc. ("Rogers") would purchase all of the outstanding Class A Shares and Class B Shares of Shaw, subject to regulatory approval. This transaction has been approved by all of the shareholders of Shaw, but still awaits various regulatory approvals. If successful, this transaction would see SFLT become one of the largest shareholders in Rogers, but SFLT would not be the controlling shareholder, and as a result Rogers and Corus would not be subject to common voting control.

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.

(thousands of Canadian dollars)	2021	2020
Revenue		
Advertising	24,882	31,124
Subscriber	113,684	119,090
Merchandising, distribution and other	3,629	3,748
Expenses		
Cable and satellite system distribution access fees	8,492	8,963
Administrative and other fees	1,965	1,818
Advertising	3,542	4,004
Accounts receivable from Shaw	21,790	22,820
Accounts payable to Shaw	1,956	1,912

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 29, 2021	As at August 31, 2020
Shares Outstanding		
Class A Voting Shares	3,412,392	3,412,392
Class B Non-Voting Shares	204,954,666	204,954,666
Stock Options		
Vested	4,203,200	3,451,750
Non-vested	3,022,450	2,818,700

IMPACT OF NEW ACCOUNTING POLICIES

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL 2021

The Company has adopted new amendments to the following accounting standards effective for its annual consolidated financial statements commencing September 1, 2020. The effects of these pronouncements on the Company's results and operations are described below.

IFRS 3 – BUSINESS COMBINATIONS (“IFRS 3”)

In October 2018, the IASB amended IFRS 3 seeking to clarify whether an acquisition transaction results in the acquisition of an asset or the acquisition of a business. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, although earlier application is permitted. The amended standard has a narrower definition of a business, which could result in the recognition of fewer business combinations than under the previous standard; the implication of this is that amounts which may have been recognized as goodwill in a business combination under the previous standard may now be recognized as allocations to net identifiable assets acquired under the amended standard (with an associated effect in an entity's results of operations that would differ from the effect of goodwill having been recognized). The Company has applied the standard prospectively from September 1, 2020. The effects, if any, of the amended standard on the Company's financial performance and disclosure will be dependent on the facts and circumstances of any future acquisition transactions.

PENDING ACCOUNTING PRONOUNCEMENTS**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, 2023 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 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 reporting periods beginning on or after January 1, 2023. The Company is still assessing the impact of adopting these amendments on its consolidated financial statements.

IAS 12 – INCOME TAXES (“IAS 12”)

Amendments to IAS 12 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 reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company's significant accounting policies are described in note 3 to the fiscal 2021 audited consolidated financial statements and notes thereto, which have been prepared in accordance with IFRS. The preparation of these fiscal 2021 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 cash generating unit ("CGU") to which it belongs. An asset's or CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. The determination of the recoverable amount in the impairment assessment requires estimates based on quoted market prices, prices of comparable businesses, present value or other valuation techniques, or a combination thereof, necessitating management to make subjective judgments and assumptions.

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

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

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

In the third quarter of fiscal 2020, the Company recorded non-cash goodwill impairment charges of \$673.0 million and \$46.0 million in the Television and Radio operating segments, respectively. Concurrently, the Company recorded a non-cash impairment charge of \$67.8 million in the Radio segment related to broadcast licences. Due to the uncertainty related to COVID-19, 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 no material incremental goodwill impairment charge or broadcast impairment charge.

A significant portion of the Company's total assets are long-lived intangible assets and goodwill. As at August 31, 2021, 61% (2020 — 62%) of the Company's total assets were long-lived intangible assets. The Company records impairment losses on its long-lived assets when it believes that their carrying value may not be recoverable. Recoverability is highly dependent on the projected operating results of the Company. There can be no assurance that the Company will not record impairment charges in the future that could materially adversely impact Corus' financial results.

The Company completed its annual impairment testing of goodwill and broadcast licence assets in the fourth quarter of fiscal 2021 and concluded that there were no additional impairment charges required. The Company also assessed for indicators that previous impairment losses had decreased. There were no previously recorded impairment charges reversed.

INCOME TAXES

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

Additionally, estimation of the income tax provision includes evaluating the recoverability of deferred tax assets based on the assessment of the Company's ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws, estimates of future profitability and tax planning strategies. If the future taxable results of the Company differ significantly from those expected, the Company would be required to increase or decrease the carrying value of the deferred tax assets with a potentially material impact on the Company's consolidated statements of financial position and consolidated statements of comprehensive income (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)	Accrued benefit obligation at August 31, 2021	Pension expense for the year ended August 31, 2021
Weighted average discount rate – registered plans	3.10%	2.90%
Weighted average discount rate – non-registered plans	2.99%	2.84%
Impact of: 1% decrease – registered plans	\$42,412	\$2,991
Impact of: 1% decrease – non-registered plans	\$4,893	\$67

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

Management evaluated, under the supervision of and with the participation of the CEO and CFO, the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by these annual filings, and have concluded that, as of August 31, 2021, 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, 2021, 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, 2021.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting that occurred during fiscal 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

ADDITIONAL INFORMATION

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. 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, 2021, 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, 2021 and August 31, 2020, and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as at August 31, 2021 and August 31, 2020, 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, 2021, goodwill and indefinite life intangible assets amounted to \$665 million and \$896 million, as disclosed in notes 9 and 10 to the consolidated financial statements, 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 11 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 revenue growth rates, earnings margins, valuation multiples and discount rate, which are affected by expectations about future market and economic conditions.

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 model;
- Evaluated the historical accuracy of management's estimates on revenue growth rates and earnings margins by comparing management's past projections to actual performance;
- Compared management's estimated revenue growth rates and the earnings margins to historical performance and economic trends;
- Involved our valuation specialists to assess the Group's impairment model, valuation methodology, and to compare the aggregate recoverable amount of the CGUs to the Group's enterprise value;
- With the assistance of the valuation specialists, assessed the selection and application of the discount rate used in the VIU model by comparing the risk-free rate and risk premiums to comparable market data and the selection of the valuation multiples used on the FVLCS model to comparable market transactions;
- 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 11 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 Martin Lundie.

Toronto, Canada
October 30, 2021


Chartered Professional Accountants
Licensed Public Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at August 31,

(in thousands of Canadian dollars)

	2021	2020
ASSETS		
Current		
Cash and cash equivalents	43,685	45,900
Accounts receivable (note 4)	325,587	297,585
Income taxes recoverable	5,597	—
Prepaid expenses and other	24,106	17,112
Total current assets	398,975	360,597
Tax credits receivable	24,501	26,745
Investments and other assets (note 5)	98,667	59,424
Property, plant and equipment (note 6)	316,226	333,762
Program rights (note 7)	576,076	637,819
Film investments (note 8)	39,732	44,891
Intangibles (notes 9 and 11)	1,687,432	1,789,018
Goodwill (notes 10 and 11)	664,958	664,958
Deferred income tax assets (note 21)	50,050	53,668
	3,856,617	3,970,882
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (note 12)	509,817	451,682
Current portion of long-term debt (note 14)	35,328	76,339
Provisions (note 13)	7,202	8,621
Income taxes payable	—	12,698
Total current liabilities	552,347	549,340
Long-term debt (note 14)	1,313,965	1,429,750
Other long-term liabilities (note 15)	331,482	492,956
Provisions (note 13)	9,497	9,494
Deferred income tax liabilities (note 21)	428,963	440,923
Total liabilities	2,636,254	2,922,463
Share capital (note 16)	816,189	816,189
Contributed surplus	1,512,431	1,511,325
Accumulated deficit	(1,282,897)	(1,425,432)
Accumulated other comprehensive income (deficit) (note 17)	21,811	(2,258)
Total equity attributable to shareholders	1,067,534	899,824
Equity attributable to non-controlling interest	152,829	148,595
Total equity	1,220,363	1,048,419
	3,856,617	3,970,882

Commitments, contingencies and guarantees (notes 14 and 27)

See accompanying notes

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

For the years ended August 31,

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

	2021	2020
Revenue (notes 22 and 26)	1,543,483	1,511,236
Direct cost of sales, general and administrative expenses (notes 18 and 26)	1,018,865	1,005,397
Depreciation and amortization (notes 6 and 9)	152,255	158,549
Interest expense (note 19)	104,078	115,185
Broadcast licences and goodwill impairment (notes 9, 10 and 11)	—	786,790
Debt refinancing	1,885	—
Integration, restructuring and other costs (note 13)	11,264	19,155
Other income, net (note 20)	(8,197)	(8,077)
Income (loss) before income taxes	263,333	(565,763)
Income tax expense (note 21)	68,760	41,944
Net income (loss) for the year	194,573	(607,707)
Other comprehensive income (loss), net of income taxes (note 17):		
Items that may be subsequently reclassified to income (loss):		
Unrealized change in fair value of cash flow hedges	12,320	(15,466)
Unrealized foreign currency translation adjustment	(517)	(87)
	11,803	(15,553)
Items that will not be reclassified to income (loss):		
Unrealized change in fair value of financial assets	12,266	1,108
Actuarial gain on post-retirement benefit plans	19,359	8,871
	31,625	9,979
Other comprehensive income (loss), net of income taxes	43,428	(5,574)
Comprehensive income (loss) for the year	238,001	(613,281)
Net income (loss) attributable to:		
Shareholders	172,550	(625,362)
Non-controlling interest	22,023	17,655
	194,573	(607,707)
Comprehensive income (loss) attributable to:		
Shareholders	215,978	(630,936)
Non-controlling interest	22,023	17,655
	238,001	(613,281)
Earnings (loss) per share attributable to shareholders:		
Basic	\$0.83	\$(2.98)
Diluted	\$0.83	\$(2.98)

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)	Share capital (note 16)	Contributed surplus (note 16)	Accumulated deficit	Accumulated other comprehensive income (deficit) (note 17)	Total equity attributable to shareholders	Non-controlling interest	Total equity
As at August 31, 2020	816,189	1,511,325	(1,425,432)	(2,258)	899,824	148,595	1,048,419
Comprehensive income	—	—	172,550	43,428	215,978	22,023	238,001
Dividends declared	—	—	(49,991)	—	(49,991)	(17,676)	(67,667)
Actuarial gain on post-retirement benefit plans	—	—	19,359	(19,359)	—	—	—
Share-based compensation expense	—	1,106	—	—	1,106	—	1,106
Return of capital to non-controlling interest	—	—	—	—	—	(1,622)	(1,622)
Reallocation of equity interest	—	—	617	—	617	(617)	—
Equity funding by a non-controlling interest	—	—	—	—	—	2,126	2,126
As at August 31, 2021	816,189	1,512,431	(1,282,897)	21,811	1,067,534	152,829	1,220,363

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (deficit)	Total equity attributable to shareholders	Non-controlling interest	Total equity
As at August 31, 2019	830,477	1,512,818	(758,757)	12,187	1,596,725	145,512	1,742,237
Comprehensive income (loss)	—	—	(625,362)	(5,574)	(630,936)	17,655	(613,281)
Dividends declared	—	—	(50,184)	—	(50,184)	(19,983)	(70,167)
Share repurchase under normal course issuer bid ("NCIB")	(14,288)	(2,605)	—	—	(16,893)	—	(16,893)
Actuarial gain on post-retirement benefit plans	—	—	8,871	(8,871)	—	—	—
Share-based compensation expense	—	1,112	—	—	1,112	—	1,112
Equity funding by a non-controlling interest	—	—	—	—	—	5,411	5,411
As at August 31, 2020	816,189	1,511,325	(1,425,432)	(2,258)	899,824	148,595	1,048,419

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended August 31,

(in thousands of Canadian dollars)

	2021	2020
OPERATING ACTIVITIES		
Net income (loss) for the year	194,573	(607,707)
Adjustments to reconcile net income (loss) to cash flow from operations:		
Amortization of program rights (notes 7 and 18)	493,598	495,814
Amortization of film investments (notes 8 and 18)	12,927	20,063
Depreciation and amortization (notes 6 and 9)	152,255	158,549
Deferred income taxes (note 21)	(22,035)	(23,992)
Broadcast licences and goodwill impairment (note 11)	—	786,790
Share-based compensation expense (note 16)	1,106	1,112
Imputed interest (note 19)	42,288	52,371
Debt refinancing	1,885	—
Payment of program rights	(533,837)	(547,486)
Net spend on film investments	(17,690)	(43,178)
CRTC benefit payments	(1,113)	(2,448)
Other	797	(1,658)
Cash flow from operations	324,754	288,230
Net change in non-cash working capital balances related to operations (note 25)	(50,261)	25,042
Cash provided by operating activities	274,493	313,272
INVESTING ACTIVITIES		
Additions to property, plant and equipment (note 22)	(19,554)	(15,385)
Proceeds from sale of property	316	314
Net cash flows for intangibles, investments and other assets	(10,288)	(3,934)
Cash used in investing activities	(29,526)	(19,005)
FINANCING ACTIVITIES		
Decrease in bank loans	(650,634)	(229,514)
Financing fees	(12,119)	—
Issuance of senior unsecured notes	500,000	—
Share repurchase under NCIB (note 16)	—	(16,893)
Return of capital to non-controlling interest	(1,622)	—
Equity funding by a non-controlling interest	4,102	5,411
Payments of lease liabilities (note 6)	(16,245)	(15,945)
Dividends paid	(49,991)	(50,399)
Dividends paid to non-controlling interest	(17,676)	(19,983)
Other	(2,997)	(3,612)
Cash used in financing activities	(247,182)	(330,935)
Net change in cash and cash equivalents during the year	(2,215)	(36,668)
Cash and cash equivalents, beginning of the year	45,900	82,568
Cash and cash equivalents, end of the year	43,685	45,900
Supplemental cash flow disclosures (note 25)		
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 Shares are listed on the Toronto Stock Exchange (the "TSX") under the symbol CJR.B.

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

These consolidated financial statements include the accounts of the Company and all its subsidiaries and joint ventures. The Company's principal business activities are: the operation of specialty television networks, conventional television stations, the operation of radio stations; the operation of digital media assets, 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 the production and distribution of animation software.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

These consolidated financial statements have been authorized for issue in accordance with a resolution from the Board of Directors on October 30, 2021.

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.

The Company continues to closely monitor the evolution of the novel coronavirus ("COVID-19") situation. As the COVID-19 pandemic continues to significantly impact the well-being of individuals and the Canadian and global economies, the Company has implemented a specific response plan, informed by measures recommended by public health agencies, to continue providing its essential services and support to customers while safeguarding the health and safety of employees. Appropriate business continuity measures have been taken to ensure uninterrupted service of the Company's television, digital and radio operations.

It is too soon to gauge the medium to long-term impacts of the current outbreak, given the many unknowns related to COVID-19. These include the duration, severity and possible resurgence of the outbreak as emergency measures are eased. The extent to which COVID-19 and any other pandemic or public health crisis impacts the Company's business, affairs, operations, financial condition, liquidity, availability of credit and consolidated results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information that may emerge concerning the severity of the COVID-19 virus and the actions required to continue to contain the COVID-19 virus or remedy its impact, among others. Any of these developments, and others, could have a material adverse effect on the Company's consolidated business, financial condition, operations and results of operations. In addition, because of the severity and global nature of the COVID-19 pandemic, it is possible that estimates in the Company's consolidated financial statements will change in the near term and the effect of any such changes could be material, which could result in, among other things, an impairment of long-lived assets, an impairment of investments in venture funds and a change in the estimated credit losses on accounts receivable. The Company is constantly evaluating the situation and monitoring any impacts or potential impacts to its business.

BASIS OF CONSOLIDATION

Subsidiaries

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

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

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

Associates and joint arrangements

Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies. 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 intra-company unrealized gains resulting from intra-company transactions and dividends are eliminated against the investment to the extent of the Company's interest in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

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

BUSINESS COMBINATIONS

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

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

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* 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 licence represents a right to access the content (revenue recognized over time) or represents a right to use the content (revenue recognized at a point in time). The Company has determined that most licence revenue is satisfied at a point in time due to there being limited ongoing involvement in the use of the licence following its transfer to the customer. The Company has determined that most service 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 production and distribution revenue from the distribution and licensing of film rights; royalties from merchandise licensing, publishing and music contracts; sale of licences, customer support, training and consulting related to the animation software business; 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 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 Standards ("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 statement 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 licence period has begun, the program material is accepted by the Company and the material is available for airing. Long-term liabilities related to these rights are recorded at the net present value of future cash flows, using an appropriate discount rate. These costs are amortized over the contracted exhibition period as the programs or feature films are aired. Program and film rights are carried at cost less accumulated amortization.

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

FILM INVESTMENTS

Film investments represent the costs of projects in development, projects in process, the unamortized costs of proprietary films and television programs that have been produced by the Company or for which the Company has acquired distribution rights, and third-party-produced equity film investments. Such costs include development and production expenditures and attributed studio and other costs that are expected to benefit future periods. Costs are capitalized upon project greenlight for produced and acquired films and television programs. The Company has segregated its film investments into two categories: current productions and library or acquired productions. Current productions are considered library productions immediately subsequent to their initial availability for licensing as they are considered completed.

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

The amortization period and the amortization method for film investments are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

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

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

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

GOODWILL AND INTANGIBLE ASSETS

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

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

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

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

Brand names, trade marks and digital rights	3 – 20 years
Software, patents and customer lists	3 – 5 years

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

Goodwill is initially measured at the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognized in the consolidated statements of income (loss) and comprehensive income (loss).

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

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair value of the operation disposed of and the portion of the CGU retained. Broadcast licences, indefinite life intangible assets and goodwill are tested for impairment annually or more frequently if events or circumstances indicate that they may be impaired. The Company completes its annual testing during the fourth quarter each year.

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

CGUs for broadcast licence and indefinite life intangible asset impairment testing

For the Television segment, the Company has determined that the CGU is the combined group of the conventional television stations and specialty television networks, the operating segment level. 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 operating segment level. This is the lowest level at which management monitors goodwill for internal management purposes.

Other intangible assets

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

GOVERNMENT FINANCING AND ASSISTANCE

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

In fiscal 2021 and 2020, the Company determined that it was eligible for the Canada Emergency Wage Subsidy ("CEWS"). Funding from this program provides a reimbursement for a portion of salaries paid out to employees during the COVID-19 pandemic and is recorded as a reduction of salary expense when eligible expenditures are made and there is reasonable assurance of realization.

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

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

FOREIGN CURRENCY TRANSLATION

Assets and liabilities of operations having a functional currency other than Canadian dollars are translated at the rate of exchange at the consolidated statements of financial position date. 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 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 at the consolidated statements of financial position date.

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

Deferred income tax

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

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

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

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

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

CRTC BENEFIT OBLIGATIONS

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

PROVISIONS

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

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

Provisions are discounted and measured at the present value of the expenditure expected to be required to settle the obligation, using an after-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is

recognized as interest expense. Future information could change the estimates and thus impact the Company's 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
Financial assets	
Cash and cash equivalents	FVTPL
Accounts receivable	Amortized cost
Investments in venture funds	FVTOCI with no reclassification to net income ⁽¹⁾
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Other long-term liabilities	Amortized cost
Derivatives⁽²⁾	
Interest rate swap agreements ⁽³⁾	FVTOCI
Foreign exchange forward contracts ⁽⁴⁾	FVTPL
Total return swap agreements ⁽⁵⁾	FVTPL

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

⁽²⁾ 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 net income (loss). Derivatives not designated as hedges for accounting purposes are recognized directly in profit and loss.

⁽³⁾ Debt derivatives related to the Company's credit facility have been designated as hedges for accounting purposes and are measured at FVTOCI.

⁽⁴⁾ Subsequent changes are offset against other expense (income), net.

⁽⁵⁾ 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 fair value through OCI pursuant to the irrevocable election under IFRS 9. Changes in the fair value of equity securities are permanently recognized in OCI and 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 gain on derivative financial statements line item of 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 fair value of third-party-produced equity film investments and the related forward purchase obligations are classified within Level 3, as there is little to no market activity and the amounts recorded are based on a discounted cash flow model and expected future cash flows.

The 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 11 for further details on the Company's annual impairment testing for goodwill.

Broadcast licences and indefinite life intangible assets

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

Broadcast licences and indefinite life intangible assets are allocated to a CGU for the purposes of impairment testing. The Company records an impairment loss if the recoverable amount of the CGU is less than the carrying amount.

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

Intangible assets and property, plant and equipment

The useful lives of the intangible assets with definite lives (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")

In October 2018, the IASB amended IFRS 3 seeking to clarify whether an acquisition transaction results in the acquisition of an asset or the acquisition of a business. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, although earlier application is permitted. The amended standard has a narrower definition of a business, which could result in the recognition of fewer business combinations than under the previous standard; the implication of this is that amounts that may have been recognized as goodwill in a business combination under the previous standard may now be recognized as allocations to net identifiable assets acquired under the amended standard. The Company has applied the standard prospectively from September 1, 2020. The effects, if any, of the amended standard on the Company's financial performance and disclosure will be dependent on the facts and circumstances of any future acquisition transactions.

PENDING ACCOUNTING PRONOUNCEMENTS

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, 2023 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 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 reporting periods beginning on or after January 1, 2023. The Company is still assessing the impact of adopting these amendments on its consolidated financial statements.

IAS 12 – INCOME TAXES (“IAS 12”)

Amendments to IAS 12 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 reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its consolidated financial statements.

4. ACCOUNTS RECEIVABLE

	2021	2020
Trade	311,859	264,852
Other ⁽¹⁾	17,676	38,463
	329,535	303,315
Less allowance for doubtful accounts (note 24)	3,948	5,730
	325,587	297,585

⁽¹⁾ Includes \$22.1 million related to the estimated CEWS funding at August 31, 2020

5. INVESTMENTS AND OTHER ASSETS

	Investments in venture funds	Other assets	Total
Balance - August 31, 2019	44,002	7,705	51,707
Increase (decrease) in investments	492	(7)	485
Fair value adjustment through OCI with no reclassification to net income (note 17)	1,498	—	1,498
Post-retirement plan asset change (note 28)	—	8,631	8,631
Derivative fair value change (note 14)	—	(2,897)	(2,897)
Balance - August 31, 2020	45,992	13,432	59,424
Increase (decrease) in investments	790	6,215	7,005
Fair value adjustment through OCI with no reclassification to net income (note 17)	14,538	—	14,538
Post-retirement plan asset change (note 28)	—	20,788	20,788
Derivative fair value change (note 14)	—	(3,088)	(3,088)
Balance - August 31, 2021	61,320	37,347	98,667

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 derivative financial instruments, net asset position of registered pension plans 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
Cost							
Balance - August 31, 2019	34,555	240,810	168,729	15,471	—	28,101	487,666
IFRS 16 - Leases transitional amount	—	—	—	—	138,390	—	138,390
Additions	—	23,683	3,639	732	177	(12,108)	16,123
Disposals and retirements	—	(2,341)	(644)	(278)	(788)	(1,228)	(5,279)
Balance - August 31, 2020	34,555	262,152	171,724	15,925	137,779	14,765	636,900
Additions	—	13,157	1,943	258	4,470	4,046	23,874
Disposals and retirements	—	(40,333)	(12,510)	(2,778)	(1,077)	(179)	(56,877)
Balance - August 31, 2021	34,555	234,976	161,157	13,405	141,172	18,632	603,897
	Land	Broadcasting and computer equipment	Buildings and leasehold improvements	Furniture and fixtures	Right-of- use assets	Other	Total
Accumulated depreciation							
Balance - August 31, 2019	—	173,120	73,505	11,620	—	3,494	261,739
Depreciation	—	22,423	7,812	1,051	12,564	995	44,845
Disposals and retirements	—	(1,835)	(73)	(47)	(272)	(1,219)	(3,446)
Balance - August 31, 2020	—	193,708	81,244	12,624	12,292	3,270	303,138
Depreciation	—	18,611	7,626	972	12,562	953	40,724
Disposals and retirements	—	(39,996)	(12,260)	(2,778)	(997)	(160)	(56,191)
Balance - August 31, 2021	—	172,323	76,610	10,818	23,857	4,063	287,671
Net book value							
Balance - August 31, 2020	34,555	68,444	90,480	3,301	125,487	11,495	333,762
Balance - August 31, 2021	34,555	62,653	84,547	2,587	117,315	14,569	316,226

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 2021 (2020 - \$13.0 million).

For the year ended August 31,	2021	2020
Variable lease payment expenses not included in the measurement of lease liabilities	13,565	12,992
Interest expense on lease liabilities	6,859	7,105
Expenses for leases of low-value assets	1,267	1,431
Expenses for short-term leases	2,587	1,648
Rental income from subleasing activities	3,899	2,618

Lease liabilities

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

As at September 1, 2019 - IFRS 16 transitional amount	157,800
Additions	177
Lease terminations	(557)
Interest expense	7,105
Payments	(15,945)
As at August 31, 2020	148,580
Additions	4,470
Lease terminations	(118)
Interest expense	6,859
Payments	(16,245)
As at August 31, 2021	143,546
Less current portion of lease liabilities (note 12)	(14,737)
Long-term portion of lease liabilities (note 15)	128,809

7. PROGRAM RIGHTS

Balance - August 31, 2019	507,913
Additions	611,568
Transfers from film investments (note 8)	17,900
Impairment charges	(3,748)
Amortization (note 18)	(495,814)
Balance - August 31, 2020	637,819
Additions	426,328
Transfers from film investments (note 8)	8,143
Impairment charges	(2,616)
Amortization (note 18)	(493,598)
Balance - August 31, 2021	576,076

The Company expects that approximately 43% of the net book value of program rights will be amortized during the year ending August 31, 2022. The Company expects the net book value of program rights to be fully amortized by August 2028.

8. FILM INVESTMENTS

Balance - August 31, 2019	53,336
Additions	53,763
Tax credit accrual	(24,245)
Transfer to program rights (note 7)	(17,900)
Amortization (note 18)	(20,063)
Balance - August 31, 2020	44,891
Additions	36,048
Tax credit accrual	(20,137)
Transfer to program rights (note 7)	(8,143)
Amortization (note 18)	(12,927)
Balance - August 31, 2021	39,732

The Company expects that approximately 31% of the net book value of film investments will be amortized during the year ending August 31, 2022. The Company expects the net book value of film investments to be substantially amortized by August 2040.

9. INTANGIBLES

	Broadcast licences ⁽¹⁾	Brands and trade marks	Other ⁽²⁾	Total
Balance - August 31, 2019	963,773	899,920	12,542	1,876,235
Additions	—	83,419	10,858	94,277
Impairments (note 11)	(67,790)	—	—	(67,790)
Amortization	—	(103,827)	(9,877)	(113,704)
Balance - August 31, 2020	895,983	879,512	13,523	1,789,018
Additions	—	3,602	6,343	9,945
Amortization	—	(102,366)	(9,165)	(111,531)
Balance - August 31, 2021	895,983	780,748	10,701	1,687,432

⁽¹⁾ Broadcast licences are located in Canada.

⁽²⁾ Other intangibles principally comprise computer software.

The Company expects that approximately 13% of the net book value of brands and trade marks with a finite life will be amortized during the year ending August 31, 2022. The Company expects the net book value of brands and trade marks with a finite life to be fully amortized by August 2038.

Indefinite life intangibles, such as broadcast licences, are tested for impairment annually as at August 31 or more frequently if events or changes in circumstances indicate that they may be impaired. At August 31, 2021, the Company performed its annual impairment test for fiscal 2021 and determined that there were no impairments for the year then ended on indefinite life intangibles. In the third quarter of fiscal 2020 a \$67.8 million impairment charge was recorded with respect to certain radio CGUs (refer to note 11 for further details).

10. GOODWILL

	Total
Balance - August 31, 2019	1,383,958
Impairment (note 11)	(719,000)
Balance - August 31, 2020	664,958
Balance - August 31, 2021	664,958

Goodwill is located primarily in Canada.

Goodwill is tested for impairment annually as at August 31, or more frequently if events or changes in circumstances indicate that it may be impaired. In the third quarter of fiscal 2020, a \$719.0 million impairment charge was recorded with respect to the TV and Radio CGUs (refer to note 11 for further details). As at August 31, 2021, the Company performed its annual impairment test for fiscal 2021 and determined that there were no further impairments for the year then ended.

11. IMPAIRMENT TESTING

The test for impairment of either an intangible asset or goodwill is to compare the recoverable amount of the asset or CGU or groups of CGUs to the carrying value. The recoverable amount is the higher of an asset's or CGU's or groups of CGUs FVLCS and its VIU. In fiscal 2021, the recoverable amount for the Television CGU is based on the VIU calculation with a determined recoverable amount that is greater than the TV CGU carrying value, while the recoverable amount for the Radio group CGUs was determined using a FVLCS model with a determined recoverable amount that is greater than the Radio group CGUs carrying value. In fiscal 2020, 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.

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 of Directors and management forecasts generally covering a period of five years with growth rate assumptions. For longer periods, a terminal growth rate is determined and applied to project future cash flows after the fifth year.

The discount rate applied to each asset, CGU or group of CGUs to determine VIU is a pre-tax rate that reflects an optimal debt-to-equity ratio and considers the risk-free rate, market equity risk premium, size premium and the risks specific to each asset or CGU's or groups of CGU's cash flow projections.

In calculating the VIU, the Company uses an appropriate range of discount rates in order to establish ranges of values for each CGU or group of CGUs.

The pre-tax discount and growth rates used by the Company for the purpose of its VIU calculations of the TV group of CGUs generally range from 12% to 13% (2020 – 12% to 13%) and nil to 1% (2020 – nil to 1%), respectively.

The pre-tax discount and growth rates included in the VIU calculation of the Radio groups of CGUs generally ranged from 13% to 15% (2020 14% – 16%) and nil to 1% (2020 – nil to 1%), respectively.

As a result of the broadcast licence impairment testing in the third quarter of fiscal 2020 of certain Radio CGUs, the Company determined that there were broadcast licence impairments in four Radio CGUs in Ontario and two in Alberta. For each of the Radio CGUs, the Company used VIU to determine the recoverable amount, which resulted in an impairment charge of \$67.8 million that reduced the carrying value of broadcast licences within these CGUs to their recoverable amount.

As a result of the goodwill impairment testing in the third quarter of fiscal 2020, the Company recorded a goodwill impairment charge of \$673.0 million in the Television segment and \$46.0 million in the Radio segment.

The Company has completed its annual impairment testing of goodwill and intangible assets for fiscal 2021. There were no impairment losses to be recorded as a result of the testing. The Company also assessed for any indicators of whether previous impairment losses had decreased. No previously recorded impairment losses on broadcast licences were reversed.

Sensitivity to changes in assumptions

Due to the uncertainty related to COVID-19, 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 no material incremental goodwill impairment charge or broadcast licence impairment charge.

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

	2021	2020
Broadcast licences		
Television	852,905	852,905
Radio		
Toronto	21,775	21,775
Vancouver	21,303	21,303
	895,983	895,983

	2021	2020
Goodwill		
Television	643,859	643,859
Radio	21,099	21,099
	664,958	664,958

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Program rights payable	260,307	254,833
Trade accounts payable and accrued liabilities	171,165	113,754
Trade marks and distribution rights	47,123	53,383
Short-term portion of lease liabilities (note 6)	14,737	14,260
Dividends payable	12,479	12,486
Software license liabilities	2,673	2,144
Film investment accruals	1,333	822
	509,817	451,682

13. PROVISIONS

The Company recorded integration, restructuring and other costs of \$11,264 (2020 – \$19,155) associated with employee exits, as well as certain costs associated with the shut-down of the FYI channel, continued transmitter decommissioning costs and system integration costs.

	Restructuring	Onerous lease obligation	Asset retirement obligations	Other	Total
Balance - August 31, 2019	7,754	2,694	7,389	180	18,017
Additions (reductions)	19,155	(238)	1,619	—	20,536
Interest	—	—	216	—	216
Payments	(20,167)	(422)	(65)	—	(20,654)
Balance – August 31, 2020	6,742	2,034	9,159	180	18,115
Additions (reductions)	4,943	—	(426)	—	4,517
Interest	—	—	216	—	216
Payments	(5,758)	(374)	(17)	—	(6,149)
Balance – August 31, 2021	5,927	1,660	8,932	180	16,699
Current	4,803	1,660	559	180	7,202
Long-term	1,124	—	8,373	—	9,497
Balance – August 31, 2021	5,927	1,660	8,932	180	16,699

14. LONG-TERM DEBT

	2021	2020
Bank loans	865,491	1,516,159
Senior unsecured guaranteed notes ("Notes")	500,000	—
Deferred financing charges	(16,198)	(10,070)
Net debt	1,349,293	1,506,089
Less current portion of long-term debt	(35,328)	(76,339)
	1,313,965	1,429,750

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at August 31, 2021, the weighted average interest rate on the outstanding bank loans and notes was 4.1% (2020 – 3.9%). The effective interest rate on the bank loans averaged 4.2% for fiscal 2021 (2020 – 4.0%).

The banks hold, as collateral, a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the Amended and Restated Credit Agreement dated May 31, 2021 (the "Facility"), as amended from time to time. Under the Facility, the Company has undertaken to comply with financial covenants regarding a minimum interest coverage ratio and a maximum debt to cash flow ratio. Management has determined that the Company was in compliance with the covenants provided under the bank loans as at August 31, 2021.

CREDIT FACILITIES AND SENIOR UNSECURED NOTES

On May 11, 2021, the Company issued \$500.0 million in principal amount of 5.0% Senior Unsecured Notes due May 11, 2028 (the "Notes"). The net proceeds therefrom were used to repay amounts under the Term Facility.

Effective May 31, 2021, the Company's credit agreement with a syndicate of banks was amended and restated. The principal amendments were to reduce the senior secured term credit facility (the "Term Facility") to one tranche in the initial amount of \$923.7 million and to extend the maturity for the Term Facility and the senior secured revolving credit facility (the "Revolving Facility") to May 31, 2025.

The carrying value of the debt is accreted using the effective interest rate method over the remaining term of the Term Facility, or the Notes with the accretion recognized within interest expense on the consolidated statements of income (loss) and comprehensive income (loss) (note 19).

The transactions noted above resulted in the Company recording net debt refinancing costs of \$1.9 million in fiscal 2021, which included the non-cash write-off of unamortized financing fees of \$3.5 million, offset by the refinancing gain recognized on the modification of the Credit Facility of \$1.6 million.

Senior Unsecured Notes

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), the Company may redeem all or part of the 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 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 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.

Term Facility

As at August 31, 2021, the Term Facility balance was \$865.5 million with a maturity date of May 31, 2025.

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. The Term Facility will be subject to mandatory repayment equal to 1.25% of the initial advance, adjusted for any voluntary repayments subsequently made at the end of each fiscal quarter of Corus.

Revolving Facility

The Revolving Facility matures on May 31, 2025. The Revolving Facility is available on a revolving basis to finance permitted acquisitions and capital expenditures and for general corporate purposes. Amounts owing under the Revolving Facility will be payable in full at maturity. The Revolving Facility permits full or partial cancellation of the facility and, if applicable, concurrent prepayment of the amounts drawn thereunder at any time without penalty, subject to payment of customary breakage costs, if applicable, and provided that advances in the form of bankers' acceptances may only be paid on their maturity.

Advances under the Revolving Facility may be drawn in Canadian dollars as either a prime rate loan, bankers' acceptance or Canadian dollar denominated letters of credit (to a sub-limit of \$50.0 million total), or in U.S. dollars as either a base rate loan, U.S. LIBOR loan or U.S. dollar denominated letters of credit (to a sub-limit of \$50.0 million total). Amounts drawn under the Revolving Facility will bear interest at the applicable reference rate plus an applicable margin depending on the type of advance and Corus' total debt to cash flow ratio. A standby fee will also be payable on the unutilized amount of the Revolving Facility. As at August 31, 2021, all of the Revolving Facility was available and could be drawn.

INTEREST RATE SWAP AGREEMENTS

The Company has entered into a Canadian interest rate swap agreement to fix the interest rate on a portion of its outstanding term loan facilities. The current notional value of the interest rate swap agreements is \$467.0 million at 2.004%, plus applicable margins to August 31, 2022. The counterparties of the swap agreement are highly rated financial institutions and the Company does not anticipate any non-performance. The fair value of Level 2 financial instruments such as interest rate swap agreements is calculated by way of discounted cash flows, using market interest rates and applicable credit spreads. The Company has assessed that there is no ineffectiveness in the hedge of its interest rate exposure. As an effective hedge, unrealized gains or losses on the interest rate swap agreement are recognized in other comprehensive income (loss) (note 17). The estimated fair value of these agreements as at August 31, 2021 is \$6.7 million (2020 – \$26.3 million), which has been recorded in the consolidated statements of financial position as a long-term liability (note 15). The effectiveness of the hedging relationship is reviewed on a quarterly basis.

TOTAL RETURN SWAPS

The Company has total return swap agreements on 3,197,500 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 these Level 1 financial instruments will fluctuate with the market price of the Company's shares. The counterparties of these swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The estimated fair value of these agreements as at August 31, 2021 is an asset of \$4.9 million (2020 – liability of \$3.3 million), which has been recorded in the consolidated statements of financial position as prepaid expenses and other assets and within employee costs in the consolidated statements of income (loss) and comprehensive income (loss) (note 18).

FORWARD CONTRACTS

On November 11, 2020 and December 10, 2020, the Company entered into two additional series of foreign exchange forward contracts totalling \$120.0 million U.S. dollars. 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, 2021, the total amount of foreign exchange forward contracts outstanding was \$132.3 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 flow of the U.S. dollar forward contract derivatives change with fluctuations in the foreign exchange rate of U.S. dollar to Canadian dollars. The estimated fair value of these agreements as at August 31, 2021 was a liability of \$2.6 million (2020 – asset of \$3.1 million), which has been recorded in the consolidated statements of financial position as an other long-term liability (note 15), and within other income, net, in the consolidated statements of income (loss) and comprehensive income (loss) (note 20).

15. OTHER LONG-TERM LIABILITIES

	2021	2020
Right-of-use lease liabilities (note 6)	128,809	134,320
Program rights payable	95,829	188,134
Trade mark liabilities	35,596	71,265
Long-term employee obligations	34,194	35,432
Post employment benefit plans	13,946	14,506
Unearned revenue	9,980	11,943
Derivative fair value (note 14)	9,258	26,270
Software license liability	2,503	3,224
Merchandising and intangibles liability	1,367	7,862
	331,482	492,956

16. SHARE CAPITAL

AUTHORIZED

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

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

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

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

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

No Class A Preferred Shares, Class 1 Preferred Shares or Class 2 Preferred Shares are outstanding at August 31, 2021.

ISSUED AND OUTSTANDING

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	\$	#	\$	\$
Balance - August 31, 2019	3,413,192	9,441	208,583,866	821,036	830,477
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(800)	(2)	800	2	—
Shares repurchased under NCIB	—	—	(3,630,000)	(14,288)	(14,288)
Balance - August 31, 2020	3,412,392	9,439	204,954,666	806,750	816,189
Balance - August 31, 2021	3,412,392	9,439	204,954,666	806,750	816,189

EARNINGS (LOSS) PER SHARE

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

	2021	2020
Net income (loss) attributable to shareholders (numerator)	172,550	(625,362)
Weighted average number of shares outstanding (denominator)		
Weighted average number of shares outstanding - basic	208,367	209,769
Effect of dilutive securities	288	—
Weighted average number of shares outstanding - diluted	208,655	209,769

The calculation of diluted earnings (loss) per share for fiscal 2021 excluded 4,881 (2020 – 6,753) 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 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, 2019	5,977,925	12.34
Granted	1,142,000	5.43
Forfeited or expired	(944,875)	18.57
Outstanding - August 31, 2020	6,175,050	10.23
Granted	1,347,000	3.40
Forfeited or expired	(296,400)	23.67
Outstanding - August 31, 2021	7,225,650	8.41

As at August 31, 2021, 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 (\$)
3.38 – 4.51	1,347,000	6.6	3.40	—	—
4.52 – 5.34	1,241,900	4.5	4.90	607,675	4.89
5.35 – 8.21	1,239,400	5.5	5.57	406,975	5.64
8.22 – 12.02	2,055,200	2.2	11.13	2,055,200	11.13
12.03 – 23.27	1,342,150	2.5	15.14	1,133,350	15.64
	7,225,650	4.0	8.41	4,203,200	10.91

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 2021, the Company recorded share-based compensation expense of \$1,106 (2020 – \$1,112). This charge has been credited to contributed surplus. Unrecognized share-based compensation expense at August 31, 2021 related to the Plan was \$906 (2020 – \$1,003).

The fair value of each option granted in fiscals 2021 and 2020 was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Grant date	November 2020	October 2020	November 2019	October 2019
Fair value	\$1.05	\$0.74	\$1.21	\$1.04
Risk-free interest rate	0.5%	0.4%	1.5%	1.5%
Expected dividend yield	5.8%	6.5%	4.4%	4.6%
Expected share price volatility	48.2%	45.8%	36.4%	33.7%
Expected time until exercise (years)	6	6	6	6

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

In the first quarter of fiscal 2022, 889,100 stock options were granted at a weighted average exercise price of \$5.74.

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, 2019	1,862,964	1,554,166	841,340
Additions	724,750	462,205	382,743
Deemed dividend equivalents	125,625	122,121	58,095
Forfeitures	(621,927)	—	(70,865)
Payments	—	(58,081)	(196,874)
Balance - August 31, 2020	2,091,412	2,080,411	1,014,439
Additions	1,275,848	181,979	1,085,479
Deemed dividend equivalents	138,727	112,944	81,344
Forfeitures	(389,891)	—	(20,180)
Payments	—	(79,352)	(164,233)
Balance - August 31, 2021	3,116,096	2,295,982	1,996,849

Share-based compensation expense recorded for the fiscal year in respect of these plans was \$16,629 (2020 – \$3,157). As at August 31, 2021, the carrying value of the liability for PSU, DSU and RSU units was \$33,908 (2020 – \$9,094).

NORMAL COURSE ISSUER BID ("NCIB")

On November 24, 2020, 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 Participating Shares through the facilities of the TSX, and/or other alternative Canadian trading systems. The Company may purchase for cancellation a maximum of 9,673,416 Class B Non-Voting Participating Shares during the period from November 26, 2020 through November 25, 2021.

The shares purchased and cancelled since November 12, 2019 are as follows:

			Average per share
	#	\$	\$
November 2019	674,600	3,870	5.74
December 2019	1,000,000	5,508	5.51
January 2020	305,400	1,674	5.48
February 2020	500,000	2,338	4.68
March 2020	1,100,000	3,374	3.07
April 2020	50,000	129	2.58
	3,630,000	16,893	4.65

During fiscal 2020, the total cash consideration paid exceeded the carrying value of the shares repurchased by \$2,605, which was charged to contributed surplus.

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 2021 was \$49,991 (2020 – \$50,184).

DIVIDEND REINVESTMENT PLAN ("DRIP")

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

17. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Unrealized change in fair value of cash flow hedges						
	Gains (losses) arising	Prior period gains (losses) transferred to net income	Total	Unrealized foreign currency translation adjustment	Unrealized change in fair value of financial assets	Actuarial gains (losses) on defined benefit plans	Total
Balance - August 31, 2019	—	—	(1,745)	7,486	6,446	—	12,187
Items that may be subsequently reclassified to income (loss):							
Amount	(14,649)	(6,393)	(21,042)	(87)	—	—	(21,129)
Income tax	3,882	1,694	5,576	—	—	—	5,576
	(10,767)	(4,699)	(17,211)	7,399	6,446	—	(3,366)
Items that will not be reclassified to income (loss):							
Amount	—	—	—	—	1,498	12,069	13,567
Income tax	—	—	—	—	(390)	(3,198)	(3,588)
	—	—	—	—	1,108	8,871	9,979
Transfer to retained earnings	—	—	—	—	—	(8,871)	(8,871)
Balance - August 31, 2020	—	—	(17,211)	7,399	7,554	—	(2,258)
Items that may be subsequently reclassified to income (loss):							
Amount	19,614	(2,853)	16,761	(517)	—	—	16,244
Income tax	(5,197)	756	(4,441)	—	—	—	(4,441)
	14,417	(2,097)	(4,891)	6,882	7,554	—	9,545
Items that will not be reclassified to income (loss):							
Amount	—	—	—	—	14,538	26,339	40,877
Income tax	—	—	—	—	(2,272)	(6,980)	(9,252)
	—	—	—	—	12,266	19,359	31,625
Transfer to retained earnings	—	—	—	—	—	(19,359)	(19,359)
Balance - August 31, 2021	—	—	(4,891)	6,882	19,820	—	21,811

18. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
Direct cost of sales		
Amortization of program rights (note 7)	493,598	495,814
Amortization of film investments (note 8)	12,927	20,063
Other cost of sales	33,861	29,495
General and administrative expenses		
Employee costs (note 26) ⁽¹⁾	322,842	281,337
Other general and administrative	155,637	178,688
	1,018,865	1,005,397

⁽¹⁾ The estimated CEWS of approximately \$13.5 million (2020 - \$34.9 million) has been recorded principally as a reduction of employee costs.

19. INTEREST EXPENSE

	2021	2020
Interest on long-term debt	62,967	67,477
Imputed interest on long-term liabilities	42,288	52,371
Amortization of deferred gain on settled interest rate swap (notes 14 and 17)	(2,853)	(6,393)
Other expense	1,676	1,730
	104,078	115,185

20. OTHER INCOME, NET

	2021	2020
Foreign exchange gain	(5,059)	(4,250)
Other income (notes 6 and 7)	(3,098)	(3,820)
Equity gain of associates	(40)	(7)
	(8,197)	(8,077)

21. INCOME TAXES

The significant components of income tax expense are as follows:

	2021	2020
Current income tax expense	90,795	65,936
Deferred income tax expense (recovery)		
Resulting from temporary differences	(25,379)	(26,887)
Resulting from the utilization of tax losses	1,914	2,242
Resulting from tax rate changes	55	313
Resulting from the creation of various future tax reserves	381	135
Other	994	205
Income tax expense reported in the consolidated statements of income (loss) and comprehensive income (loss)	68,760	41,944

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

	2021		2020	
	(\$)	(%)	(\$)	(%)
Income tax at combined federal and provincial rates	69,496	26.4	(150,302)	26.6
Differences from statutory rates relating to:				
Goodwill impairment	—	—	191,012	(33.8)
Miscellaneous differences	345	0.1	1,146	(0.2)
Increase in deferred taxes from statutory rate changes	55	—	313	—
Non-deductible (taxable) portion of capital losses (gains)	313	0.1	183	—
Increase of various tax reserves	(339)	(0.1)	170	—
Transaction costs	(194)	(0.1)	(223)	—
Income subject to tax at less than statutory rates	(916)	(0.3)	(355)	—
	68,760	26.1	41,944	(7.4)

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, 2019	(478,745)	14,943	14,140	13,603	11,579	(1,527)	2,016	10,754	(413,237)
Recognized in profit or loss	35,857	(4,766)	4,552	167	(2,242)	712	(3,972)	(6,316)	23,992
Recognized in OCI	—	(3,198)	—	—	—	(390)	5,578	—	1,990
Balance - August 31, 2020	(442,888)	6,979	18,692	13,770	9,337	(1,205)	3,622	4,438	(387,255)
Recognized in profit or loss	17,668	11,362	(1,913)	(3,348)	(1,914)	38	76	67	22,036
Recognized in OCI	—	(6,980)	—	—	—	(2,272)	(4,442)	—	(13,694)
Balance - August 31, 2021	(425,220)	11,361	16,779	10,422	7,423	(3,439)	(744)	4,505	(378,913)

At August 31, 2021, the Company had approximately \$31,756 (2020 – \$45,895) of non-capital loss carryforwards available, which expire between the years 2027 and 2041. A deferred income tax asset of \$7,423 (2020 – \$9,337) has been recognized in respect of these losses and an income tax benefit of \$946 (2020 – \$1,600) has not been recognized.

At August 31, 2021, the Company had approximately \$43,246 (2020 – \$36,662) 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 2021 or 2020, by the Company to its shareholders.

22. BUSINESS SEGMENT INFORMATION

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

TELEVISION

The Television segment is comprised of 33 specialty television networks, 15 conventional television stations, digital assets, 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. Revenue is generated from advertising, subscribers and the licensing of proprietary films and television programs, merchandise licensing, book publishing, and animation software.

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, integration, restructuring and other costs, impairments, gains or losses on dispositions, and certain other income and expenses.

REVENUE AND SEGMENT PROFIT

Year ended August 31, 2021	Television	Radio	Corporate	Consolidated
Revenue	1,446,287	97,196	—	1,543,483
Direct cost of sales, general and administrative expenses	897,128	83,045	38,692	1,018,865
Segment profit (loss)	549,159	14,151	(38,692)	524,618
Depreciation and amortization				152,255
Interest expense				104,078
Debt refinancing				1,885
Integration, restructuring and other costs				11,264
Other income, net				(8,197)
Income before income taxes				263,333

Year ended August 31, 2020	Television	Radio	Corporate	Consolidated
Revenue	1,408,238	102,998	—	1,511,236
Direct cost of sales, general and administrative expenses	899,523	86,975	18,899	1,005,397
Segment profit (loss)	508,715	16,023	(18,899)	505,839
Depreciation and amortization				158,549
Interest expense				115,185
Broadcast licences and goodwill impairment				786,790
Integration, restructuring and other costs				19,155
Other income, net				(8,077)
Loss before income taxes				(565,763)

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

Revenue are derived from the following areas:

	2021	2020
Advertising	934,151	920,849
Subscriber fees	498,049	490,985
Merchandising, distribution and other	111,283	99,402
	1,543,483	1,511,236

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

	2021	2020
Canada	1,472,943	1,473,768
International	70,540	37,468
	1,543,483	1,511,236

International revenue pertains to customers in the Television segment only.

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

	2021	2020
Products transferred at a point in time	1,018,244	1,007,849
Products and services transferred over time	525,239	503,387
	1,543,483	1,511,236

SEGMENT ASSETS AND LIABILITIES

	2021	2020
Assets		
Television	3,427,767	3,526,802
Corporate	297,680	319,178
Radio	131,170	124,902
	3,856,617	3,970,882
Liabilities		
Television	980,991	1,127,743
Corporate	1,585,654	1,734,254
Radio	69,609	60,466
	2,636,254	2,922,463

CAPITAL EXPENDITURES BY SEGMENT

	2021	2020
Television	14,311	11,104
Corporate	3,944	2,559
Radio	1,299	1,722
	19,554	15,385

Property, plant and equipment are located primarily within Canada.

23. CAPITAL MANAGEMENT

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

	2021	2020
Total debt, net of unamortized financing fees (note 14)	1,349,293	1,506,089
Lease liabilities (notes 12 and 15)	143,546	148,580
Cash and cash equivalents	(43,685)	(45,900)
Net debt	1,449,154	1,608,769
Equity	1,220,363	1,048,419
	2,669,517	2,657,188

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

The Company monitors capital using several key performance metrics, including: net debt to segment profit ratio and dividend yield. The Company's stated long-term objectives are a leverage target (net debt to segment profit ratio) of below 2.5 times and to maintain a dividend yield in excess of 2.5%. In the short term, the Company may permit the long-term range to be exceeded (for long-term investment opportunities), but endeavours to return to the leverage target range as the Company believes that these objectives provide a reasonable framework for providing a return to shareholders and is supportive of maintaining the Company's credit ratings. As at August 31, 2021, the Company's leverage ratio was 2.76 times net debt to segment profit, down from 3.18 times at August 31, 2020.

24. FINANCIAL INSTRUMENTS

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

As at August 31, 2021	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	43,685	—	—	—	—	43,685
Accounts receivable	—	325,587	—	—	—	325,587
Investments and other assets	6,491	—	92,176	—	—	98,667
Goodwill and intangibles	—	—	—	—	2,352,390	2,352,390
Other assets	—	64,233	—	—	972,055	1,036,288
Total assets	50,176	389,820	92,176	—	3,324,445	3,856,617
Accounts payable, accrued liabilities and provisions	—	517,019	—	—	—	517,019
Long-term debt	—	1,349,293	—	—	—	1,349,293
Other long-term liabilities and provisions	21,656	282,214	30,454	6,655	—	340,979
Deferred income tax liabilities	—	—	—	—	428,963	428,963
Total liabilities	21,656	2,148,526	30,454	6,655	428,963	2,636,254

As at August 31, 2020	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	45,900	—	—	—	—	45,900
Accounts receivable	—	297,585	—	—	—	297,585
Investments and other assets	3,364	—	56,060	—	—	59,424
Goodwill and intangibles	—	—	—	—	2,453,976	2,453,976
Other assets	—	71,636	—	—	1,042,361	1,113,997
Total assets	49,264	369,221	56,060	—	3,496,337	3,970,882
Accounts payable, accrued liabilities and provisions	—	473,001	—	—	—	473,001
Bank debt	—	1,506,089	—	—	—	1,506,089
Other long-term liabilities and provisions	19,031	418,380	38,769	26,270	—	502,450
Deferred income tax liabilities	—	—	—	—	440,923	440,923
Total liabilities	19,031	2,397,470	38,769	26,270	440,923	2,922,463

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, 2021, the Company has estimated the fair value of its Notes to be approximately \$503,125 (2020 – n/a).

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:

As at August 31, 2021	Quoted prices in active markets for identical assets or liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets			
Cash and cash equivalents	43,685	—	—
Total return swap	4,918	—	—
Investments in venture funds	—	—	61,320
Assets carried at fair value	48,603	—	61,320
Liabilities			
Interest rate swap	—	6,655	—
Foreign exchange forward contracts	—	2,603	—
Liabilities carried at fair value	—	9,258	—

As at August 31, 2020

Assets			
Cash and cash equivalents	45,900	—	—
Foreign exchange forward contracts	—	3,088	—
Investments in venture funds	—	—	45,922
Assets carried at fair value	45,900	3,088	45,922
Liabilities			
Interest rate swap	—	26,270	—
Total return swap	3,269	—	—
Liabilities carried at fair value	3,269	26,270	—

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:

	2021	2020
Trade		
Current	162,371	137,913
One to three months past due	105,779	89,056
Over three months past due	43,709	37,883
	311,859	264,852
Other	17,676	38,463
	329,535	303,315
Less allowance for doubtful accounts	3,948	5,730
	325,587	297,585

	2021	2020
Balance, beginning of year	5,730	4,665
Provision (reversal) for doubtful accounts	(222)	2,676
Write-off of bad debts	(1,560)	(1,611)
Balance, end of year	3,948	5,730

The Company earned 9% of its revenue from one related party (2020 – 10%). This related party comprises 7% of the accounts receivable balance as at August 31, 2021 (2020 – 8%) (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 long-term debt facility, and by continuously monitoring forecast and actual cash flows. The unused capacity at August 31, 2021 was \$300,000 (2020 – \$300,000). Further information with respect to the Company's long-term debt facility is provided in note 14.

The following table sets out the undiscounted contractual obligations as at August 31, 2021:

	Total	Less than one year	One to three years	Beyond three years
Total debt ⁽¹⁾	1,549,163	60,328	120,657	1,368,178
Accounts payable	509,817	509,817	—	—
Other obligations ⁽²⁾	282,636	131,469	124,008	27,159

⁽¹⁾ Principal and interest payments.

⁽²⁾ Other obligations included financial liabilities, trade marks, other intangibles and US dollar forward currency swaps.

In fiscal 2021, the Company incurred interest on bank loans, Notes, and swaps on credit facilities of \$62,967 (2020 – \$67,477).

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:

	2021	2020
Direct cost of sales, general and administrative expenses	203	64
Other expense (income), net	(5,059)	(4,250)
	(4,856)	(4,186)

An assumed 10% increase or decrease in exchange rates as at August 31, 2021 would have an impact of approximately \$22,400 (2020 – \$40,800) on net income or OCI for the year. As a result of the Company's exposure to this risk, it has entered into a series of foreign exchange forward contracts, as described in note 14, to fix the foreign exchange rate and therefore cash flows related to a portion of the Company's U.S. dollar denominated liabilities.

The Company is exposed to interest rate risk on the bankers' acceptances issued at floating rates under its bank loan facility. An assumed 1% increase or decrease in short-term interest rates during the year ended August 31, 2021 would have had a significant impact on net income for the year. As a result of the Company's exposure to this risk, it has entered into interest rate swap agreements, as described in note 14, to 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.

25. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2021	2020
Accounts receivable	(28,158)	75,151
Prepaid expenses and other	(6,919)	2,353
Accounts payable and accrued liabilities	44,448	(52,026)
Provisions	(1,419)	(1,472)
Income taxes recoverable	(18,295)	26,470
Other long-term liabilities	(46,773)	(38,268)
Other	6,855	12,834
	(50,261)	25,042

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

	2021	2020
Interest paid	56,890	69,257
Interest received	634	1,947
Income taxes paid	107,362	33,491

26. GOVERNMENT FINANCING AND ASSISTANCE

General and administrative expenses include \$13,514 (2020 - \$34,873) as a reduction of employee expenses for the CEWS for periods in which the Company qualified and relief on CRTC regulatory fees of \$9,463 (2020 - \$916).

Revenue includes \$2,665 (2020 - \$5,177) of production financing obtained from government programs. This financing provides a supplement to a production series' Canadian licence fees and is not repayable.

As well, revenue includes \$1,227 (2020 - \$1,174) of government grants relating to the marketing of books in both Canada and international markets. The majority of the grants are repayable if the average profit margin for the three-year period following receipt of the funds equals or is greater than 15%.

27. COMMITMENTS, CONTINGENCIES AND GUARANTEES

The Company has the following commitments at August 31, 2021 as detailed in the following table:

	Total	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years
Purchase obligations ⁽¹⁾	1,029,039	634,412	338,848	55,779	—
Lease liabilities	333,380	32,017	60,716	57,216	183,431
Other obligations ⁽²⁾	282,636	131,469	124,008	27,159	—
Total contractual obligations	1,645,055	797,898	523,572	140,154	183,431

⁽¹⁾ 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.

⁽²⁾ 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, 2021, 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% (2020 – 6%) of an employee's earnings, not exceeding the limits set by the *Income Tax Act* (Canada). The amount contributed in fiscal 2021 related to the defined contribution plans was \$8,710 (2020 – \$8,445). The amount contributed is approximately the same as the expense included in the consolidated statements of income (loss) and comprehensive income (loss).

NON-REGISTERED DEFINED BENEFIT PENSION PLANS

The Company provides supplemental executive retirement plans ("SERP"), which are non-contributory, unfunded defined benefit pension plans for certain of its senior executives that are included in long-term employee obligations (note 15). Benefits under these plans are generally based on the employee's length of service and their highest three-year average rate of pay during their most recent 10 years of service, accrued starting from the date of the implementation of the plan, and currently includes a benefit for past service for certain senior executives, as applicable under the terms of the plan.

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

	2021	2020
Accrued benefit obligation and plan deficit, beginning of year	25,601	24,304
Current service costs	1,155	1,087
Past service cost	—	—
Interest cost	637	706
Payment of benefits	(7,508)	(810)
Remeasurements:		
Effect of changes in financial assumptions	(1,187)	451
Effect of experience adjustments	(1,087)	(137)
Accrued benefit obligation and liability, end of year	17,611	25,601

The weighted average duration of the defined benefit obligation of the supplemental executive retirement plans at August 31, 2021 is 16.0 years.

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

	2021	2020
	(%)	(%)
Accrued benefit obligation		
Discount rate	3.00	2.60
Rate of compensation increase	2.00	2.00
	2021	2020
	(%)	(%)
Benefit cost for the year		
Discount rate	2.60	2.80
Rate of compensation increase	2.00	2.50

The following table illustrates the incremental impact on the defined benefit obligation at August 31, 2021 and the pension expense for the fiscal year then ended, with respect to the three key factors in determining the benefit obligation:

Sensitivity analysis	Benefit obligation at August 31, 2021	Pension expense for fiscal 2021
Discount rate – 1% decrease	2,822	115
Salary increase – 1% increase	460	80
Mortality – one-year increase in the expected future lifetime	433	43

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:

	2021	2020
Current service cost	1,155	1,087
Past service cost	—	—
Interest cost	637	706
Pension expense	1,792	1,793

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:

	2021	2020
Accrued benefit obligation, beginning of year	244,961	237,428
Current service cost	6,629	6,881
Interest cost	6,793	6,907
Employee contributions	809	811
Payment of benefits	(9,676)	(9,140)
Effect of changes in financial assumptions	(12,472)	1,561
Effect of experience adjustments	1,611	513
Accrued benefit obligation, end of year	238,655	244,961
Fair value of plan assets, beginning of year	256,068	239,738
Employer contributions	4,695	4,984
Employee contributions	809	811
Interest income	6,943	6,825
Payment of benefits	(9,676)	(9,140)
Administrative expenses paid from plan assets	(1,030)	(1,079)
Return on plan assets, excluding interest income	12,587	13,929
Fair value of plan assets, end of year	270,396	256,068
Effect of asset ceiling limit	(885)	(1,040)
Fair value of plan assets, end of year, net of asset ceiling limit	269,511	255,028
Accrued benefit asset and plan surplus, end of year	30,856	10,067

The weighted average duration of the defined benefit obligation at August 31, 2021 is 17.8 years.

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

	2021	2020
Equity - Canadian	28,386	29,135
Equity - Foreign	96,711	89,556
Fixed income - Canadian	145,299	137,377
	270,396	256,068

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:

	2021	2020
Accrued benefit obligation	(%)	(%)
Discount rate	3.10	2.70
Rate of compensation increase	2.00	2.00
Benefit cost for the year	(%)	(%)
Discount rate	2.70	2.90
Rate of compensation increase	2.00	2.50

The following table illustrates the incremental impact on the defined benefit obligation at August 31, 2021 and the pension expense for the fiscal year then ended, with respect to the three key factors in determining the benefit obligation:

Sensitivity analysis	Benefit obligation at August 31, 2021	Fiscal 2021 benefit cost
Discount rate - 1% decrease	42,412	2,991
Salary - 1% increase	8,486	987
Weighted average duration of defined benefit obligation in years		
Effective discount rate 1% decrease	17.8	n/a

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

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

	2021	2020
Current service cost	7,659	7,960
Pension expense	7,659	7,960

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:

	2021	2020
Accrued benefit obligation and plan deficit, beginning of year	14,488	13,960
Current service costs	102	97
Interest cost	367	380
Payment of benefits	(498)	(472)
Remeasurements:		
Effect of demographic assumptions	—	—
Effect of changes in financial assumptions	(569)	403
Effect of experience adjustments	70	120
Accrued benefit obligation and liability, end of year	13,960	14,488

The weighted average duration of the defined benefit obligation of the post-retirement plans at August 31, 2021 is 13.6 years.

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

	2021 (%)	2020 (%)
Accrued benefit obligation		
Discount rate	2.98	2.68
Salary increase	2.00	2.00
Benefit cost for the year		
Discount rate	2.68	3.00
Salary increase	2.00	2.50

The following table illustrates the incremental impact on the defined benefit obligation at August 31, 2021 and the pension expense for the fiscal year then ended, with respect to the two key factors in determining the benefit obligation:

Sensitivity analysis	Benefit obligation at August 31, 2021	Service and interest costs fiscal 2021
Discount rate - 1% decrease	2,071	(48)
Trend rate - 1% increase	2,144	81

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:

	2021	2020
Current service cost	102	97
Interest cost	367	380
Pension expense	469	477

29. RELATED PARTY TRANSACTIONS

CONTROLLING SHAREHOLDER

A majority of the outstanding Class A Voting Shares of the Company are held by entities owned by the Shaw Family Living Trust ("SFLT") and its subsidiaries. As at August 31, 2021, SFLT and its subsidiaries hold 2,885,530 Class A Voting Shares, representing approximately 85% 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, 2021, 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 Corus and to control the vote on matters submitted to a vote of Corus' Class A shareholders.

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

NORMAL COURSE TRANSACTIONS

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

(thousands of Canadian dollars)	2021	2020
Revenue		
Advertising	24,882	31,124
Subscriber	113,684	119,090
Merchandising, distribution and other	3,629	3,748
Expenses		
Cable and satellite system distribution access fees	8,492	8,963
Administrative and other fees	1,965	1,818
Advertising	3,542	4,004
Accounts receivable from Shaw	21,790	22,820
Accounts payable to Shaw	1,956	1,912

SIGNIFICANT SUBSIDIARIES

The following table includes the significant subsidiaries of the Company:

Name	Jurisdiction	Equity interest	
		2021 (%)	2020 (%)
Corus Television Limited Partnership	Canada	100	100
Corus Media Holdings Inc.	Alberta	100	100
Corus Radio Inc.	Canada	100	100
Corus Sales Inc.	Canada	100	100
Food Network Canada Inc.	Canada	71	71
HGTV Canada Inc.	Canada	67	67
History Television Inc.	Canada	100	100
Nelvana Limited	Ontario	100	100
Showcase Television Inc.	Canada	100	100
TELETOON Canada Inc.	Canada	100	100
W Network Inc.	Canada	100	100
YTV Canada, Inc.	Canada	100	100

KEY MANAGEMENT PERSONNEL

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

	2021	2020
Salaries and benefits	9,074	7,936
Post-employment benefits	1,792	1,793
Share-based compensation expense (recovery) (note 16)	16,156	(395)
	27,022	9,334

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

30. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2021 consolidated financial statements.

31. SUBSEQUENT EVENTS

On September 22, 2021, the Company received a distribution of \$43,478 (USD \$34,500) from a venture fund investment representing the Company's pro-rata share of the distribution.

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CORUS ENTERTAINMENT INC.

Stock Exchange Listing and Trading Symbol

Toronto Stock Exchange
TSX: CJR.B

Registered Office

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

Executive Office

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

Website

www.corusent.com

Auditors

Ernst & Young LLP

Shareholder Services

For assistance with the following:

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

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

TSX Trust Company
PO Box 700, Station B
Montreal, Quebec H3B 3K3
Telephone: 1.800.387.0825
Facsimile:
1.888.249.6189 (in North America)
514.985.8843 (outside North America)
www.tsxtrust.com

Dividend Information

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

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

Dividend Reinvestment Plan ("DRIP")

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

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

Social Responsibility

Corus Entertainment has a long and successful track record of corporate social responsibility. The Company's approach encompasses four pillars which include people, communities, industry and the environment.

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

Corporate Governance

The Board of Directors of the Company endorses the principles that sound corporate governance practices are important to the proper functioning of the Company and the enhancement of the interests of its shareholders. For further information, please visit the Investor Relations - Corporate Governance section of Corus Entertainment's website (www.corusent.com).

Further Information

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

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

To receive additional copies of Corus Entertainment's Annual Report, please email your request to investor.relations@corusent.com.

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