inside out

our story

Corus Entertainment

Annual Report 2003

Our Company is directed from the **inside out** by

our vision and values

our **vision** is to be globally recognized as Canada's most influential entertainment company.

Accountability

We do what we say we'll do – no excuses.

Teamwork

We believe the greatest value is realized when we work together.

Innovation

We are committed to creative thinking that leads to breakthrough ideas and superior results.

Initiative

We empower employees to make great things happen.

Knowledge

We believe in continuous learning and the sharing of our insights and ideas.

inside out
our story

outside in
our results

millions

of people are entertained by Corus Entertainment every day.

Our success is a result of the efforts of

thousands

of employees.

Our brands are distributed in

hundreds

of countries.

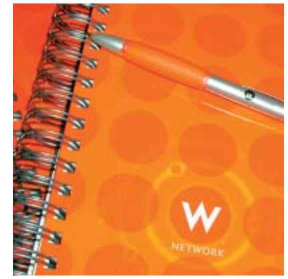
We have assembled a collection of strategic assets that operate through

three

synergistic business units.

all inside **ONE** company.

Creating Entertainment from the Inside Out **Corus Entertainment is one of Canada's most successful integrated media and entertainment companies.** In just over four years, the Company's asset base has grown remarkably, both through strategic acquisitions and with the strong operating discipline necessary to drive organic growth. ◉ The assets that make up the Company deliver compelling, engaging, interactive and informative content to millions of consumers every day. They include: 50 radio stations clustered in major markets; specialty television services including YTV, Treehouse TV, W Network, TELETOON, Discovery Kids, CMT, Telelatino, The Documentary Channel and SCREAM; western Canada's exclusive pay-TV movie service on six thematic channels under the Movie Central brand; three local over-the-air television stations; Digital ADventure advertising services for television and Max Trax, a residential subscription digital music service. ◉ Corus also owns Nelvana, one of the world's leading creators, producers and distributors of animated programming and related entertainment products for such globally recognized brands as Babar, Franklin and Beyblade. Canada's leader in children's publishing – Kids Can Press – is also part of the Corus family. Outside Canada, the Company holds a 50% interest in The Locomotion Channel, a specialty television service programming animation to over seven million subscribers in Latin America. ◉ At a time when entertainment choices are rapidly multiplying, investing in on-line technologies to reach audiences across multiple platforms has substantial benefit. Corus is home to some of the most popular entertainment Web sites in the industry, extending the reach and impact of the Company's radio and television brands. This year, over two million people visited a Corus-branded Web site each month[1] Over 200,000 viewers and listeners have asked to receive regular e-mails and information about their favourite Corus Entertainment brand and Nelvana's Beyblade.com has attracted more than 380,000 registered users. ◉ Together, these powerful entertainment assets are achieving results that make Corus an industry leader in Canada and a valuable partner in countries around the world. **Working Together to Achieve Results** **Employees are the bedrock of Corus Entertainment's success. Every day, they create great entertainment for audiences of all ages, guided by the Company values of accountability, teamwork, initiative, innovation and knowledge.** This year, the Company invested in new programs and initiatives designed to ensure Corus Entertainment remains



W Network The #1 specialty channel for Canadian women

YTV Canada's #1 network with kids and teens

Q107 has been a Toronto radio icon for 26 years

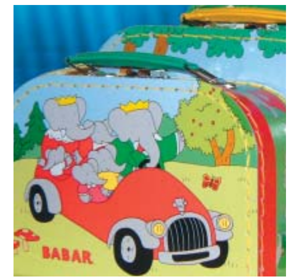
Corus is creating entertainment from the inside out

we see long-term value in encouraging our employees to **think outside** the box

CKNW AM980 A major news source in British Columbia

an employer of choice and a place where teamwork flourishes for the benefit of employees, customers and audiences. In 2003, more than two million dollars was invested in the training and development of our talented employees. In addition to an ongoing commitment to enhancing the skills of our Radio sales organization, Corus has created Corus University, an internally driven training program tied to the strategic direction and priorities of the Company. Corus U will support management and non-management employees in enhancing their business and technical skills to drive innovation inside the Company and to reach their highest potential. Corus is also committed to providing a work environment that supports respect, fairness, diversity and work-life balance for its roughly 2,900 full-time, part-time and casual employees. This year, new policies addressing workplace harassment, pay equity, work-life balance and compassionate leave were added to the comprehensive package of existing employee benefits. Corus employees are encouraged to participate in the Company's growth and success through a subsidized share-purchase plan. Nurturing and promoting employees inside the Company is critical to future success. Corus Entertainment also believes that the ability to attract the best talent from outside the Company is an important competitive advantage. Great results are produced by great people and Corus is committed to its team of exceptional employees.

Babar merchandise is enjoyed by millions of consumers worldwide



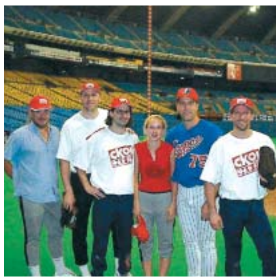
Radio Corus Entertainment boasts the strongest collection of radio assets in the country, reaching more people than any other radio group.[2] Thirty per cent of all Canadians tune to a Corus station each week[3] for the best in talk, rock, country and contemporary radio formats. Clustered primarily in 8 of the top 10 radio markets in Canada, Corus' 50 radio stations consistently outperform the local market. Again this year, Corus Radio delivered one of the best radio operating margins. An unparalleled commitment to customer service and innovation drives the strategy of Corus Radio. From launching the world's first radio format targeted specifically to men, to reinvigorating the country music scene in Ontario, Corus identifies opportunities and seizes them. In just two years, MOJO Radio – Talk Radio For Guys, has changed the way advertisers and listeners think about radio. This year, the launch of Country 95.3 brought country back into the city in the Greater Toronto Area and the Golden Horseshoe. The station is now the most tuned to country station[4] in Canada. And finding an unused frequency allowed Corus to upgrade a small station in Cambridge and

John Oakley *The John Oakley Show* airs mornings on MOJO Radio Toronto

www.edge.ca One of North America's most popular radio Web sites launch Dave FM to a much-expanded market. Corus Entertainment has solidified its position at the top of the Canadian radio market by making customer service the number one priority of every employee. The Company recently launched Deep Sky, a marketing solutions company that creates customized radio solutions for new advertisers through creative promotions, events and program content. A multi-year, multi-million dollar investment in sales training and an ongoing investment in radio research ensures that customers get the best value and audiences have the best listening experience.

CFOX Vancouver One of the many live concerts sponsored by CFOX in Vancouver

That listening experience has moved beyond traditional radio in recent years. On a monthly basis, Corus Radio Web sites have more than 1.2 million unique visitors[5] with on-line tuning that exceeds 1 million hours.[6]


Community Radio Montreal's CKOI FM takes fans out to the ball game

Corus Radio has enjoyed tremendous success in communities across Canada. Stations regularly give back to those communities through local fundraising and support of numerous community events and charities, making them stronger because of Corus Radio's presence. During this summer's massive Ontario power blackout, Corus radio stations became lifelines to their communities, often providing the only source of information for residents. In Alberta, Mad Cow Disease threatened the economy and the livelihood of thousands of people. Corus stations in Edmonton created "Mad Dash to the Border", an organized convoy of over 200 vehicles to the U.S. border where a BBQ was held in support of the Alberta beef industry. In downtown Calgary, Corus Radio staff served up free beef-on-a-bun and beverages to over 10,000 people in a show of support for Alberta ranchers. Every day, Corus Entertainment demonstrates the power of radio – for listeners, customers and communities.

Television Corus Entertainment's diverse portfolio of television assets are Canadian industry leaders – #1 with audiences, customers and advertisers. Corus specialty services have the highest audience of all specialty television groups in the country.[7] Each week, more than 15 million Canadians tune to Corus Television.[8] This year, the Company's core analog specialty services posted a whopping 40% increase in audiences aged 25-54.[9]


SpongeBob SquarePants A hit with kids of all ages on YTV

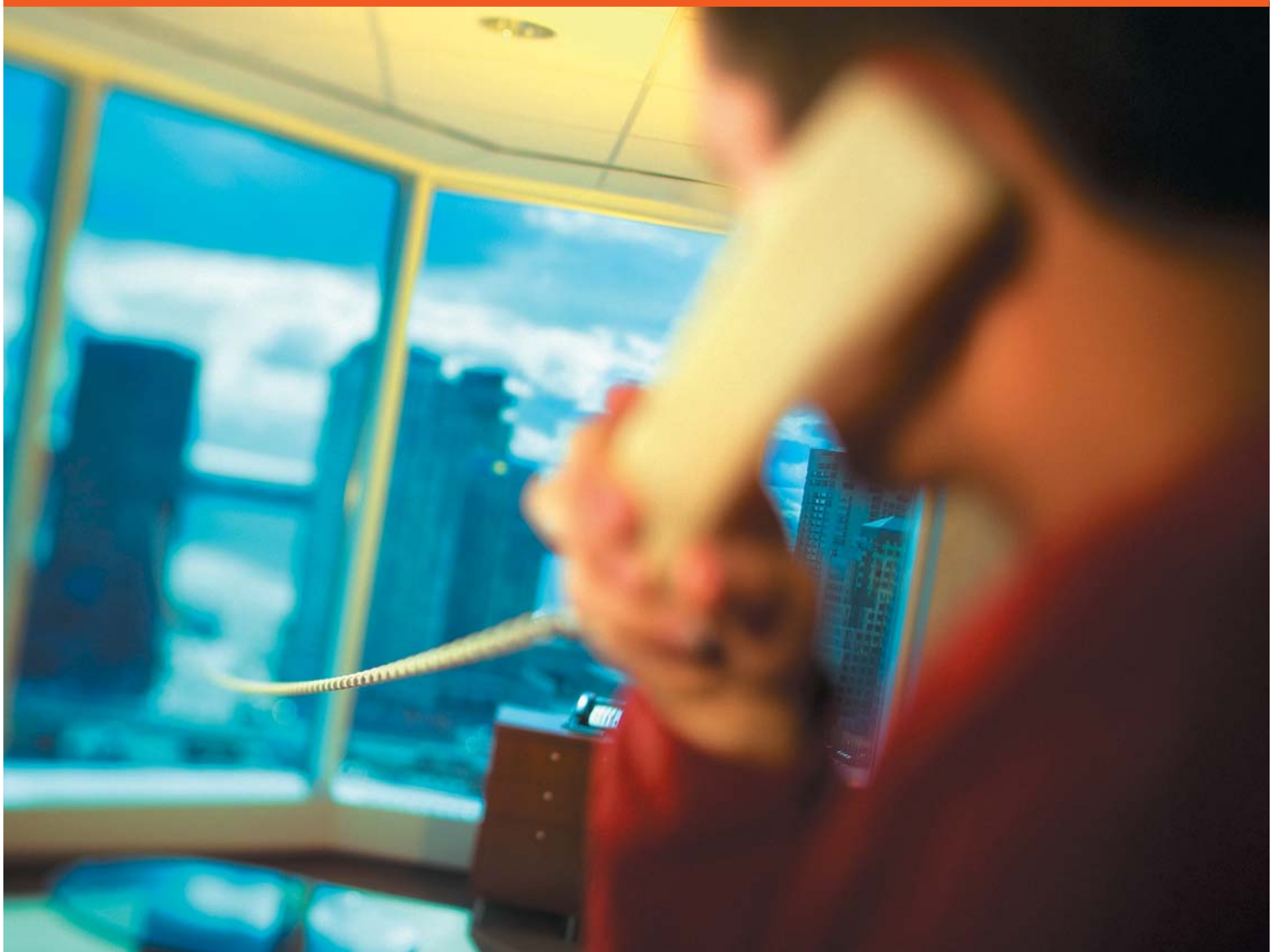
From preschool to teens, Corus' children's networks are the benchmark for excellence. YTV is the #1 specialty channel for kids and teens, boasting 17 out of the top 20 ranked kids' shows[10] and one of the strongest television brands in the country. For 15 years, YTV has been the source of quality entertainment for children and families. Today the network is known worldwide for its expertise in programming, promotion and brand-building to attract a youth audience. Through music initiatives, a highly interactive Web site, magazine, live tours and community events, YTV is everywhere that kids are.


Berenstain Bears Nelvana's production of the literary classic delights children on Treehouse TV

Treehouse TV is #1 with preschoolers,[11] providing a safe television environment for learning and development that parents can trust. Discovery Kids has quickly taken its place as the

momentum is building inside the Company and out in the marketplace

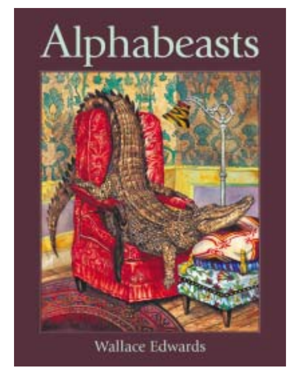
we are in touch with our audiences and customers



#1 digital channel for kids.[12] TELETOON rounds out Corus' strength in children's television as the only specialty network dedicated to animated programming. For adults, Corus Television gives viewers what they want. The Company's newest specialty service, W Network, has become the #1 specialty channel for women in just two years.[13] With a powerful lineup of programming and a fresh, intelligent brand that speaks directly to Canadian women, the network has grown audiences by 60% in the past year alone.[14] Corus Television's portfolio also includes: CMT, the fastest growing specialty channel for adults in Canada;[15] Telelatino, the only analog specialty service for Italian and Hispanic audiences; the increasingly popular digital networks SCREAM and The Documentary Channel; three local television stations in Ontario, and digital music and advertising services. The growing consumer trend towards digital gives Corus Television a competitive edge and the positive momentum that comes with product innovation. Movie Central, the western-based exclusive pay-TV movie service, continues to benefit from digital subscriber growth and this year launched Canada's first and only Subscription Video on Demand (SVOD) service – Movie Central Express. Corus Television continues to build its leadership position with audiences and customers. It is committed to extending its powerful brands and creating new entertainment choices for a future that will see television come to life in new ways through the Internet, HDTV, Personal Video Recorders, wireless devices and more. Corus Television leads the market by understanding and responding to audiences with outstanding programming choices. It will continue to respond to trends and changing technology, giving viewers the inside track on all that television has to offer.

The Atwood Stories The short stories of Margaret Atwood are brought to life on W Network

The Sopranos New seasons of hit HBO programming like The Sopranos drive pay-TV subscribers to Movie Central



Alphabeasts The award-winning children's book from Kids Can Press

Content The best media and entertainment companies in the world own or create content for their audiences and Corus Entertainment is no exception. Through two highly creative companies – Nelvana Limited and Kids Can Press – Corus has the opportunity to develop, nurture and fully leverage some of the world's most engaging character properties for its own television networks and customers around the globe. Nelvana is one of the world's most successful producers and distributors of animated children's programming, with sales to more than 200 countries last year. This programming success is complemented by a market-driven consumer products strategy to convert these exciting properties into enduring brands. In response to recent changes in the global television market, Nelvana

Jacob Two-Two Nelvana's animated series based on the award-winning book by Mordecai Richler airs on YTV effectively restructured its operations and refocused on its core strength in digital and traditional animation. From Babar to Beyblade to Braceface, Nelvana produces quality entertainment for kids and families. In 2003, the Company opened a new state-of-the-art digital post-production facility, furthering the commitment to high-quality, innovative production at a lower cost. ◉ Innovation and quality define Nelvana's production. This year's spectacular 3-D special Miss Spider's Sunny Patch Kids was a hit with more than two million kids on Nickelodeon in the U.S., making it the #1 kids program in its time period.[16] ◉ Nelvana has earned a global reputation for developing and producing popular book-based animation like Franklin and The Berenstain Bears, but the Company also encourages creativity and ideas internally. This year, Nelvana employees submitted over 200 outstanding creative concepts for new programming. Ten of these ideas will reach television screens worldwide as part of Nelvana's animation anthology FunPak, and Di-Gata Warriors, a 26-episode action-adventure series, is now getting an enthusiastic response from international partners. ◉ **"Nelvana's commitment to developing new and innovative shows at a time when other studios are relying more and more on franchise properties has given myself and many of my colleagues an opportunity to use our creativity and experience in a manner that is exciting, invigorating and refreshing."** Greg Collinson, Senior Location Designer, Nelvana and creator of Di-Gata Warriors. ◉ Nelvana's consumer products business will expand the Company's global merchandise licensing activities and grow opportunities in music, interactive and other categories to reach consumers in more ways than ever. The exploding, multi-billion dollar home entertainment business offers Nelvana an opportunity to reintroduce its popular character properties through home video and DVD releases, bringing them into even more homes worldwide. ◉ Kids Can Press is Canada's largest publisher of children's books, with over 500 titles in their catalogue, including the international best-selling Franklin series and the popular Kids Can Do It series of craft and project books. The company will continue to be a source of creative programming development for Corus. ◉ Quality entertainment for children and families is the focus of Corus Entertainment's Content division. Through books, television programming, films, music and merchandise, audiences around the world are turning on to Corus. **Corporate Giving As Corus Entertainment has grown over the past four years, it has continually harnessed the power and resources inside the Company**

Beyblade has become a global phenomenon and a model for Nelvana's consumer products strategy

Miss Spider's Sunny Patch Kids Nelvana's spectacular 3-D special will soon become a series

Franklin the Turtle Nelvana's animated production of the Kids Can Press book series is broadcast in dozens of languages to audiences around the world value and growth are best realized inside a team setting

we have undertaken a **strategic** approach
to **strengthen** Corus
from the **inside**

to improve the communities in which it operates and the lives of people in need. This year, Corus supported hundreds of charities and community organizations through cash donations, fundraising activities, gifts-in-kind, event coverage and valuable airtime for public service messages that reach millions of Canadians every day. The value of Corus' donations and airtime support was outstanding – more than $15.5 million dollars, including over 7,000 hours of local and national public service messages in support of charities like Make a Wish Foundation, Multiple Sclerosis Society, Canadian Special Olympics, Kids Help Phone and many, many more. Corus Entertainment companies supported the United Way through an annual pledge drive, fundraising activities and a corporate matching program for employee donations. ◉ In 2003, Corus chose the Boys and Girls Clubs of Canada (BGCC) and the Canadian Women's Foundation (CWF) as its primary corporate charitable partners for the next two years. ◉ **"Boys and Girls Clubs of Canada is thrilled with the generous support of Corus Entertainment, which has enabled us to launch a major initiative engaging youth from across Canada in the rejuvenation of a leadership program for younger teens called Torch Club."** Pam Jolliffe, National Executive Director, Boys and Girls Clubs of Canada. ◉ At the local level, Corus radio stations are deeply committed to their long-standing tradition of community service. This year, Vancouver's CKNW Orphans' Fund pledge day – a live 14-hour broadcast held in December – raised an astonishing $1,590,000 and established a new fundraising record in the charity's 58-year history. For the 47th consecutive year in Edmonton, 630 CHED's Santas Anonymous program gathered and distributed new toys to 27,000 deserving kids. ◉ Corus Entertainment's corporate giving creates employee pride inside the Company and betters the lives of thousands of Canadians in the communities served by Corus. **Supporting Canadian Talent Corus Entertainment believes that strong, successful media companies are critical to the growth and sustainability of the Canadian broadcasting and production industries.** Corus has made substantial investments in Canadian culture

Corus Radio Cornwall Employees from Corus Radio in Cornwall took part in the 5th Annual Children's Treatment Center Bike-a-Thon and helped raise $35,000

CWF Corus is a sponsor of the Canadian Women's Foundation

BGCC Corus is a sponsor of the Boys and Girls Clubs of Canada

Michael Caine in *The Statement* Corus has invested in six films from acclaimed Canadian producer Robert Lantos' Serendipity Point Films. The first film, *The Statement*, is directed by Canadian Academy Award® nominee Norman Jewison.

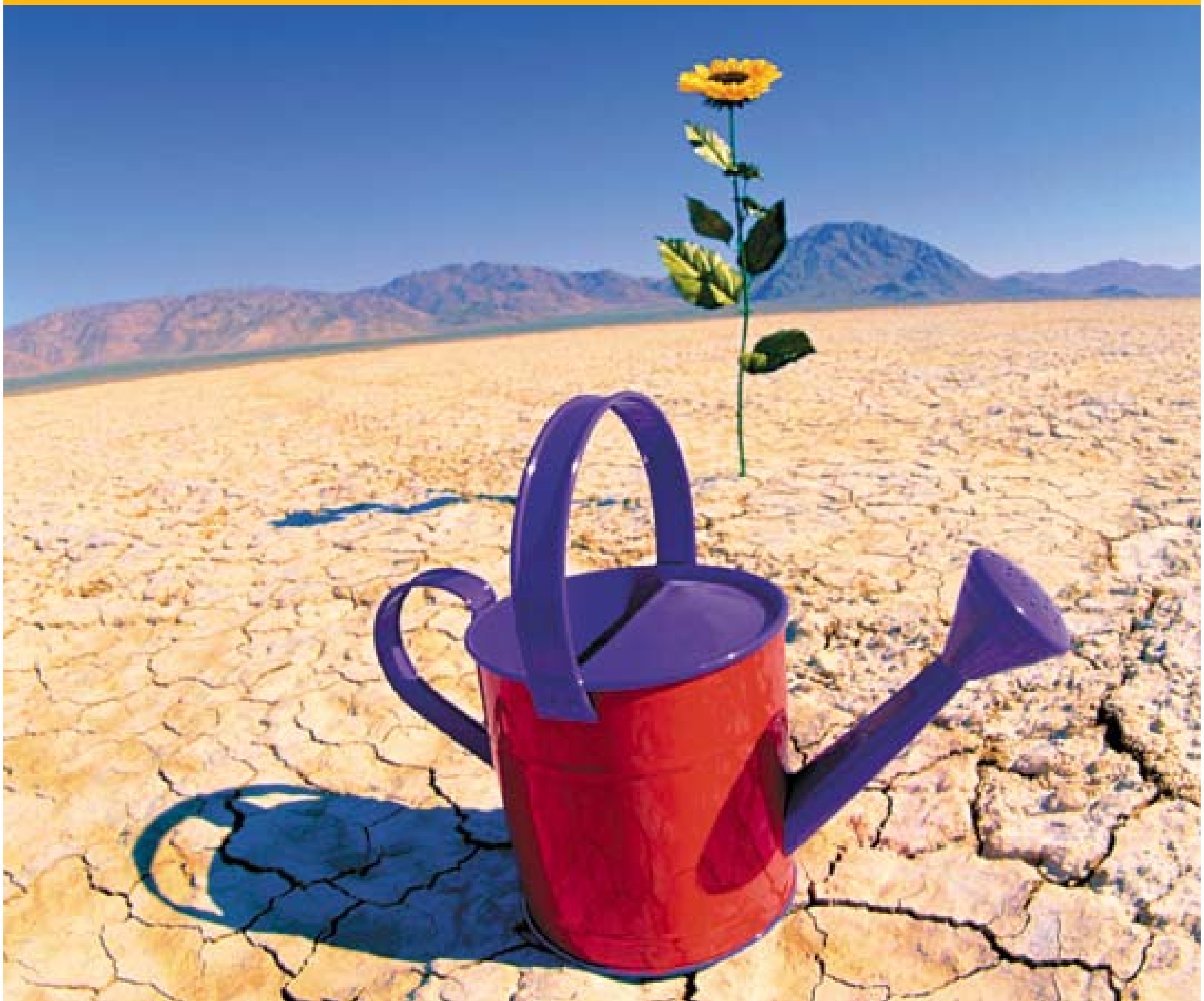
and homegrown talent through contributions supporting artists, singers, songwriters, producers and filmmakers. Corus provides independent television producers with support and financial assistance through seven different programming funds. Over a seven-year period, these funds will allocate more than $28 million to hundreds of talented Canadian filmmakers. This year alone, more than $8 million was allocated to a total of 40 projects. The Corus Export Marketing Initiative was created to support efforts to showcase Canadian talent around the world through the export of independent Canadian productions abroad. Forty Canadian television producers or distributors received financial assistance this year for travel to international television markets to promote their projects. **"With the support of Corus, I will be able to move forward on some international efforts and continue to produce high quality programming for Canadian television. Thank you, thank you, thank you!!"** Connie Edwards, Souleado Entertainment. Through Corus' pay-TV service, Movie Central, the Company makes a significant investment in Canadian film development and production. Ten of the 17 films selected for the 2003 Toronto International Film Festival were developed and funded in part through Movie Central and this year the service supported over 50 new Canadian productions, nearly half from first-time feature directors. Corus radio stations have helped to launch the careers of countless new Canadian musical talents through air play and promotion. Each year, the Company contributes more than $420,000 to various Canadian talent development initiatives and organizations and Corus stations make annual copyright payments totaling more than $11 million which directly support the creators of Canadian music. Corus Entertainment works with a number of leading organizations to extend its support across the industry. The Company funds TV & Me, a national, bilingual media literacy education program created by Concerned Children's Advertisers. In partnership with the Canadian Film and Television Production Association (CFTPA), the Corus Young Filmmaker's Initiative provides financial assistance, mentoring and a broadcast opportunity for young Canadians making their first short film. And through Canadian Women in Communications, Corus funds two professional development programs for women in the broadcasting industry – the Corus/CWC New Media Career Accelerator and the Corus/CWC Broadcast Technology Career Accelerator. Canada produces some of the world's most acclaimed films, television programming and music. Strong Canadian media companies like Corus Entertainment help make it possible for Canadian talent to compete with the best in the world.

Supporting Canadian Musical Talent Corus Radio supports independent bands with promotion and live performances in-studio

Corus Young Filmmaker's Initiative gives first-time producers a start

Blue Butterfly received funding from Corus' Family Feature Film Fund. The film has been licensed by Movie Central and is scheduled to be released in theatres in Spring 2004.

we seize opportunity even when it's outside the norm



we are building your Company from the inside out

Message to Shareholders **Corus has quickly become one of Canada's leading entertainment companies through a number of strategic acquisitions. Your Company and its management team approached fiscal 2003 with a commitment to work together as one company, to break down the barriers that existed between divisions and even within divisions as a carry-over from acquisitions. We are pleased to report that we did what we said we would do.** Your Company exceeded its stated financial goals of: **1.** 10% EBITDA growth in both our Radio and Television businesses **2.** a cash flow neutral position for Nelvana, and **3.** free cash flow of at least $20 million. This year, our performance improved organically, through a disciplined approach to cost control across all of our operations and an intense focus on ratings improvements and customer service in our Radio and Television operations. It was a year in which we demonstrated our ability to effectively operate and integrate the businesses that we assembled through strategic acquisitions during our first three years as a company. **Our strategy delivered results.** Our consolidated EBITDA grew 31.6% to $165.3 million and our consolidated margin for the year stands at 25.7%, up 70 basis points from fiscal 2002 and progressing to our overall goal of consolidated margins of 30%. **Our focus on strengthening the Company also included strategic investment in those areas where we believe our business will benefit.** We consolidated Nelvana and our Television division to increase the synergies between these two groups. We increased our marketing and promotional investment to maximize ratings. We invested in training, particularly of our Radio sales organization. We continued taking steps to encourage a common culture across all of our divisions that rewards initiative, teamwork and innovation, especially where it is focused to improve results for our customers. Corus also stayed in tune with developments externally. The unpredictable impact of war in Iraq, the SARS crisis and Mad Cow Disease presented challenges for our customers and our operations during the year. But your Company responded quickly and effectively to these and other challenges, demonstrating the strength of our collective portfolio of assets. **Our portfolio is ideally diversified.** Approximately 50% of our revenue comes from advertising. The balance is from a combination of license fees for programs, subscriber fees and consumer product sales. **We are pleased with the progress made this year in repositioning Nelvana.** In our view, we've turned the corner. After losing our second largest customer when the

Our focus Corus has an intense focus on ratings improvements and customer service

German market for kids' television programming collapsed, and the U.S. market went through a period of rapid consolidation, Nelvana's profitability was significantly impacted. Early in this year, we articulated a clear strategy to return Nelvana to profitability. **We did what we said we would do**, including taking the first steps to reduce our cost per episode by 25% by 2005 without impacting the quality of our production. We said we would restructure our business to become less dependent on broadcast license fees by building revenues from Nelvana's library, home video, music, publishing, and interactive gaming. We recruited a talented team of executives with demonstrated track records in the marketing, licensing and home entertainment disciplines. At year-end, Nelvana's consumer product revenues had nearly tripled over the previous year, accounting for more than 35% of Nelvana's total revenue. We recently signed deals with U.S. and U.K. distributors for multiple library titles to be released on DVD and home video in the coming year. We now have in place a strategic brand marketing function that is laying the foundation for ongoing success of our global brands like Babar, Beyblade and Miss Spider's Sunny Patch Kids across multiple platforms. **In our Radio division, we also delivered on our promises.** Corus Radio posted EBITDA growth of 10% during the year. We outpaced industry revenue in nearly every major market where we compete, particularly Toronto and Montreal. We have completed the facility consolidation of our stations and are seeing the planned cost-savings returning to the division. **We moved quickly and decisively** this year to execute necessary reformatting on stations in some of our major markets. With the changes behind us, audiences are growing for those stations and advertisers are quickly following. Our commitment to the turnaround of several loss-making radio stations remains firm and this year we moved closer to closing the gap between profit and loss. We expect half of our loss-making stations to break-even or better in 2004. After achieving these goals and continuing our significant investment in radio research and training, we are poised to achieve our goal of a 30% margin for Radio. **Corus Television continued to perform well** in the year and our established analog specialty channels were star performers with collective audience growth of 40% in the year, led by a 60% increase in audience ratings for W Network. Our pay-TV business faced a serious challenge when aggressive carrier pricing resulted in a dramatic decline in subscribers. We responded with innovative direct marketing campaigns, aggressive

Your Company Customer focused to drive shareholder value business restructuring and superb programming which turned the situation around to end the year with an 8% increase in subscribers over the previous year. While we discontinued operation during the year of our digital specialty channel Edge TV due to a negative outlook for increased carriage as a result of regulatory constraints, we remain committed to digital. The losses on our remaining three digital services were halved in 2003 and the outlook for digital penetration in Canada is positive. **Our Television division delivered solid revenue performance**, despite considerable softness in the advertising market during the first half of the year. A comprehensive look inside the Company for synergies, cost savings and operational efficiencies offset the revenue shortfalls and contributed to a 14.5% increase in EBITDA for the division. **This year, Corus Entertainment grew in strength and profitability, overcoming challenges by maximizing the synergies of our integrated entertainment assets and drawing on the exceptional talent of the Corus employees.** There is momentum building inside the Company and out in the marketplace. In the year ahead, we will accelerate that momentum and ensure that your Company is ready to participate in future media consolidation. **We have set clear financial goals to drive shareholder value in fiscal 2004:** **1.** Overall EBITDA growth of 10-15%; **2.** 25% increase in free cash flow; and **3.** Debt/EBITDA ratio of 3 – 3.5x. Fifty radio stations, eight specialty TV networks, six pay-TV channels; digital music and advertising services, local television stations, children's publishing, plus the production, distribution, and licensing of some of the most popular family entertainment brands in the world. All combined inside one company – your Company. **We invite you to get to know Corus inside out and see why achieving our vision – to be globally recognized as Canada's most influential entertainment company – is a vision worth being part of.**

Stronger Together Working as one company to achieve our vision

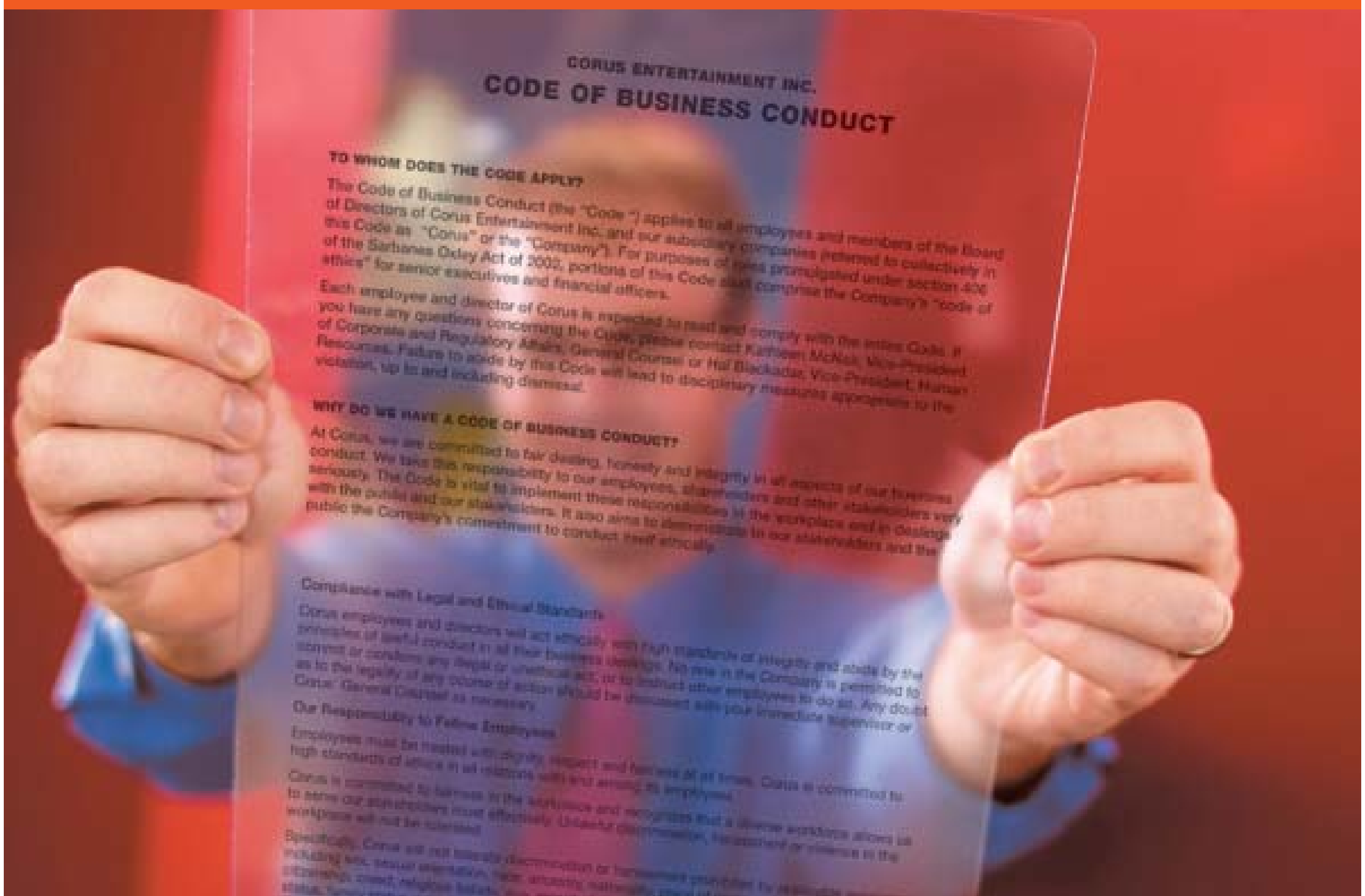
(signed)

John Cassaday
PRESIDENT AND CHIEF EXECUTIVE OFFICER

(signed)

Heather Shaw
EXECUTIVE CHAIR

Our Code of Conduct demonstrates Corus' belief that business ethics begin inside the Company



Why do we have a Code of Business Conduct? **At Corus, we are committed to fair dealing, honesty and integrity in all aspects of our business conduct. We take this responsibility to our employees, shareholders and other stakeholders very seriously. The Code is vital to implement these responsibilities in the workplace and in dealings with the public and our stakeholders. It also aims to demonstrate to our stakeholders and the public the Company's commitment to conduct itself ethically.** **To Whom Does the Code Apply?** The Code of Business Conduct (the "Code") applies to all employees and members of the Board of Directors of Corus Entertainment Inc. and our subsidiary companies (referred to collectively in this Code as "Corus" or the "Company"). For purposes of rules promulgated under section 406 of the Sarbanes Oxley Act of 2002, portions of this Code shall comprise the Company's "code of ethics" for senior executives and financial officers. • Each employee and director of Corus is expected to read and comply with the entire Code. If you have any questions concerning the Code, please contact Kathleen McNair, Vice President of Corporate and Regulatory Affairs, General Counsel or Hal Blackadar, Vice President, Human Resources. Failure to abide by this Code will lead to disciplinary measures appropriate to the violation, up to and including dismissal. **Compliance with Legal and Ethical Standards** Corus employees and directors will act ethically with high standards of integrity and abide by the principles of lawful conduct in all their business dealings. No one in the Company is permitted to commit or condone any illegal or unethical act, or to instruct other employees to do so. Any doubt as to the legality of any course of action should be discussed with your immediate supervisor or Corus' General Counsel as necessary. **Our Responsibility to Fellow Employees** Employees must be treated with dignity, respect and fairness at all times. Corus is committed to high standards of ethics in all relations with and among its employees. • Corus is committed to fairness in the workplace and recognizes that a diverse workforce allows us to serve our stakeholders most effectively. Unlawful discrimination, harassment or violence in the workplace will not be tolerated. • Specifically, Corus will not tolerate discrimination or harassment prohibited by applicable legislation including gender, sexual orientation, race, ancestry, nationality, place of origin, colour, ethnic origin, citizenship, creed, religious beliefs, age, record of offences (pardoned criminal conviction), marital status, family status, same-sex partnership status and physical or mental disability. • In addition to all forms of harassment prohibited by legislation, Corus will not tolerate any form of personal harassment (such as threatening behaviour, bullying, taunting or ostracizing co-workers etc.) which may occur as a result of an employee's position in the Company or because of an association with a group outside the Company, or perhaps because someone simply dislikes the individual. Personal harassment may also arise out of someone abusing their position of authority or power. • Corus is committed to keeping its workplaces free from hazards. We are all responsible to follow government approved health and safety guidelines for maintaining a safe workplace and to immediately report any accident, injury, unsafe practice and condition to your immediate supervisor. **Employment Practices** The Company is committed to ensuring that equal opportunity exists for all employees in all aspects of employment. Merit will be the principle on which all employment and promotion opportunities will be based. **Job Performance and General Conduct** Employees will carry out their job responsibilities to the best of their ability. This includes among other things: accepting supervisory direction, promotion, participating as a team member and maintaining the required quality and quantity of work. • Employees will conduct themselves in a professional manner when dealing with staff members, customers and the public at large. **Attendance** The Company is committed to promoting and maintaining high standards of attendance and employees are expected to be at work on time each scheduled day. When illness or emergencies necessitate absence or lateness, employees are expected to notify their supervisor in advance of their regular hours of work. **Drugs and Alcohol** The use, possession, distribution, offering or sale of illicit drugs, illicit paraphernalia or non-prescribed drugs for which a prescription is legally required, while on Company business or on Company premises (including Company vehicles) is forbidden. • The use, possession, distribution, offering or sale of alcoholic beverages on the Company's premises (including Company vehicles) is prohibited unless the prior consent of Senior management is obtained. Senior management approval is also required if alcoholic beverages are to be served at a Company sponsored function. The approvee assumes responsibility for organizing the function, and ensuring proper use of alcoholic beverages including transportation of the attendees, if required. **Intellectual Property Assignment** Employees of Corus agree to keep confidential and not to disclose to others, confidential information including any inventions, drawings, algorithms, computer codes in both source code and object code, customer information, customer lists, data of Corus and trade secrets related to the business of Corus or a related entity ("Inventions"). • All such Inventions so produced by employees shall be owned by Corus and employees waive their rights in any copyright to such work and warrant that such work is original and shall not contain any virus or other harmful code. • Employees agree to sign all documents to enable Corus to secure patent, trademark, copyright, industrial design or other intellectual property rights in the Inventions and to transfer legal title therein. **Appropriation of Company Assets** Employees and directors have a responsibility to protect Corus' assets entrusted to them from loss, damage, misuse or theft. Corus' assets such as funds, products, electronic devices and services, including, but not limited to, computers, computer-related equipment, products and services, may only be used for Company business purposes and other purposes approved by management. The Company's name, property (including intellectual) and goodwill must not be used for personal advantage. **Proper Maintenance of Records** Corus requires honest and accurate recording and reporting of information in order to make informed and responsible business decisions. Corus' books and records should accurately reflect all business transactions. Undisclosed or unrecorded revenues, expenses, assets or liabilities are prohibited. • For example, if you are responsible for accounting or record-keeping, you must be diligent in enforcing proper accounting and the Company's established practices. You may not alter, conceal or falsify any document or record. Each Corus business unit will adopt an approved record retention policy consistent with Corus' documented business policies and applicable legal and regulatory requirements. **Information Disclosure** Employees are required to protect Corus' confidential and proprietary information from unauthorized disclosure and use. This applies to information about customers and fellow employees as well as confidential and proprietary information about the Company's own affairs. Proprietary information includes any information that is not generally known to the public and is helpful to Corus, or would be helpful to competitors. Employees may not use confidential information or trade secrets gained by virtue of their employment with Corus for personal gain or for any purpose other than specific job related duties. • Employees and directors may not trade in the securities of Corus while in possession of undisclosed information obtained from Company sources that would reasonably be expected to affect the value of such securities. This practice of "insider trading" is contrary to Company policy and in most cases, illegal. All trading in securities of Corus is to be done in accordance with the Company's policy on Insider Trading, which is available through the office of the Chief Financial Officer. • Employees will safeguard all proprietary information by marking it accordingly, keeping it secure, and limiting access to those who have a need to know such information in order to do their jobs. • When an employee leaves Corus for any reason, confidential and proprietary information and all Inventions remain with and are the exclusive property of the Company and are not to be used nor disclosed in any way by the departing employee following the termination of his or her employment with the Company. **Conflicts of Interest** All business decisions and actions must be based on the best interest of Corus, and must not be motivated by personal considerations or relationships. There is an infinite list of potential conflicts that could arise over the course of employment. The general rule is that employees and directors must avoid any activity that compromises, or could reasonably be seen to compromise, their judgement, causes them to show undue favouritism to any party or causes them to receive a benefit of some kind. When in doubt it is best to disclose a potential conflict of interest. General guidelines for a better understanding of the most common examples of situations that may cause a conflict of interest are listed below. **Outside Business Activities** Corus employees are encouraged to participate in outside voluntary or community activities. Employees other than senior officers, are not prohibited from accepting part-time employment outside of Corus. However, neither the activity nor the part-time position must interfere with the employee's responsibilities to Corus or the employee's commitment, attention or business judgement required in performing those responsibilities. **Gifts or Favours** Accepting gifts or favours, other than of nominal value, from customers or suppliers or prospective customers or suppliers, is a conflict of interest. Additionally, frequent gifts from one source of any value should not be accepted. Employees may not engage in conduct that could be interpreted as directly or indirectly seeking, receiving or providing a bribe or kickback. • A conflict of interest may also arise in the giving of gifts or favours. Corus gifts must be legal and reasonable. Corus will not provide any gift if it is prohibited by law or by the policy of the recipient's organization. **Investments** Corus employees may not allow their personal investments to influence, or appear to influence, their independent judgement on behalf of Corus. • Specifically, without limiting the generality for the foregoing, an employee must disclose the following material investments to senior management: **1** an employee owns a business in whole or part that is entering into a business transaction with Corus; or **2** an employee purchases, sells or holds interests in a supplier and/or its subsidiaries or direct affiliates where the Company's relations with such suppliers could be considered to have a material impact; or **3** an employee has a financial interest in, or is performing services for, a competitor. **Contra Agreements for Personal Use** Corus employees may not enter into contra agreements that result in a personal benefit. Any legitimate contra agreement is subject to approval as outlined in the Contra Policy available on the Corus intranet site. **Business Communications** The Company's electronic devices and services, including, but not limited to, computers, computer-related equipment, products or services are the Company's property and should be used primarily for business purposes. Incidental appropriate personal use is permitted provided it does not interfere with the normal course of business. • The Company's electronic devices, specifically computers, should not be used to download any third party or employee confidential information for any purposes other than business-related purposes. Computers should not be used to download any offensive or pornographic materials from the Internet. All downloadable material should be for business purposes and should comply with the Company's harassment policy, which is available on the Corus Entertainment intranet site. Corus' computers should also not be used to download copyrighted material from the Internet including music and software. • The Company owns all information contained on the Company's computer networks. Therefore any information an employee or director transmits on these services should not be considered private and confidential. **Our Responsibilities to the Community and the Environment** Corus is committed to supporting various local programs and initiatives and fostering growth within the Canadian broadcasting and entertainment fields through strategic partnerships and innovative business ventures. • The Company is committed to the conservation of resources in our business operations. All employees should use reasonable efforts to make efficient use of all resources and to reduce, re-use and recycle supplies and materials wherever and whenever possible. • The health and well-being of all employees is a responsibility of everyone who works at Corus. Any circumstance relating to Corus' operations or activities which pose a real or potential health or safety risk must be reported promptly to your supervisor or to the Vice President of Human Resources. **Communicating with External Resources** Corus aims to achieve complete, accurate, fair, understandable and timely communications with all of its stakeholders and the public, including filings with securities and regulatory authorities. In order to protect yourself and the Company, requests for information should be handled in the following manner: **financial information requests** – directed to the Chief Financial Officer; **media requests** – directed to the Vice President, Communications; **requests from government agencies and regulators** – directed to the Vice President of Corporate and Regulatory Affairs, General Counsel; **employee information or human resources requests** – directed to the Vice President, Human Resources. • The legal department should be consulted before handling any non-routine requests for information. All information provided must be truthful and accurate. • Corus and its employees are committed to honest and ethical communications and dealings with officials at all levels of government. **Our Responsibility with Respect to Privacy** Corus is committed to controlling the collection, use and disclosure of personal information. • In accordance with the standards and requirements set out in the Personal Information Protection and Electronic Documents Act (Canada) (the "Privacy Act"), Corus developed a Privacy Policy outlining our commitment to maintaining the accuracy, confidentiality, security and privacy of third parties and employee personal information. **Reporting Concerns** Taking action to prevent problems is part of the Corus culture. If you become aware of an existing or possible violation of the Code, you should promptly notify the appropriate person. • Your concerns can be expressed on a confidential or anonymous basis to either the Vice President Corporate and Regulatory Affairs, General Counsel; the Vice President, Human Resources or on matters relating to accounting or auditing-related issues to the Chairperson of the Audit Committee. • The concern should be submitted in a sealed envelope addressed to the appropriate individual. The envelope should be marked "Confidential Internal Corus Concern". • Retaliation against any employee who honestly reports a concern to Corus about existing or possible violation of the Code will not be tolerated. It is unacceptable to file a report knowing it is false. • A copy of this policy can be obtained through Kathleen McNair, Vice President of Corporate and Regulatory Affairs, General Counsel or Hal Blackadar, Vice President, Human Resources, or by visiting our Web site at **www.corusent.com.**

Corus Entertainment supports many community and charitable organizations through cash donations, fundraising, gifts-in-kind and public service messages on its radio stations, specialty television networks, conventional television stations and Web sites. Some of the organizations and events that received support from Corus Entertainment companies in 2003 include:

1st Didsbury Scouting Group, 630 CHED Street Team, Ladies Golf Tourney Diabetes, A Country Christmas Community Concert, A Quilt of Many Cultures, A World of Choices – Junior Achievement, ABC Literacy, Aboriginal Awareness, Advocis Toronto, AIDS WALK, Air médic, Al-Anon, Alberta Beef Producers, Alberta Special Olympics, Alberta Super Run Association, Allies for Autism, ALS Society, Alzheimer Society, Amnesty International, Anemia Foundation, Arthritis Society, Asper Centre for Entrepreneurship, Association de parents en déficience, Association Du Cancer De L'est Du Quebec, Autism Society, Avalon Homes Toy Drive, Barrie Cancer Society – Relay for Life, Barrie SPCA Benefit, Bear Creek Wildlife Centre, Bell Walk for Kids, Big Brothers & Sisters, B'Nai Brith Canada, Bowden Minor Hockey Association, Bowl for Kids Sake, Boyle McCauley Health Centre, Boys and Girls Clubs of Canada, Brain Injury Awareness Week, Breast Cancer Awareness, Calgary Children's Foundation, Calgary Humane Society, Camp Brebeuf, Camp Oochigeas, Camp Trillium, Canadian Breast Cancer Foundation, Canadian Cancer Foundation, Canadian Children's Book Centre, Canadian Council of Christians and Jews, Canadian Diabetes Association, Canadian Hearing Society, Canadian Intensive Care Foundation, Canadian Liver Foundation, Canadian Medic Alert, Canadian Music Therapy Trust Fund, Canadian Parapeligic Association, Canadian Special Olympics Foundation, Canadian Wildlife Foundation, Canadian Women's Foundation, Cancer Run For The Cure, Canucks For Kids, Catholic Children's Aid, Catholic Social Services, Central Alberta AIDS Network, Central Alberta Epilepsy Association, Central Alberta Women's Emergency Shelter, Central Alberta Women's Outreach Centre, Centre for Studies of Children At Risk, Cerebral Palsy Association, Charitable Journalism Foundation, Children's Ability Fund, Children's Aid Society, Children's Miracle Network, Children's Wish Foundation, Clothes for Kids Campaign, Club Lion, Club Richelieu, Coast-To-Coast Against Cancer Ride, Coats For Kids, Cops For Cancer, Cosmos Rehabilitation Society, Covenant House, CURE Foundation, Cures for Kids, Cystic Fibrosis, Daily Bread Food Bank, David Suzuki Foundation, Delburne Women's Wellness Day, Down Syndrome Association of Toronto, Dreams Take Flight, Ducks Unlimited, Easter Seal Society, Edmonton Epilepsy, Edmonton Food Bank, Edmonton General Hospital, EMS Foundation, Epilepsy Rally, Face off Against Cancer, Family Adoption, Family Literacy Day, Family Treatment Centre, Family Violence Prevention Month, Farha Foundation, Festival of Champions, Fetal Alcohol Awareness Care Centre, Friends of Parkinsons, Gaetz Lake Sanctuary, Girl Guides of Canada, Go Kids Go!, Golden Circle Senior Resource Centre, Good Sheppard Centre, Goodwill, Habitat For Humanity, Heart and Stroke Foundation, Hope for the Holidays, Hopital du Haut Richelieu, Hospice Kingston, Hospital for Sick Children Foundation, Hospitals Lottery 2003, Huntington Society, Innisfail Food Bank, Innisfail Hospitals Lottery, Innoversity, intellectuelle et physique, Invest in Kids Foundation, Jean Tweed Centre, Jesse's Journey, Jewish National Fund of Canada, John Howard Society, Junior League, Juvenille Diabetes Association, Kerrywood Nature Centre, Kidney Foundation of Canada, Kids Cancer Care Foundation, Kids Help Phone, Kids Up Front Foundation, Kinsmen & Kinnette Clubs of Red Deer, Kinsmen Care Foundation, Kinsmen Club of Kingston, Kiwanis Music Festival of Ontario, Knights of Columbus, Literature for Life, Loaves and Fishes, London Health Sciences Centre, Lung Association, Mothers Against Drunk Driving (MADD), Make a Wish Foundation, McMaster Children's Hospital, Meals on Wheels, Medicine River Wildlife Centre, Mental Illness Association, Missing Children of Canada, Mount Royal College Foundation, Mount Sinai Hospital Foundation, Multiple Sclerosis Society, Muscular Dystrophy, Ontario Special Olympics, Operation Christmas Child, Operation Food Lift, Operation Life Saver, Operation Rednose, Operation Santa Claus, Orphan's Bowl, Orphans Fund Herring Sale, Orphans Fund Salmon Sale, Outreach Blanket Clinic, Parkinson Society, Society for the Prevention of Cruelty to Animals (SPCA), Pathways to Education, Peace Arch Hospital Foundation, Pennies for PAWS, Performers for Literacy, Persechini Easter Seal Run, Pets for Life, Porridge for Polio, Princess Margaret Hospital Foundation, Promo Allées tous en cœur, Prostate Cancer Research Foundation, Providence Continuing Care Centre, Raise-A-Reader, Red Deer Food Bank, Red Deer Hospice Society, Red Deer Kiwanis Christmas Carol Festival, Red Deer Kiwanis Festival of the Performing Arts, Red Deer's Active Living Fair, Remerciements cœur, Renascent, Rennsport Charity Drive, Rêve d'enfants, Rick Hansen Wheels in Motion, Rimbey Clothing Bank, Riverside Day Care Centre, Ronald McDonald House, Run for the Cure, Salvation Army, Santas Anonymous, Say Hay Benefit, Schizophreina Society, Scouts Canada, Shriners Hospital, Sisters of Soul/Breat Cancer Survivours, Special Olympics, Sports Equipment for Kids Foundation, St Matthews House, St. John's Ambulance, St. Michael's Hospital Foundation, Starlight Children's Foundation, Stars Lottery, Stephansson House, Stollery Children's Hospital Foundation, St-Vincent de Paul, Sunshine Dreams for Kids, Super Walk for Parkinson's, Supercities Walk for MS, Sylvan Lake Coats for Kids, Telecare – Barrie, Ten Thousand Villages, Terry Fox Run, Tim Horton Children's Foundation, Tinnitus, Unicef, United Way, Variety Learning Centre, Victorian Order of Nurses, Victory Group, Volunteer Kingston, Voyageur De Lesisure, Walk to d'feet ALS, War Amps, Wheelchair Basketball, Wild Horses of Alberta Society, WIN House (Women in Need), Windfall Clothing Support Service, Women's Legal Education & Action Fund, World Patnership Walk, World Prayer Day, World Vision, World Wildlife Fund – Tigers, Wye Marsh Wildlife Centre – Midland, Youth & Volunteer Centre, Youth Emergency Shelter, Youth Opportunities Unlimited, Zellers Family Walk for Cystic Fibrosis, Zoogala

outside in

our results

Annual Report 2003

our assets at a glance

television division

Specialty Networks

	OWNERSHIP
YTV	100%
Country Music Television (CMT)	80%
W Network	100%
Treehouse TV	100%
Discovery Kids	54%
The Documentary Channel	53%
Telelatino	50.5%
SCREAM	51%
The Locomotion Channel	50%
TELETOON	40%
Food Network Canada	19.9%

Premium Networks

	OWNERSHIP
Movie Central	100%
Encore Avenue	100%

Other

	OWNERSHIP
Digital ADventure	100%
Max Trax	100%
CHEX TV – Durham	100%
CHEX Television – Peterborough	100%
CKWS TV – Kingston	100%

radio division

British Columbia

CITY	AM	FM
Vancouver	CHMJ (Mojo 730) CKNW (NW 980)	CFOX (The Fox) CFMI (Rock 101)

Alberta

CITY	AM	FM
Calgary	CHQR (QR77)	CKRY (Country 105) CKIK (The Peak)
Edmonton	CHQT (Cool 880) CHED (630 CHED)	CISN (Country 103.9) CKNG (Power 92)
Red Deer		CKGY (KG Country) CIZZ (ZED FM)

Manitoba

CITY	AM	FM
Winnipeg	CJOB (CJOB 680)	CJKR (Power 97)

in 2003 we delivered on our
and strengthened the core f
of the Company in order to posit
for future growth.

content division

Ontario

CITY	AM	FM
Barrie		CIQB (B101) CHAY (Energy)
Burlington		CING (Country 95.3)
Cambridge		CIZN (The Zone 92.9)
Collingwood		CKCB (The Peak)
Cornwall	CJUL (Jewel 1220)	CFLG (Variety 104.5) CJSS (Blaze 101.9)
Guelph	CJOY (CJOY 1460)	CIMJ (Magic 106.1)
Hamilton	CHML (AM 900)	CJXY (Y 108)
Kingston	CFFX (GT0 960)	CFMK (Country 96)
London	CFPL (AM 980)	CFPL (FM 96) CFHK (Energy 103)
Peterborough	CKRU (980 Kruz)	CKWF (The Wolf)
Toronto	CFHJ (Mojo 640)	CFNY (Edge 102) CILQ (Q107)
Woodstock		CKDK (The Hawk)

Quebec

CITY	AM	FM
Amqui	CFVM	
Drummondville		CJDM
Montmagny		CFEL
Montreal	CINW (940 News) CINF (Info 690)	CFQR (Lite Rock Q92) CKOO (98.5 Cool FM) CKOI (CKOI-FM)
Rimouski		CIKI CJOI
St. Jean		CFZZ
St. Jerome		CIME

Production & Distribution

Nelvana Limited

Merchandising

Nelvana Limited

Publishing

Kids Can Press

promises
foundation
tion Corus

outside in
our results

inside out
our story

financial highlights

YEARS ENDED AUGUST 31 *[thousands of Canadian dollars except per share amounts]*	**2003**	2002[1]	2001
RESULTS OF OPERATIONS			
Revenues	**643,918**	674,503	556,825
Income before depreciation, amortization, interest, other and income taxes (EBITDA)[2]	**165,312**	125,571	123,916
Net income (loss)	**40,021**	(168,647)	128,167
Cash flow derived from operations	**230,424**	242,564	159,156
Capital expenditures	**14,908**	28,176	37,045
PER SHARE DATA			
Earnings (loss) per share – basic	**$ 0.94**	$ (3.96)	$ 3.09
Weighted average number of shares outstanding – basic (thousands)	**42,641**	42,621	41,539
FINANCIAL POSITION			
Total assets	**1,940,626**	1,939,984	2,269,811
Long-term debt, including current portion plus securitized borrowing	**558,437**	649,005	710,301
Shareholders' equity	**884,677**	850,716	1,167,607
Net debt[3]/EBITDA[2]	**3.1**	5.0	5.7

total revenues *[in $ millions]*

total cash flow derived from operations *[in $ millions]*

ebitda[2] *[in $ millions]*

total ebitda[2] margins *[in percentages]*

NOTES:

(1) Restated – see note 2(b) to the consolidated financial statements.

(2) EBITDA (which corresponds to the line item "Operating income before the following" in the consolidated statements of income (loss) and retained earnings (deficit)) is calculated as net income (loss) before minority interest, equity earnings from investees, income tax expense (recovery), goodwill and intangible impairment loss, asset write-downs, hedge transaction loss, restructuring charges, other expense (income), loss (gain) on sale of investments, interest on long-term debt, amortization and depreciation.

(3) Net debt = Long-term debt, including current portion, plus securitized borrowing and bank overdraft less cash and cash equivalents.

overview of businesses

RADIO

Corus Radio's business is comprised of 50 radio stations situated primarily in eight of the ten largest Canadian markets by population and in the densely-populated area of southern Ontario. In spring 2003, Corus led the industry with a market share of 29% in terms of reach, compared to its closest competitors, which had market shares of 23% and 19% in terms of reach, respectively, during that same period. During this period, the stations attracted a cumulative weekly audience of approximately 8 million listeners. In terms of audience tuning, Corus stations' share was 31% larger than the next competitor.

Fiscal 2003 saw an increase in radio revenues to $226.0 million from $211.4 million in fiscal 2002. On average, approximately 75% of Corus Radio's revenue is derived from local advertising.

Corus Radio will continue to strengthen its position in major markets and grow revenues and margins through research-driven programming decisions, professional sales execution and highly efficient operations. Corus Radio will also focus on leveraging new media to benefit both the listener and the advertiser.

Corus Radio is dedicated to sales excellence and to that end, launched two major initiatives in fiscal 2002, Corus Radio Sales University, an internal training course designed to provide the sales team with the tools to succeed and Deep Sky, a radio marketing solutions company based in Toronto.

Another aspect of Corus Radio's near-term strategy will focus on leveraging new media to expand its audience and give new opportunities to advertisers through a series of strong local web-sites to complement the Company's radio stations.

TELEVISION

Corus Television is comprised of specialty television networks, premium television services, three local television stations, a digital audio service and a cable advertising service.

Corus Television's collection of specialty television networks appeal particularly to kids, teens and women, much-coveted target groups among Canadian advertisers. Corus Television specialty networks had the largest viewing audience of all specialty groups. Corus' analog specialty television networks are leaders in their genres: – YTV is number one with kids 6-11; Treehouse TV is number one with preschoolers; W Network is the number one choice of specialty channels with women; CMT is the focal point for country music in Canada and Telelatino is Canada's premier specialty service broadcaster for unparalleled programming in the Italian, Spanish, English and French languages.

Corus Television offers three digital specialty television networks: The Documentary Channel, featuring documentaries from Canada and around the world; Discovery Kids, which offers children informative and entertaining programming with an emphasis on action, adventure and the environment; and SCREAM, which offers horror buffs a movie-rich schedule of classic and modern thrillers, cult favorites and popular series.

Corus Television also holds interests in The Locomotion Channel, an animation channel in Latin America (50%), TELETOON, the animation channel in French and English Canada (40%), and the Food Network Canada (19.9%).

Revenues from our specialty television networks are derived primarily from subscriber fees and advertising. In fiscal 2003, subscriber fees accounted for 46% and advertising accounted for 51% of total revenues.

Corus Television's Movie Central and Encore Avenue are the exclusive licensed providers of premium television services in western Canada, featuring blockbuster movies, series and specials from diverse genres on six distinct thematic channels. Each channel broadcasts commercial-free 24 hours a day, seven days a week. As at August 31, 2003, Movie Central service had approximately 658,000 subscribers, an 8% increase in year-over-year subscribers.

The Corus Television group also includes three local television stations in Kingston, Peterborough and Oshawa, Ontario, the operations of Max Trax, a residential digital audio service and Digital ADventure which operates commercial TV Listings channels.

Corus Television's operating strategy is to focus on maximizing two key areas of its portfolio: (i) continuing to drive its leadership position in the youth and women's genres and (ii) expanding its premium television services by capitalizing on the growth of households with digital service. Corus Television will continue to focus on leveraging programming and operational synergies across its properties in an effort to maximize the margins across all brands.

CONTENT

The Content group consists of the operations of Corus' wholly-owned subsidiary, Nelvana Limited ("Nelvana"), an integrated children's production and distribution company that develops, produces, markets and distributes animated television programs, movies and related products for children worldwide and Kids Can Press, a Canadian publisher of children's books.

Nelvana distributes programming to broadcasters in over 180 countries, including some of the world's leading networks. In 2003, Nelvana had 41 television programs on the air in Canada, and 26 on the air in the United States.

Nelvana's production facility in Toronto houses state-of-the-art 2-D and 3-D animation technology. Nelvana is continuing to move the majority of its production to more efficient and cost effective digital platforms. In fiscal 2003, Nelvana was able to reduce production costs per episode by 6% and is committed to a 25% reduction over three years.

Over the past five years, Nelvana has grown its proprietary production deliveries from 135 half-hour equivalent episodes in fiscal 1998 to a peak level production level of 252 in fiscal 2002. However, the growth was achieved with significant investment in the new programs. In fiscal 2003, Nelvana committed to becoming cash flow neutral and reduced its production slate to 140 new episodes. This amount of production maintained Nelvana's leadership position in the industry while reducing cash flow requirements. At August 31, 2003, Nelvana's program library totaled over 2,300 half-hour equivalent episodes.

Nelvana's merchandising business includes characters such as *Babar*, *Little Bear* and *Franklin*, which have achieved recognition and popularity worldwide. In the current year, merchandising saw tremendous growth in revenue due to the strength of *Beyblade* and *Rescue Heroes* both in North America and internationally.

In June 2003, Nelvana announced the acquisition of the merchandise licensing rights, outside of the U.S., for Nickelodeon's *The Fairly OddParents*. Nelvana already owns the distribution rights for the program outside of the U.S.

Nelvana's publishing business, Kids Can Press, has a broad and growing catalog of children's book titles. *Franklin* has remained strong with more than 50 million titles sold worldwide.

The operating strategy for Nelvana has undergone a fundamental change in the past year. Nelvana is making solid progress in shifting emphasis from a production orientation to becoming a market-focused consumer products company. Three key strategies are driving the change; retooling Nelvana to mine new revenue streams; producing a strong new slate of animation appealing to a diverse demographic; and exploiting its deep library of classic brands.

Management's Discussion and Analysis is a review of activities and results for the fiscal year ended August 31, 2003 as compared to the previous year, and a review of activities and results for the fiscal year ended August 31, 2002 as compared to the previous year. Comments relate to and should be read in conjunction with the audited consolidated financial statements.

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis contains forward-looking statements. The results or events predicted in these statements may differ materially from actual results or events. These forward-looking statements can generally be identified by the use of statements that include phrases such as "believe", "expect", "anticipate", "intend", "plan", "likely", "will" or similar words or phrases. Similarly, statements that describe objectives, plans or goals are or may be forward-looking statements.

These forward-looking statements are based on management's current expectations and projections about future events. However, whether actual results and developments will conform with these expectations and projections is subject to a number of risks and uncertainties, including, among other things: the ability to attract and retain advertising revenues; audience acceptance of the Company's radio stations, specialty television networks and the television programs produced; the ability to recoup production costs, the availability of tax credits and the existence of co-production treaties; the ability to compete in any of the industries in which it conducts business; the opportunities (or lack thereof) that may be presented to and pursued by the Company; conditions in the entertainment, information and communications industries and technological developments therein; changes in laws, regulations, policies, and copyright tariffs or the interpretation or application of those laws and regulations; the ability to integrate and realize anticipated benefits from acquisitions; and the ability to effectively manage growth. These are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any forward-looking statements. Other unknown and unpredictable factors could also harm the Company's results. Consequently, there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

SUPPLEMENTAL EARNINGS MEASURES

In addition to providing earnings measures in accordance with Generally Accepted Accounting Principles (GAAP), the Company presents certain supplemental earnings measures and financial information. These are income before depreciation, amortization, interest, other and income taxes (EBITDA) and pro forma information. These measures and financial information do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies.

EBITDA

This measure is provided to assist investors in determining the ability of the Company to generate cash from operations to cover financial charges before income and expense items from investing activities, income taxes and items not considered to be in the ordinary course of business. It is also widely used for valuation purposes. A reconciliation of EBITDA and net income (loss) is provided in the consolidated statements of income (loss) and retained earnings (deficit). EBITDA (which corresponds to the line item "Operating income before the following" in the consolidated statements of income (loss) and retained earnings (deficit)) is calculated as net income (loss) before minority interest, equity earnings from investees, income tax expense (recovery), goodwill and intangible impairment loss, asset write-downs, hedge transaction loss, restructuring charges, other expense (income), loss (gain) on sale of investments, interest on long-term debt, amortization and depreciation. A listing of these items is disclosed in the consolidated statements of income (loss) and retained earnings (deficit). These items are excluded in the determination of EBITDA as they are non-cash in nature, pre-tax, financing charges, income or expense from investing activities or are not considered to be in the ordinary course of business. EBITDA should not be considered in isolation of or as a substitute for (1) net income or loss, as an indicator of the Company's operating performance, or (2) cash flows from operating, investing and financing activities, as a measure of the Company's liquidity.

PRO FORMA INFORMATION

Pro forma information (including pro forma revenues and pro forma EBITDA) is provided to assist investors in comparing results between periods after giving effect to significant acquisitions and divestitures. In particular, results from the same period in fiscal 2002 have been adjusted to reflect operating results of all businesses reporting in the current year as if the businesses had been owned for the same number of days in the prior year. Pro forma information is provided on the basis of the Company's reportable business segments (Radio, Television and Content) for revenues and EBITDA – the measure of profitability reviewed by the chief operating decision maker of these divisions, since there were acquisitions and/or dispositions in each of these divisions during fiscal 2002 or fiscal 2003.

PRO FORMA RESULTS RECONCILIATION

The following table reconciles pro forma revenues and EBITDA for the year ended August 31, 2002 to actual results as reported in the consolidated statements of income (loss) for the same period and should be read in conjunction with the preceding comments on supplemental earnings measures:

YEAR ENDED AUGUST 31, 2002	AS REPORTED	ACQUISITIONS	DISPOSITIONS	PRO FORMA
[thousands of Canadian dollars]	*[restated]* (2)			
REVENUES:				
Radio	211,416	696	(196)	211,916
Television	308,529	15,184	(21,892)	301,821
Content				
Production and Distribution	99,357	—	—	99,357
Branded Consumer Products	60,558	—	(36,356)	24,202
Eliminations	(5,357)	—	—	(5,357)
	674,503	15,880	(58,444)	631,939
EBITDA: (1)				
Radio	52,853	96	140	53,089
Television	99,061	2,232	(5,029)	96,264
Content				
Production and Distribution	(28,797)	—	—	(28,797)
Branded Consumer Products	7,843	—	(3,291)	4,552
Corporate	(4,750)	—	—	(4,750)
Eliminations	(639)	—	—	(639)
	125,571	2,328	(8,180)	119,719

NOTES:

(1) *EBITDA (which corresponds to the line item "Operating income before the following" in the consolidated statements of income (loss) and retained earnings (deficit)) is calculated as net income (loss) before minority interest, equity earnings from investees, income tax expense (recovery), goodwill and intangible impairment loss, asset write-downs, hedge transaction loss, restructuring charges, other expense (income), loss (gain) on sale of investments, interest on long-term debt, amortization and depreciation.*

(2) *See note 2(b) to the consolidated financial statements which discusses the adoption of the proportionate consolidation method of accounting for certain investments on a retroactive basis.*

OVERVIEW

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

Corus manages its business in three operating groups: Radio, Television and Content. 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 and other advertising media, government regulation, market competition from other distributors of children's animated programming and Corus' ability to continue to provide popular programming.

(A) RADIO

The Radio group is comprised of 50 radio stations, primarily situated in eight of the ten largest Canadian markets by population, and in the densely populated area of southern Ontario. Revenues are derived from advertising aired over these stations. Corus is Canada's leading radio operator in terms of revenues and audience reach.

(B) TELEVISION

The Television group is comprised of the following: specialty television networks YTV, W Network (formerly WTN, Women's Television Network), Treehouse TV, Corus' 80% interest in CMT (Country Music Television), 50.5% interest in Telelatino, 50% interest in Locomotion and 40% interest in TELETOON; Corus premium television services of Movie Central and Encore Avenue; interests in three digital television channels; three conventional television stations; Max Trax, a digital audio service; and Digital ADventure, a cable advertising service. Revenues for specialty television networks and digital television channels are generated from affiliate subscriber fees and advertising. Revenues for premium television and digital audio services are generated from affiliate subscriber fees. Revenues for the conventional television stations and cable advertising services are derived from advertising.

(C) CONTENT

The Content group consists of the production and distribution of television programs and the branded consumer products business (formerly merchandise licensing and publishing businesses) of Nelvana Limited which was acquired in fiscal 2001. Revenues are generated from licensing of television programs, merchandise licensing and publishing.

Corus is well diversified by revenue source with revenue streams for the year ended August 31, 2003 derived primarily from four areas: advertising 52%, subscriber fees 26%, license fees 9% and publishing and merchandising 7%.

Operating, general and administrative expenses include amortization of program and film rights (cost of programming purchased from third parties), amortization of film investments (costs associated with internally produced programming and acquired programming from third parties), employee remuneration, regulatory license fees, cost of goods sold relating to publishing, marketing (research and advertising costs), selling, general administration and overhead costs. Cost of goods sold relating to publishing include the material cost of the product, printing, freight, customs and duties and royalties to authors and illustrators based upon sales and is included in operating, general and administrative expenses. Approximately 31% and 30% of operating, general and administrative expenses in fiscal 2003 (2002 – 29% and 39% respectively) were comprised of employee remuneration and programming costs respectively.

results of operations

The following table presents summary financial information for Corus' operating business segments and a reconciliation of net income (loss) to EBITDA for each of the years ended August 31:

[millions of Canadian dollars, except for %'s]	2003	%[2]	2002[3]	%[2]	2001	%[2]	% INCREASE (DECREASE) 2003 OVER 2002	2002 OVER 2001
REVENUES								
Radio	**226.0**	**35.1**	211.4	31.3	191.8	34.4	6.9	10.2
Television	**306.9**	**47.7**	308.5	45.7	228.7	41.1	(0.5)	34.9
Content	**116.3**	**18.0**	159.9	23.7	137.4	24.7	(27.3)	16.4
Eliminations	**(5.3)**	**(0.8)**	(5.3)	(0.7)	(1.1)	(0.2)	—	—
	643.9	**100.0**	674.5	100.0	556.8	100.0	(4.6)	21.1
OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES								
Radio	**167.9**	**74.3**	158.5	75.0	143.7	74.9	5.9	10.3
Television	**193.5**	**63.0**	209.4	67.9	155.0	67.8	(7.6)	35.1
Content	**113.1**	**97.2**	180.9	113.1	125.3	91.2	(37.5)	44.4
Corporate	**8.8**	**1.4**	4.8	0.7	9.5	1.7	83.3	(49.5)
Eliminations	**(4.7)**	**(0.7)**	(4.7)	(0.7)	(0.6)	(0.1)	—	—
	478.6	**74.3**	548.9	81.4	432.9	77.7	(12.8)	26.8
EBITDA[1]								
Radio	**58.1**	**25.7**	52.9	25.0	48.1	25.1	9.8	10.0
Television	**113.4**	**37.0**	99.1	32.1	73.7	32.2	14.4	34.5
Content	**3.2**	**2.8**	(21.0)	(13.1)	12.1	8.8	(115.2)	(273.6)
Corporate	**(8.8)**	**(1.4)**	(4.8)	(0.7)	(9.5)	(1.7)	83.3	(49.5)
Eliminations	**(0.6)**	**(0.1)**	(0.6)	(0.1)	(0.5)	(0.1)	—	—
	165.3	**25.7**	125.6	18.6	123.9	22.3	31.6	1.4
Depreciation	**24.7**	**3.8**	26.0	3.9	20.0	3.6	(5.0)	30.0
Amortization	**9.8**	**1.5**	8.6	1.3	45.9	8.2	14.0	(81.3)
Interest on long-term debt	**61.0**	**9.5**	57.7	8.6	47.3	8.5	5.7	22.0
Loss (gain) on sale of investments	**1.0**		(18.2)		(103.1)			
Other expense (income)	**(9.4)**		0.3		(10.5)			
Restructuring charges	**5.0**		22.1		—			
Hedge transaction loss	**—**		20.4		—			
Asset write-downs	**2.4**		15.3		1.5			
Goodwill and intangible impairment loss	**—**		162.8		—			
Income (loss) before income taxes	**70.8**		(169.4)		122.8			
Income tax expense (recovery)	**28.6**		(2.3)		(3.1)			
Income (loss) before equity earnings from investees and minority interest	**42.2**		(167.1)		125.9			
Equity earnings from investees	**—**		0.1		2.6			
Minority interest	**(2.2)**		(1.6)		(0.3)			
NET INCOME (LOSS)	**40.0**		(168.6)		128.2			

NOTES:

(1) *EBITDA (which corresponds to the line item "Operating income before the following" in the consolidated statements of income (loss) and retained earnings (deficit)) is calculated as net income (loss) before minority interest, equity earnings from investees, income tax expense (recovery), goodwill and intangible impairment loss, asset write-downs, hedge transaction loss, restructuring charges, other expense (income), loss (gain) on sale of investments, interest on long-term debt, amortization and depreciation.*

(2) *Operating, general and administrative expenses and EBITDA for each business segment are expressed as a percentage of revenues for the segment. Other items are expressed as a percentage of total revenues.*

(3) *As discussed in note 2(b) to Corus' fiscal 2003 audited consolidated financial statements, the financial results for fiscal 2002 have been restated to reflect the proportionate consolidation of TELETOON and Locomotion and the amended foreign currency translation standard.*

quarterly consolidated financial information

[thousands of Canadian dollars except per share amounts]	REVENUES	EBITDA[1]	NET INCOME (LOSS)	EARNINGS (LOSS) PER SHARE[3]	
				BASIC	DILUTED
2003					
4th Qtr	**175,138**	**41,737**	**12,432**	**$ 0.29**	**$ 0.29**
3rd Qtr	**155,296**	**44,186**	**12,265**	**0.29**	**0.29**
2nd Qtr	**147,542**	**31,431**	**7,028**	**0.16**	**0.16**
1st Qtr	**165,942**	**47,958**	**8,296**	**0.19**	**0.19**
2002[2]					
4th Qtr	171,765	4,421	(189,877)	$ (4.45)	$ (4.45)
3rd Qtr	154,875	40,933	(1,825)	(0.04)	(0.04)
2nd Qtr	167,682	31,561	19,309	0.45	0.45
1st Qtr	180,181	48,656	3,746	0.09	0.09
2001					
4th Qtr	166,581	31,694	(1,901)	$ (0.04)	$ (0.04)
3rd Qtr	138,031	30,197	103,373	2.43	2.41
2nd Qtr	134,736	25,604	13,132	0.31	0.31
1st Qtr	117,477	36,421	13,563	0.35	0.35

NOTES:

(1) *EBITDA (which corresponds to the line item "Operating income before the following" in the consolidated statements of income (loss) and retained earnings (deficit)) is calculated as net income (loss) before minority interest, equity earnings from investees, income tax expense (recovery), goodwill and intangible impairment loss, asset write-downs, hedge transaction loss, restructuring charges, other expense (income), loss (gain) on sale of investments, interest on long-term debt, amortization and depreciation.*

(2) *As discussed in note 2(b) to Corus' fiscal 2003 audited consolidated financial statements, the financial results for fiscal 2002 have been restated to reflect the proportionate consolidation of TELETOON and Locomotion and the amended foreign currency translation standard.*

(3) *The sums of basic and diluted earnings (loss) per share for the four quarters differ from the basic and diluted earnings (loss) per share for the year, due to differences in the average number of shares outstanding.*

fiscal highlights

^

2003

2002

v

operations

Revenues from operations decreased by 5% to $644.0 million in 2003.

EBITDA increased by 32% to $165.0 million in 2003.

EBITDA margins were 26% in 2003 compared to 19% in 2002.

Corus Television enjoyed spectacular ratings growth in the Adult 25-54 demographic with W Network growing by 46%, CMT by 50% and YTV by 29%. The sales team capitalized on the strong W Network ratings and grew advertising revenues over 35% on a pro forma basis.

The Content division made great progress against its strategic objectives during the year. The division was cash flow positive as a result of the reduction in slate size, aggressive collection of tax credits and various cost cutting initiatives. The success of *Beyblade* added not only to the cash position but also enabled Content to generate approximately 40% of the revenues from the Branded Consumer Products business.

Corus Radio remained the Canadian leader in daily reach, revenue, and share of tuning with a market share of 29% in terms of reach, 26% ahead of the next closest competitor.

Revenues from operations increased by 21% to $674.5 million in 2002.

EBITDA increased by 1.3% to $125.6 million in 2002 after absorbing a $40.0 million write-down in film investments.

EBITDA margins were 19% in 2002 compared to 22% in 2001.

Corus continued to be the most listened to radio company in Canada with a cumulative weekly audience of 7.8 million listeners, 22% ahead of the next closest competitor.

In April 2002, Corus relaunched and rebranded the Women's Television Network ("WTN") as "W Network" and focused on making the network more contemporary and entertaining with an enhanced program schedule that provides a mix of new dramas, fresher movies and lifestyle programming. Recent Nielsen statistics indicate a 30% growth in Women 18-34 weekly viewers and a 20% growth in Women 18-49 weekly viewers for the period April 15/02 – June 30/02 compared to the prior year.

In January 2002, Corus' Nelvana acquired the rights to *Beyblade*, the Japanese toy and animé phenomenon. The program launched on YTV at #1 among kids 2-11, on Cartoon Network U.K., as #1 with kids 10-15, and as the top program in the ABC Family boys action block of programming in the U.S.

acquisitions/divestitures

There were no significant acquisitions or divestitures in fiscal 2003.

Effective November 16, 2001, Corus acquired shares that increased its total interest in Telelatino Network Inc. ("Telelatino") to 50.5% from 20% for cash consideration of $11.0 million. Telelatino operates TLN Television, a specialty ethnic channel that provides programming in Italian, Spanish and English.

Effective November 19, 2001, Corus acquired the Women's Television Network (WTN) for $205.0 million. The service was re-launched as "W Network" on April 15, 2002.

Effective December 18, 2001, Corus disposed of a 29.9% stake in the Comedy Network for $36.0 million.

Effective January 4, 2002, Corus acquired all of the outstanding shares of Tri-Co Broadcasting Limited which owns and operates three radio stations in Cornwall, Ontario for $4.3 million.

Effective March 1, 2002, Corus exchanged ownership interests with DMX Music, Inc. of the digital music subscription services to residential and commercial customers in Canada. The transaction resulted in Corus acquiring ownership of the existing Canadian residential subscription business and DMX Music, Inc. gaining ownership of the Canadian commercial business. Corus acquired assets with an assigned fair value of approximately $19.0 million and for which cash consideration of approximately $11.0 million was paid.

Effective April 8, 2002, Corus sold Klutz, its U.S. publishing business, to Scholastic Inc. for approximately $68.0 million (U.S.$43.0 million) in cash plus a three-year earn-out based on revenue.

Effective May 17, 2002, Corus acquired a 50% interest in The Locomotion Channel, an action-oriented animation pay-TV service targeting young adults aged 18-35 available in over 27 countries and seven million homes throughout Latin America and Iberia (Spain and Portugal) for a maximum consideration of approximately $16.0 million (U.S.$11.0 million in cash) less a holdback in the event of certain economic changes that may impact revenue projections. The service will be operated in conjunction with the other 50% shareholder, Hearst Corporation.

Effective May 31, 2002, Corus completed the sale of Viewer's Choice to Shaw Communications Inc. for cash consideration of $33.0 million.

financial

Net debt to EBITDA ratio was reduced to 3.1 times at August 31, 2003 from 5.0 times at August 31, 2002.

Cash provided by operating activities, net of investing activities, was $35.0 million.

On March 7, 2002, Corus issued U.S.$375.0 million aggregate principal amount of 8¾% senior subordinated notes due 2012 at a price of 99.186% of their aggregate principal amount. The net proceeds of the offering were used to repay existing bank debt.

During the year, Corus disposed of two million non-voting shares of Astral for total consideration of $93.3 million. The proceeds were used to repay the securitized borrowing of $89.5 million in full.

regulatory

On March 29, 2003, The Copyright Board of Canada issued its decision on a proposal by the Canadian Musical Reproduction Rights Agency (CMRRA) and the Société du droit de reproduction des auteurs, and compositeurs et éditeurs au Canada (SODRAC) for tariffs on the reproduction of musical works by commercial radio stations. The decision requires licensees to commit up to 0.8% of revenues, retroactive to 2001, to be paid in royalties.

The CRTC licensed 16 new English-language Category 1 digital Canadian specialty services, which were launched in September, 2001. Distributors using digital technology are required to distribute all Category 1 services appropriate for their market. The CRTC licensed more than 270 Category 2 services, which must negotiate with each distributor for carriage. Corus, in conjunction with its partners, launched five new digital services, two Category 1 services: The Documentary Channel and Country Canada, which was subsequently transferred to the Canadian Broadcasting Corporation. Corus also launched three Category 2 services: Discovery Kids, Edge TV and SCREAM. The Edge TV service was discontinued in fiscal 2003.

fiscal 2003 compared to fiscal 2002

Revenues for fiscal 2003 were $643.9 million, down 5% from $674.5 million last year. The decrease in revenues was attributable to various business divestures in fiscal 2002 and 2003 and the planned reduction in Nelvana's production slate. On a pro forma basis, revenues increased 2% from $631.9 million last year reflecting strong advertising revenue growth from the Radio and Television divisions.

Operating, general and administrative expenses were $478.6 million, down 13% from $548.9 million last year primarily as a result of the $40.0 million write-down in film investments in fiscal 2002 offset by increased variable operating expenses in fiscal 2003 associated with increased revenues. On a pro forma basis, operating, general and administrative expenses decreased 7% from $512.2 million last year.

EBITDA for fiscal 2003 was $165.3 million, up 32% from $125.6 million last year. The Radio division achieved EBITDA of $58.1 million, an increase of 10%. The Television division's EBITDA of $113.4 million represents an EBITDA growth of 14%. The Content division earned EBITDA of $3.2 million, after incurring a loss of $21.0 million in the prior year. On a pro forma basis, EBITDA was up 38% from $119.7 million last year. Television and Radio achieved pro forma EBITDA growth of 18% and 10% respectively. EBITDA as a percentage of revenues was 26% in fiscal 2003 compared to 19% in fiscal 2002.

RADIO

Radio revenues for fiscal 2003 were $226.0 million, up 7% from $211.4 million last year. On a pro forma basis, there was no significant increase or decrease in revenues. According to the Trans-Canada Radio Advertising by Market ("TRAM") report for the year ended August 31, 2003, total advertising sales for Corus' major market radio stations exceeded overall major market growth.

Operating, general and administrative expenses for fiscal 2003 were $167.9 million, up 6% from $158.5 million last year reflecting increased variable costs associated with increased revenues and the new reproduction rights tariff established by the Copyright Board of Canada. The tariff requires radio licensees to commit up to 0.8% of revenues to be paid in royalties with retroactive payments to 2001. The impact to Corus in fiscal 2003 was a one-time retroactive payment of approximately $2.0 million that was charged to operations.

EBITDA was $58.1 million for fiscal 2003, up 10% from $52.9 last year (up 14% excluding the one-time retroactive payment of the new reproduction rights tariff). EBITDA as a percentage of revenues was 26% in fiscal 2003, compared to 25% in fiscal 2002.

TELEVISION

Television revenues for fiscal 2003 were $306.9 million, down from $308.5 million in fiscal 2002. Fiscal 2003 results reflect the operations of W Network for a full year but do not reflect the operations of Viewer's Choice which was disposed of in fiscal 2002. On a pro forma basis, revenues were up 2% from $301.8 million last year. The Television division enjoyed impressive audience growth in fiscal 2003. The analog specialty television services, YTV, W Network and CMT, posted a 40% increase in the important Adult 25-54 demographic over the previous year, outpacing the industry trend. Advertising revenues were up 9% for the year (or 5% for the year on a pro forma basis). The majority of the advertising revenue gain came from the strong performance at W Network which bettered pro forma prior year by 36%. Subscriber revenues were flat over the prior year on a pro forma basis. Despite premium subscriber declines in Spring/Summer 2002 due to pricing activity by broadcast distribution undertakings, Movie Central, Corus' western-based pay television service, finished the year with 658,000 subscribers, up 8% from the prior year.

Operating, general and administrative expenses for fiscal 2003 were $193.5 million, down 8% from $209.4 million in fiscal 2002, reflecting primarily the disposition of Viewer's Choice in fiscal 2002. On a pro forma basis, expenses are down 6% from $205.6 million last year due to cost saving initiatives in programming and administrative expenses.

EBITDA was $113.4 million for fiscal 2003, up 14% from $99.1 million for fiscal 2002. On a pro forma basis, EBITDA increased 18% from $96.3 million in the prior year. EBITDA as a percentage of revenues was 37% in fiscal 2003, compared to 32% in fiscal 2002.

CONTENT

Content revenues were $116.3 million in fiscal 2003, down 27% from $159.9 million in fiscal 2002. Fiscal 2003 results do not reflect the operations of Klutz, the U.S. publishing business, which was disposed of in fiscal 2002. On a pro forma basis, revenues decreased 6% from $123.6 million in the prior year. The production and distribution revenues for fiscal

2003 were $70.5 million, down 29% reflecting lower planned production in the current year (140 episodes compared to 252 episodes in fiscal 2002).

For the branded consumer products business, revenues for fiscal 2003 were $45.8 million, down 24% for the year (up 89% on a pro forma basis excluding Klutz). The tremendous growth in revenues was primarily due to the strong merchandising sales from *Beyblade* and *Rescue Heroes*.

Operating, general and administrative expenses for fiscal 2003 were $113.1 million, down 37% from $180.9 million in the prior year. On a pro forma basis, expenses are down 23% from $147.8 million in the prior year reflecting the $40.0 million write-down in film investments in fiscal 2002 offset by a higher rate of amortization of film investments and higher cost of sales associated with increased merchandising revenues in fiscal 2003.

EBITDA for fiscal 2003 was $3.2 million, compared to a loss of $21.0 million in the prior year (loss of $24.2 million in the prior year on a pro forma basis). EBITDA as a percentage of revenues was 3% for fiscal 2003, compared to a negative margin on a pro forma basis last year.

CORPORATE

The Corporate segment results represent the incremental cost of corporate overhead in excess of the amount allocated to the other operating divisions. Corporate overhead in fiscal 2003 was $8.8 million, up from $4.8 million in fiscal 2002. This was a planned increase due to the centralization of functional departments such as Human Resources, Communications and Business Affairs, as well as the introduction of the Performance Share Units (PSU) program. The PSU program is designed to restrict and reduce the number of stock options issued. Payment is linked to prescribed share growth, and a stock purchase and retention requirement.

DEPRECIATION

Depreciation expense was $24.7 million for 2003, down from $26.0 million in 2002. The decrease was the result of various business divestitures, offset by a higher capital base in the remaining operations.

AMORTIZATION

Amortization expense was $9.8 million for 2003, up from $8.6 million last year. The increase is the result of a write-off of approximately $1.0 million of deferred financing charges related to a credit facility that was cancelled in fiscal 2003.

INTEREST ON LONG-TERM DEBT

Interest expense was $61.0 million, up from $57.7 million last year reflecting higher interest expense associated with a full year's inclusion in fiscal 2003 of the senior subordinated debt issued in fiscal 2002. The effective interest rate for fiscal 2003 was 8.7% compared to 7.7% in the prior year.

LOSS (GAIN) ON SALE OF INVESTMENTS

The loss on sale of investments of $1.0 million in fiscal 2003 relate to the disposition of the Company's 70% interest in the digital channel Country Canada and the sale of the Company's 100% interest in Sound Products Limited. The prior year's gain of $18.2 million resulted from the disposal of the Company's interests in The Comedy Network, Klutz, and Viewer's Choice, and the sale of Astral Media Inc. shares.

OTHER EXPENSE (INCOME)

Other income for the year was $9.4 million, compared to an expense of $0.3 million in the prior year. This increase is the result of foreign exchange gains on U.S. dollar denominated bank debt in the current year.

RESTRUCTURING CHARGES

In response to the weakened world market for film production and distribution, Corus continued to streamline operations to ensure the Company's profitability and competitive positioning in all divisions. Accordingly, restructuring charges of $5.0 million were recorded in the year, representing primarily workforce reductions in the Content division. This reduced workforce is reflective of the reduced level of production slated in the current and future years. The results for fiscal 2002 included restructuring charges of $22.1 million.

HEDGE TRANSACTION LOSS

The hedge transaction loss of $20.4 million in fiscal 2002 reflects the non-cash expense associated with unwinding U.S.$147.0 million of cross-currency interest rate swaps.

ASSET WRITE-DOWNS

Non-core assets were written down in fiscal 2003 in the amount of $2.4 million. Asset write-downs of $15.3 million in fiscal 2002 relate primarily to the discontinuation of the operations of Balmur Corus Music Inc., a music and television production business, and the write-down of the Company's investments in Liberty Digital Inc. and Local Media Internet Venture ("LMIV") to net realizable value.

GOODWILL AND INTANGIBLE IMPAIRMENT LOSS

During fiscal 2002, as a result of the adoption of the new accounting pronouncements and annual impairment testing, Corus recorded a non-cash charge for goodwill and intangible impairment of $162.8 million primarily in the Content division associated with the production and distribution business.

INCOME TAXES

The effective tax rate for the year ended August 31, 2003 was 40.3% compared to the statutory rate of 37.5% primarily due to the difference between tax and accounting treatment of the business divestitures during the year.

NET INCOME (LOSS)

Net income for fiscal 2003 was $40.0 million, compared to a loss of $168.6 million in the prior year. Earnings (loss) per share were $0.94 basic ($0.94 diluted) compared with a loss per share of $3.96 basic ($3.96 diluted) last year.

fiscal 2002 compared to fiscal 2001

Revenues for fiscal 2002 were $674.5 million, up 21% from $556.8 million in fiscal 2001. Through acquisition and organic growth, all divisions contributed to the strong growth in revenues. On a pro forma basis, revenues increased 7% from $628.4 million last year.

Operating, general and administrative expenses were $548.9 million, up 27% from $432.9 million last year. Expenses were also impacted by the Company's acquisitions during the year. Fiscal 2002 results include a write-down of film investments in the Content division of $40.0 million. On a pro forma basis, operating, general and administrative expenses increased 12% from $490.1 million last year. The increase is due to the film investments write-down, increased revenues and higher programming costs associated with specialty/pay television.

EBITDA was $125.6 million, after absorbing the $40.0 million write-down of film investments in the Content division, compared to $123.9 million last year. The Radio and Television divisions achieved EBITDA growth of 10% and 35% respectively. The Content division incurred an EBITDA loss for fiscal 2002. On a pro forma basis, EBITDA was down 9% from $138.3 million last year. EBITDA as a percentage of revenues was 19% in fiscal 2002 (24% excluding the write-down) and 22% in fiscal 2001.

RADIO

Radio revenues for fiscal 2002 were $211.4 million, up 10% from $191.8 million in fiscal 2001, reflecting an increase from 49 stations at the end of fiscal 2001 to 52 stations at the end of fiscal 2002. On a pro forma basis, revenues were up 1% for the year. Despite a soft advertising market during the year, the West and Ontario stations delivered revenue growth over the prior year. In particular, revenue growth of 8% was experienced in the key markets of Toronto, Vancouver and Winnipeg. The Quebec market was negatively impacted by the temporary drop in revenues caused primarily by the reformat of the two All-News radio stations as new audiences must be developed.

Operating, general and administrative expenses for fiscal 2002 were $158.5 million, up 10% from $143.7 million last year. The increase was from the acquisitions made in fiscal 2002 and full year inclusion in fiscal 2002 of the acquisitions made in fiscal 2001. On a pro forma basis, operating, general and administrative expenses were down 2% from $161.3 million last year, primarily as a result of cost saving initiatives made in first quarter fiscal 2002.

EBITDA was $52.9 million for fiscal 2002, up 10% from $48.1 million for fiscal 2001. EBITDA as a percentage of revenues was 25% in fiscal 2002, compared to 25% in fiscal 2001 and 23% in fiscal 2001 on a pro forma basis. Excluding the reformatted stations, EBITDA as a percentage of revenues was 30% for fiscal 2002.

TELEVISION

Television revenues for fiscal 2002 were $308.5 million, up 35% from $228.7 million in fiscal 2001. There was $64.6 million (28%) of growth in revenues resulting from acquisitions made in fiscal 2002 (W Network, Telelatino and Locomotion) and the proportionate consolidation of TELETOON. On a pro forma basis, revenues were up 21% from $254.7 million last year. Growth in subscriber fee revenues continued as a result of increased direct-to-home satellite and digital cable subscribers. In particular, the premium television services Movie Central and Encore Avenue delivered revenue growth of 29% over the prior year. At the end of fiscal 2002, Movie Central had approximately 609,000 subscribers, a 4% increase from the end of fiscal 2001.

Operating, general and administrative expenses for fiscal 2002 were $209.4 million, up 35% from $155.0 million in fiscal 2001 primarily as a result of acquisitions made in fiscal 2002, the costs of launching five new digital networks in fiscal 2002 and increased programming costs as we continued to invest in the promotion of the re-launch of Movie Central and Encore Avenue.

EBITDA was $99.1 million for fiscal 2002, up 35% from $73.7 million for fiscal 2001. EBITDA as a percentage of revenues was 32% in fiscal 2002, compared to 32% in fiscal 2001. Excluding the impact of the new digital networks, EBITDA as a percentage of revenues was 34% in fiscal 2002.

CONTENT

Content revenues were $159.9 million in fiscal 2002, up 16% from $137.4 million in fiscal 2001. Fiscal 2001 only includes the operating results of Nelvana since November 14, 2000. On a pro forma basis, revenues decreased 3% from the prior year.

Revenues for the Production and Distribution business were down 8% from the prior year on a pro forma basis. In fiscal 2002, Nelvana produced 252 episodes compared to 242 episodes in fiscal 2001, increasing its program library to over 2,100 half-hour equivalent episodes. Despite an increase in production, the decrease in revenues reflect the decline in the German market and the overall downward pressure on license fees as current revenue per episode decreased from $295,000/episode in fiscal 2001 to $206,000/episode in fiscal 2002. Unfortunately, the erosion of the production and distribution market has negatively impacted the value of Corus' investment in Nelvana. As a result, the Company wrote down its investment by $200.0 million with $40.0 million for film investments, reflected in operating, general and administrative expenses, and $160.0 million for goodwill and other intangibles.

Revenues for the Branded Consumer Products businesses were up 8% over the prior year and up 4% over the prior year on a pro forma basis. In April 2002, Corus disposed of the U.S. publishing business Klutz. The increase in revenues was primarily attributable to strong merchandising revenues from *Rescue Heroes*, *Little Bear*, *Franklin*, *Medabots*, *Babar* and *Beyblade* products. The Company's Canadian publishing business Kids Can Press continues to be impacted by the consolidation of the Canadian book retailing environment as a result of the merger of Chapters and Indigo.

Operating, general and administrative expenses for fiscal 2002 were $180.9 million, after absorbing the $40.0 million write-down of film investments mentioned above. Excluding the write-down, operating, general and administrative expenses were up 16% over the prior year and down 3% over the prior year on a pro forma basis. The decrease, on a pro forma basis, is primarily due to lower amortization expense associated with lower production and distribution revenues for the year.

EBITDA for fiscal 2002 was a loss of $21.0 million, after absorbing the write-down in film investments, compared to EBITDA of $12.1 million last year and $19.5 million on a pro forma basis last year. EBITDA as a percentage of revenues was negative for fiscal 2002 (12% excluding the write-down of film investments) compared to 9% last year and 12% on a pro forma basis last year.

CORPORATE

Corporate overhead in fiscal 2002 was $4.8 million, down from $9.5 million in 2001. Corporate overhead is the incremental cost that is not allocated to the operating divisions. The decrease is due to approximately $2.5 million in incremental one-time costs for recruitment and professional fees incurred in fiscal 2001.

DEPRECIATION

Depreciation expense was $26.0 million, up from $20.0 million in 2001. The increase was due to an increase in the capital asset base from acquisitions made in fiscal 2000 and 2001.

AMORTIZATION

Amortization expense was $8.6 million, down from $45.9 million last year. The decrease was due to the Company not amortizing broadcast licenses and goodwill as a result of adopting the new accounting standards for fiscal 2002.

INTEREST ON LONG-TERM DEBT

Interest expense was $57.7 million, up from $47.3 million last year. The effective interest rate for fiscal 2002 was 7.7% compared to 8.72% in the prior year reflecting lower interest rates in the current year.

LOSS (GAIN) ON SALE OF INVESTMENTS

For the year ended August 31, 2002, the pre-tax gain on sale of investments of $18.2 million resulted primarily from the disposal of Corus' interest in the Comedy Network, Astral Media Inc. non-voting shares, Klutz and Viewer's Choice. In the prior year, the pre-tax gain of $103.1 million resulted primarily from the disposal of Corus' interest in The Family Channel Inc. and the television station CHAU-TV.

OTHER EXPENSE (INCOME)

Other income was $0.3 million, down from $10.5 million last year primarily due to higher interest income from short-term investments and dividend income earned in fiscal 2001.

RESTRUCTURING CHARGES

In light of the current economic climate, the Company has taken proactive steps to reduce debt and improve operating margins by streamlining operations through workforce reductions and implementing cost control initiatives. Restructuring charges of $22.1 million were recorded during the year, representing workforce reductions of approximately 410 positions, lease terminations and settlement of contracts relating to activities which will no longer be continued. Through these initiatives, the Company is estimating that it will capture annual cost savings of approximately $10.0 to $15.0 million.

HEDGE TRANSACTION LOSS

The hedge transaction loss of $20.4 million reflects the non-cash expense associated with unwinding U.S.$147.0 million of cross-currency interest rate swaps during the third quarter of fiscal 2002.

ASSET WRITE-DOWNS

Asset write-downs of $15.3 million relate primarily to the discontinuation of the operations of Balmur Corus Music Inc., a music and television production business, and the write-down of the Company's investments in Liberty Digital Inc. and LMIV to net realizable value. The prior year includes an asset write-down of $1.5 million for the investment in COOLeh!

GOODWILL AND INTANGIBLE IMPAIRMENT LOSS

During the year, as a result of the adoption of the new accounting pronouncements and annual impairment testing, Corus recorded a non-cash charge for goodwill and intangible impairment of $162.8 million primarily in the Content division associated with the Production and Distribution business. Such a change is non-operational in nature.

INCOME TAXES

The income tax recovery in fiscal 2002 was $2.3 million, down from $3.1 million last year. Fiscal 2002 reflects a benefit on the tax loss realized from the sale of Klutz; however, there was not a corresponding accounting loss as the investment was written down in a prior period. Fiscal 2001 included a $42.3 million future tax recovery which reflected a decrease in tax rates applicable to certain future tax assets and liabilities.

EQUITY EARNINGS FROM INVESTEES

Equity earnings from investees were $0.1 million, down from $2.6 million last year. The decrease results from a change to proportionate consolidation for the Company's interest in TELETOON from the date that CRTC approval was obtained for the purchase of Nelvana's 20% interest in TELETOON. This approval was effective September 1, 2001.

NET INCOME (LOSS)

Net income (loss) for fiscal 2002 was a loss of $168.6 million, compared to income of $128.2 million last year. Loss per share are $3.96 basic ($3.96 diluted) compared with earnings per share of $3.09 basic ($3.06 diluted) in fiscal 2001.

risks and uncertainties

IMPACT OF REGULATION ON CORUS' RESULTS OF OPERATIONS

RADIO AND TELEVISION

Corus' Radio and Television business activities are regulated by the CRTC under the *Broadcasting Act* and, accordingly, Corus' results of operations may be adversely affected by changes in regulations, policies and decisions by the CRTC. The CRTC, among other things, issues licenses to operate radio and television stations and regulates the rates Corus may charge for its specialty television services if such services are distributed as part of the basic service by a cable distributor. Corus' radio stations must also meet technical operating requirements under the *Radiocommunication Act* and regulations promulgated under the *Broadcasting Act*. Changes in the regulation of Corus' business activities, including decisions by the CRTC affecting Corus' operations (such as the granting or renewal of licenses, decisions as to the subscriber fees Corus may charge its customers, or the granting of additional distribution, broadcasting or programming licenses to competitors in Corus' markets) or changes in interpretations of existing regulations by courts or the CRTC, could materially adversely affect Corus' business and results of operations.

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

Corus' radio, conventional television, specialty television, pay television, and digital audio undertakings rely upon licenses under the *Copyright Act* (Canada) in order to make use of the music component of the programming distributed by these undertakings. Under these licenses, Corus is required to pay royalties established by the Copyright Board pursuant to the requirements of the *Copyright Act* to collecting societies which represent the copyright owners in such music component. These royalties are paid by these undertakings on a monthly basis in the normal course of their business.

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

CONTENT

Corus licenses a significant portion of its programming to Canadian conventional television stations, specialty and premium television networks, which are required by the CRTC to devote a certain portion of their programming schedules to Canadian productions. In addition to these scheduling requirements, the CRTC generally requires Canadian specialty services to devote a certain amount of their revenues to certified Canadian programming. There can be no assurance that such policies will not be eliminated or scaled back, thereby reducing the advantages that they currently provide to Corus as a supplier of such programs. Also, there can be no assurance that programming will continue to qualify as certified Canadian programming. If Corus' programming fails to so qualify, Canadian broadcasters would not be able to use the programs to meet their Canadian programming obligations and, as a result, license fees paid to Corus by Canadian broadcasters would not reflect the current premium paid for certified Canadian programs and Corus would not qualify for certain Canadian tax credits and industry incentives. Canadian Heritage, the Canadian ministry that oversees the tax credits, has conducted a review of the definition of Canadian content, as it applies to film and television production, but no formal changes to the definition have been announced.

COMPETITION

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

The television production industry, specialty and pay television channel broadcasting and radio broadcasting have always involved a substantial degree of risk. There can be no assurance of the economic success of radio stations, television programs or specialty television channels as revenue derived depends on audience acceptance of other competing programs released into, or channels existing in, the market place 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 change rapidly and many of which are beyond the Company's control. The lack of audience acceptance for Corus' radio stations, television programs, specialty and pay television channels would have an adverse impact on its businesses, results of operations, prospects and financial condition. Canadian Heritage will be providing its comments on the definition to Parliament in November, 2003.

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. Corus' radio advertising revenues are, in turn, highly dependent upon audience share. Other stations may change programming formats to compete directly with Corus' stations for listeners and advertisers or launch aggressive promotional campaigns in support of already existing competitive formats. If a competitor, particularly one with substantial financial resources, were to attempt to compete in either of these fashions, ratings at Corus' affected station could be negatively impacted, resulting in lower net revenues.

Radio broadcasting is also subject to competition from electronic and print media. Potential advertisers can substitute advertising through broadcast television, cable television systems (which can offer concurrent exposure on a number of cable networks to enlarge the potential audience), daily, weekly, and free-distribution newspapers, other print media, direct mail, and on-line computer services for radio advertising. Competing media commonly target the customers of their competitors, and advertisers regularly shift dollars from radio to these competing media and vice versa. Accordingly, there can be no assurance that any of Corus' radio stations will be able to maintain or increase their current audience share and advertising revenue share.

TELEVISION

The financial success of Corus' specialty television business depends on obtaining revenue from advertising as well as from subscription fees. Numerous broadcast and specialty television networks competed with Corus for advertising revenue, and a failure by Corus to obtain its necessary share of such revenue, could materially adversely affect Corus' results of operations. Corus' services also compete with a number of foreign programming services such as A&E and CNN which have been authorized for distribution in Canada by the CRTC. Moreover, increasingly Corus' specialty, pay and conventional television services are competing with alternative forms of entertainment which are not regulated by the CRTC, such as the Internet and video and DVD rentals. 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 favorably position and package the services to subscribers. As well, the CRTC has licensed a number of specialty services for digital distribution which increases competition. Any failure by Corus to compete effectively in the area of specialty television services could materially adversely affect Corus' results of operations.

Corus' pay television services are exclusive providers of premium movies and series, as well as classical movie offerings to western Canadian subscribers. These services compete with pay-per-view movie offerings as well as video-on-demand offerings.

CONTENT

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

Further, vertical integration of the television broadcast industry and the creation and expansion of new networks, which create a substantial portion of their own programming, have decreased the number of available time slots for programs produced by third party production companies. There can be no assurances that Corus will be able to compete successfully in the future or that the Company 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 favorable to the Company. There continues to be intense competition for the most attractive time slots offered by those services. There can be no assurances that Corus will be able to increase or maintain its penetration of broadcast schedules.

RISKS ASSOCIATED WITH PRODUCTION OF FILM AND TELEVISION PROGRAMS

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

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

Financial risks exist in productions relating to tax credits and co-production treaties. The aggregate amount of government tax credits a project may receive can constitute a material portion of a production budget and typically can be as much as 20% of total budgeted costs. There is no assurance that government tax credits and industry funding assistance programs will continue to be available at current levels or that Corus' production projects will continue to qualify for them. As well, the majority of Corus' productions are co-productions involving international treaties which 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, current 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.

Library revenue from production and distribution can vary substantially from year to year, both by geographic territory and by year of production. The timing of Nelvana'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.

INTELLECTUAL PROPERTY RIGHTS

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

TECHNOLOGICAL DEVELOPMENTS

New or alternative media technologies and business models, such as digital radio services, direct-to-home satellite, wireless and wired cable television and Internet programming, satellite radio and video programming, have recently begun to compete for programming, audiences and advertising revenues. These technologies and business models may increase audience fragmentation, reduce ratings or have an adverse effect on advertising revenues from local and national audiences. These or other technologies and business models may have a material adverse effect on the business, results of operations or financial conditions.

GOODWILL AND OTHER INTANGIBLE ASSETS

In fiscal 2002, Corus adopted new rules for measuring the impairment of goodwill and indefinite life intangible assets (see Impact of New Accounting Pronouncements). Under the new standards, the Company is required to perform impairment tests of goodwill and indefinite life intangible assets at least annually but more frequently if indications of impairment exist. Any impairment losses after adoption of the new standards are recorded in net income for that period. The fair value of the Company's intangible assets, including goodwill, is exposed to future adverse changes if the Company experiences declines in operating results or experiences significant negative industry or economic trends or if future performance is below historical trends. Accordingly, impairment losses could result in a significant charge to Corus' reported earnings in the future.

FOREIGN EXCHANGE RISK

A significant portion of revenues and expenses for the Content business is in currencies other than Canadian dollars and, therefore, is subject to fluctuations in exchange rates. Approximately 15% of Corus' total revenues were in foreign currencies, the majority of which were in U.S. dollars. The foreign exchange risk is mitigated as the net cash flow from operations acts as a natural hedge against interest on unhedged U.S. denominated debt. Also, the unhedged U.S. denominated debt acts as a natural hedge against U.S. denominated receivables.

INTEREST RATE RISK

Interest rate risk arises from fluctuations in interest rates on drawings under the Company's senior revolving credit facility. As at August 31, 2003, 93% of the interest expense relating to total long-term debt is fixed. Corus does not engage in a speculative trading program.

CONTROL OF CORUS BY THE SHAW FAMILY

JR Shaw and members of his family and the corporations owned and/or controlled by JR Shaw and members of his family (the "JR Shaw Group") currently own approximately 84% of the outstanding Corus Class A Voting Shares. The Corus Class A Voting Shares are the only shares entitled to vote in all circumstances. As long as the JR Shaw Group owns a majority of the Corus Class A Voting Shares, the JR Shaw Group will continue to be able to elect Corus' entire Board of Directors and to remove any director, with or without cause, at a special meeting. In addition, the concentration of ownership and voting power may have the effect of delaying or deterring a change of control of Corus that could be otherwise beneficial to holders of Corus Voting and Non-Voting Shares. As a result, the JR Shaw Group will control matters affecting Corus and the composition of Corus' Board of Directors and, through it, any determination with respect to Corus' business direction and policies, including the appointment and removal of officers.

The JR Shaw Group may exercise their control over Corus according to interests that are different from the interests of other investors. In addition to their interest in Corus, the JR Shaw Group controls Shaw Communications Inc., a cable operator and its wholly-owned subsidiary, Star Choice Communications Inc., a direct-to-home satellite operator.

All of the Corus Class A Voting Shares held by the JR Shaw Group are subject to a voting trust agreement entered into by such persons. The voting rights with respect to such Corus Class A Voting Shares are exercised by the representative of a committee of five trustees.

Actions by Corus' Board of Directors may delay or prevent an acquisition of Corus, which could decrease the value of Class B Non-Voting Shares.

Corus' Board of Directors has the authority to issue shares and to determine the designation, rights, conditions, restrictions and limitations including dividend rights, without any further vote or action by shareholders, which could be used to dilute the share ownership of a potential hostile acquirer. The rights of the holders of Corus Non-Voting Shares will be subject to, and may be adversely affected by, the rights of the holders of any preferred shares that may be issued.

liquidity and capital resources

CASH FLOW

Overall, the Company's cash position increased $17.2 million in the fiscal year.

Cash provided by operating activities for fiscal 2003 was $64.6 million, up from $27.9 million last year. The increase was due primarily to lower net additions to film investments as a result of a reduced production slate in the Nelvana operations. This was offset by a decrease in non-cash working capital balances primarily as a result of a lower accounts payable balance at August 31, 2003.

Cash used in investing activities was $29.3 million for fiscal year 2003 (2002 – cash provided of $49.9 million). Cash usage consisted primarily of capital asset additions, deferred charges, business acquisitions and investments as described below:

- Capital expenditures amounted to $14.9 million in fiscal year 2003 (2002 – $28.2 million) reflecting a planned reduction of capital expenditures throughout the year.
- There were no significant additions to deferred charges in fiscal 2003. Additions to deferred charges in fiscal year 2002 include $17.8 million related to financing costs incurred for issuance of the senior subordinated notes.
- Cash usage for material business acquisitions and investments in fiscal year 2002 was $117.6 million which consisted of WTN, Telelatino, Locomotion, and increase interests in The Comedy Network and DMX Music. There were no material business acquisitions and investments in fiscal 2003.
- Cash usage in fiscal year 2002 was partially offset by net proceeds received from business divestitures and sale of investments. Fiscal year 2002 included $229.8 million from the disposition of interests in The Comedy Network, Astral Media Inc. shares, Klutz and Viewer's Choice.

Cash used in financing activities in fiscal year 2003 was $18.1 million (2002 – $51.2 million) reflecting management's effort to reduce debt during the year. Fiscal year 2002 reflected a significant repayment of long-term debt as a result of proceeds from the disposition of non-core assets.

BANK LOANS

During the year the Company cancelled its revolving credit facility of $150.0 million, which was undrawn at the time of cancellation. At August 31, 2003, the Company had available a $25.0 million revolving operating loan facility and a senior revolving credit facility of $240.0 million, of which approximately $201.0 million was undrawn. Interest rates on the bank loans fluctuate with Canadian banker's acceptances and LIBOR and averaged 4.8% for fiscal 2003 and 6.7% in fiscal 2002.

SENIOR SUBORDINATED NOTES

On March 7, 2002, Corus issued U.S.$375.0 million aggregate principal amount of 8 ¾% senior subordinated notes (the "Notes") due 2012 at a price of 99.186% of their aggregate principal amount.

The Company has entered into cross-currency interest rate agreements to fix the liability for interest and principal payments on the Notes. The agreements have resulted in an effective interest rate of 9.33% on the Canadian dollar equivalent of the U.S. debt. The exchange rate applicable to the principal portion of the debt has been fixed at Cdn.$1.6107 or Cdn.$604.0 million.

The net proceeds from this offering were used to repay existing indebtedness including the permanent repayment in full of the Company's reducing term loans of Cdn.$294.0 million due August 31, 2007. Consequently, the Company unwound U.S.$147 million of cross-currency interest rate swaps relating to the reducing term loan that had fixed the interest rate at 11.4% and liability for interest and principal payments at Cdn.$212.0 million.

NET DEBT TO EBITDA

At August 31, 2003, net debt (long-term debt net of cash) was $514.6 million, down from $622.4 million in the prior year. Adjusting for the foreign currency hedge on the senior subordinated notes, net debt at August 31, 2003 was $599.0 million, down from $641.8 million in the prior year.

The ratio of net debt to EBITDA (excluding the write-down to film investments in fiscal 2002) at August 31, 2003 is 3.1 times. Adjusting also for the foreign currency hedge on the senior subordinated notes, the ratio of net debt to EBITDA at August 31, 2003 is 3.6 times, down from 3.9 times at August 31, 2002. Management considers the current level of net debt to EBITDA of 3.6 times to be reasonable as the Company works towards improving this multiple.

impact of new accounting pronouncements adopted in 2003

FOREIGN CURRENCY TRANSLATION

The Company has retroactively adopted with restatement Section 1650, *Foreign Currency Translation*, of the CICA Handbook which eliminates the unique Canadian treatment of deferring and amortizing unrealized translation gains and losses on long-term monetary items. The new recommendations require that these unrealized translation gains and losses be included in the determination of net income as they arise. The retroactive adoption of this accounting policy resulted in an increase of $2.6 million to fiscal 2002 opening retained earnings and a decrease of $2.6 million to fiscal 2002 net income.

STOCK-BASED COMPENSATION

In December 2001, the CICA issued Handbook Section 3870, effective for fiscal years beginning on or after January 1, 2002. This pronouncement established a new standard for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services provided to a company by both employees and non-employees.

The standard requires that, for all stock-based payments to non-employees and to employees where the stock-based awards call for settlement in cash or other assets, including stock appreciation rights, a compensation expense be recognized in the consolidated statements of income (loss), determined using a fair value based method of accounting. The standard was adopted by the Company for its fiscal year beginning September 1, 2002 and has been applied to stock-based awards granted on or after that date.

The Company adopted the new standard on September 1, 2002, and includes the compensation costs associated with such payments and awards in its consolidated statements of income (loss).

Additionally, for stock options granted to its employees, the new standard permits the Company to continue its existing policy of recognizing no compensation expense. Consideration paid by employees on the exercise of stock options is recorded as an increase in the Company's cash and share capital accounts.

recent accounting pronouncements

HEDGING RELATIONSHIPS

In December 2001, the CICA issued Accounting Guideline-13, *Hedging Relationships* ("AcG-13"). AcG-13 establishes new criteria for hedge accounting and will apply to all hedging relationships in effect for the Company's fiscal year commencing on September 1, 2003 under Canadian GAAP. To qualify for hedge accounting, consistent with U.S. GAAP, the hedging relationship must be appropriately documented at the inception of the hedge and there must be reasonable assurance, both at the inception and throughout the term of the hedge, that the hedging relationship will be effective. Effectiveness requires a high correlation of changes in fair values or cash flows between the hedged item and the hedge. The Company currently documents all hedging relationships on an ongoing basis. The Company plans to comply with the requirements of AcG-13 such that all of its current hedges will continue to qualify for hedge accounting.

ASSET RETIREMENT OBLIGATIONS

In March 2003, the CICA issued Handbook Section 3110, *Asset Retirement Obligations*, which establishes standards for the recognition, measurement and disclosure of asset retirement obligations and the related asset retirement costs. This new Section replaces the requirements in Section 3061, *Property, Plant And Equipment*, and Section 4430, *Capital Assets Held By Not-For-Profit Organizations*, concerning future removal and site restoration costs. The Section harmonizes Canadian requirements with the provisions of FASB Statement No. 143, *Accounting for Asset Retirement Obligations*.

Section 3110 applies to obligations associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The Section requires the recognition of all legal obligations associated with the retirement of a tangible long-lived asset. Retirement includes the sale, abandonment, recycling or other disposal of an asset, but not its temporary idling.

This new Section is effective for fiscal years beginning on or after January 1, 2004, although earlier application is encouraged. The Section is applied on a retroactive basis with restatement of prior periods, but is based on the fair value of asset retirement obligations at the beginning of the fiscal year in which the requirements are first applied. The Company plans to comply with the requirements of Section 3110 for its fiscal year commencing on September 1, 2004.

IMPAIRMENT OF LONG LIVED ASSETS

In December 2002, the CICA issued Handbook Section 3063, *Impairment of Long-Lived Assets*, thereby replacing the write-down provisions of Section 3061, *Property, Plant and Equipment*. This new Section establishes standards for the recognition, measurement and disclosure of the impairment of long-lived assets by profit-oriented enterprises and harmonizes Canadian requirements with the U.S. impairment provisions of FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

Under the new Section, an impairment loss is measured as the amount by which the long-lived asset's carrying amount exceeds its fair value. This represents a significant change to Canadian GAAP, which previously measured the amount of the impairment as the difference between the long-lived asset's carrying value and its net recoverable amount (i.e. undiscounted cash flows plus residual value).

Section 3063 is effective for fiscal years beginning on or after April 1, 2003, with prospective application. The Company plans to comply with the requirements of Section 3063 for its fiscal year commencing on September 1, 2003. The Company does not expect that this Section will have a material impact on the consolidated financial statements.

CONSOLIDATION OF VARIABLE INTEREST ENTITIES

In an effort to expand on and strengthen existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity, the CICA has issued Accounting Guideline No. 15, *Consolidation of Variable Interest Entities*. Although initially intended to cover special-purpose entities ("SPEs") or off-balance sheet structures, AcG-15 takes an approach of setting out criteria for identifying variable interest entities ("VIEs") and then further criteria for determining what entity, if any, should consolidate them. The Accounting Standards Board ("AcSB") decided to defer the effective date of the Guideline to annual and interim periods beginning on or after November 1, 2004, except for certain disclosure requirements. The AcSB decided that enterprises should provide disclosures about VIEs in which they hold significant variable interests for periods beginning on or after January 1, 2004. The Company will be following the guidelines in AcG-15 after January 1, 2004. The Company has not estimated the impact that this Guideline will have on its consolidated financial statements.

ACCOUNTING FOR SEVERANCE AND TERMINATION BENEFITS

The CICA recently issued EIC-134, *Accounting for Severance and Termination Benefits*. The guidelines require that severance benefits that do not accumulate or vest should be accrued as a liability and expensed when the event that obligates the entity occurs. Those benefits that accumulate or vest should be accrued and expensed in the period in which the employees render services to the entity, provided payment of the benefits is probable and the amount can be reasonably estimated. The liability should be measured at its actuarial present value. The Company will be following the guidelines in EIC-134 for severance benefits, if any, that it initiates after March 31, 2003.

ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT AND DISPOSAL ACTIVITIES (INCLUDING COSTS INCURRED IN A RESTRUCTURING)

The CICA recently issued EIC-134, *Accounting for Costs Associated with Exit and Disposal Activities (Including Costs Incurred in a Restructuring).* The guidelines require that liability for a cost associated with an exit or disposal activity should be recognized and measured initially at its fair value in the period in which the liability is incurred. A liability is incurred when an obligation arises from a past transaction or event, the settlement of which may result in the transfer or use of assets, provision of services or other yielding of economic benefits in the future. An entity's commitment to an exit or disposal plan, by itself, is not the requisite past transaction or event for recognition of a liability. In subsequent periods, changes to the liability should be measured using the discount rate that was initially used to measure the liability. EIC-135 applies to exit or disposal activities initiated after March 31, 2003. The Company will be following the guidelines in EIC-135 for exit or disposal activities, if any, that it initiates after March 31, 2003.

critical accounting policies

Management believes that the application of the following accounting policies, which are important to the Company's financial position and results of operations, requires significant judgments and estimates on the part of management. For a summary of Corus' accounting policies, including the accounting policies discussed below, see note 2(a) to the consolidated financial statements.

FILM INVESTMENTS

The Company capitalizes costs of production, and distribution of film and television programs to film investments. These costs are amortized to direct operating expenses in accordance with SOP 00-2. These costs are stated at the lower of unamortized film or television program costs or fair value. These costs for an individual film or television program are amortized in the proportion that current period actual revenues bear to management's estimates of the total revenue expected to be received from such film or television program over a period not to exceed ten years from the date of delivery. As a result, if revenue estimates change with respect to a film or television program, the Company may be required to write-down all or a portion of the unamortized costs of such film or television program. No assurance can be given that unfavourable changes to revenue estimates will not occur, which may result in significant write-downs affecting Corus' results of operations and financial conditions.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant assumptions made by management in the preparation of the Company's consolidated financial statements include future revenue projections for investments in film and television programs, provisions for doubtful accounts to reflect credit exposures, valuation allowances and impairment assessments for various assets including investment in film and television programs, property and equipment, long-term investments, current and future income taxes and broadcast licenses and goodwill. Actual results could differ from those estimates.

BROADCAST LICENSES AND GOODWILL

The cost of acquiring media broadcasting, production/distribution and publishing businesses is allocated to the fair value of related net identifiable tangible and intangible assets acquired. Net identifiable intangible assets acquired consist primarily of broadcast licenses. The excess of the cost of acquiring these businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Prior to September 1, 2001, amounts allocated to broadcast licenses and goodwill were amortized on a straight-line basis over twenty to forty years. Broadcast licenses and goodwill will be tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired.

management's responsibility for financial reporting

The accompanying consolidated financial statements of Corus Entertainment Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. 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 judgements. 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 Entertainment Inc. 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.

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

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

(signed)

JOHN M. CASSADAY
President & Chief Executive Officer

(signed)

THOMAS C. PEDDIE, FCA
Senior Vice President & Chief Financial Officer

auditors' report

TO THE SHAREHOLDERS OF CORUS ENTERTAINMENT INC.

We have audited the consolidated balance sheets of Corus Entertainment Inc. as at August 31, 2003 and 2002 and the consolidated statements of income (loss) and retained earnings (deficit) and cash flows for each of the years in the three-year period ended August 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2003 and 2002 and the results of its operations and its cash flows for each of the years in the three-year period ended August 31, 2003 in accordance with Canadian generally accepted accounting principles.

(signed)

Toronto, Canada,
October 14, 2003.

ERNST & YOUNG LLP
Chartered Accountants

consolidated balance sheets

AS AT AUGUST 31	2003	2002
[thousands of Canadian dollars]		*[restated – note 2[b]]*
ASSETS *[note 13]*		
Current		
Cash and cash equivalents	**43,874**	26,644
Accounts receivable *[notes 6 and 27]*	**158,689**	172,406
Prepaid expenses and other	**11,385**	14,254
Program and film rights	**73,107**	57,393
Future tax asset *[note 16]*	**10,230**	—
Total current assets	**297,285**	270,697
Tax credits receivable	**27,109**	30,332
Investments and other assets *[notes 4 and 7]*	**38,786**	33,655
Capital assets *[note 8]*	**89,378**	101,348
Program and film rights	**28,365**	24,736
Film investments *[note 9]*	**134,564**	140,601
Deferred charges *[note 10]*	**26,581**	37,721
Broadcast licenses *[note 11]*	**509,040**	509,329
Goodwill *[note 11]*	**789,518**	791,565
	1,940,626	1,939,984
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities *[notes 12 and 27]*	**173,749**	193,119
Income taxes payable	**16,182**	6,243
Future tax liability *[note 16]*	**—**	2,248
Current portion of long-term debt *[note 13]*	**—**	2,391
Total current liabilities	**189,931**	204,001
Long-term debt *[note 13]*	**558,437**	646,614
Deferred credits *[note 14]*	**128,802**	76,631
Future tax liability *[note 16]*	**165,556**	149,967
Other long-term liabilities	**7,048**	6,610
Minority interest	**6,175**	5,445
Total liabilities	**1,055,949**	1,089,268
Shareholders' equity		
Share capital *[note 15]*	**881,631**	881,415
Retained earnings (deficit)	**8,135**	(31,886)
Cumulative translation adjustment *[note 23]*	**(5,089)**	1,187
Total shareholders' equity	**884,677**	850,716
	1,940,626	1,939,984

Commitments and contingencies *[notes 13, 15 and 26]*

See accompanying notes

	(signed)	*(signed)*
On behalf of the Board:	Director	Director

consolidated statements of income (loss) and retained earnings (deficit)

YEARS ENDED AUGUST 31	2003	2002	2001
[thousands of Canadian dollars except per share amounts]		*[restated – note 2[b]]*	
Revenues *[notes 25 and 27]*	**643,918**	674,503	556,825
Operating, general and administrative expenses *[notes 26 and 27]*	**478,606**	548,932	432,909
Operating income before the following	**165,312**	125,571	123,916
Depreciation *[note 8]*	**24,708**	25,980	19,960
Amortization *[notes 10 and 11]*	**9,792**	8,570	45,958
Interest on long-term debt *[note 13]*	**61,030**	57,731	47,328
Loss (gain) on sale of investments *[note 4]*	**994**	(18,172)	(103,125)
Other expense (income) *[note 23]*	**(9,386)**	289	(10,546)
Restructuring charges *[note 18]*	**5,025**	22,089	—
Hedge transaction loss *[note 13[b]]*	**—**	20,429	—
Asset write-downs *[note 19]*	**2,368**	15,240	1,530
Goodwill and intangible impairment loss *[note 11]*	**—**	162,772	—
Income (loss) before income taxes	**70,781**	(169,357)	122,811
Income tax expense (recovery) *[note 16]*	**28,534**	(2,245)	(3,093)
Income (loss) before equity earnings from investees and minority interest	**42,247**	(167,112)	125,904
Equity earnings from investees	**—**	115	2,585
Minority interest	**(2,226)**	(1,650)	(322)
Net income (loss) for the year	**40,021**	(168,647)	128,167
Retained earnings (deficit), beginning of year	**(31,886)**	284,151	155,984
Adjustment for change in accounting policy *[note 2[b][ii]]*	**—**	(147,390)	—
Retained earnings (deficit), end of year	**8,135**	(31,886)	284,151
Earnings (loss) per share			
Basic	**$ 0.94**	$ (3.96)	$ 3.09
Diluted	**0.94**	(3.96)	3.06
Weighted average number of shares outstanding *[in thousands]*			
Basic	**42,641**	42,621	41,539
Diluted	**42,645**	42,621	41,819

See accompanying notes

consolidated statements of cash flows

YEARS ENDED AUGUST 31	2003	2002	2001
[thousands of Canadian dollars]		*[restated – note 2[b]]*	
OPERATING ACTIVITIES			
Net income (loss) for the year	**40,021**	(168,647)	128,167
Add (deduct) non-cash items			
Depreciation	**24,708**	25,980	19,960
Amortization of broadcast licenses and goodwill *[note 11]*	**—**	—	42,429
Amortization of program and film rights	**87,931**	105,461	61,956
Amortization of film investments	**64,578**	124,943	60,847
Other amortization *[notes 10 and 11]*	**9,792**	8,570	3,529
Future income taxes	**3,257**	(35,845)	(54,341)
Loss (gain) on sale of investments	**994**	(18,172)	(103,125)
Equity earnings from investees	**—**	(115)	(2,585)
Hedge transaction loss	**—**	20,429	—
Asset write-downs	**2,368**	15,240	1,530
Goodwill and intangible impairment loss	**—**	162,772	—
Minority interest	**2,226**	1,650	322
Other	**(5,451)**	298	467
Cash flow derived from operations	**230,424**	242,564	159,156
Net change in non-cash working capital balances related to operations *[note 22]*	**3,381**	20,333	(13,828)
Payment of program and film rights	**(102,541)**	(104,752)	(63,937)
Net additions to film investments	**(66,197)**	(132,512)	(95,628)
Other	**(445)**	2,259	4,876
Cash provided by (used in) operating activities	**64,622**	27,892	(9,361)
INVESTING ACTIVITIES			
Additions to capital assets *[note 22[iii]]*	**(14,908)**	(28,176)	(37,045)
Net proceeds from sale of investments	**—**	134,827	2,273
Net proceeds from business divestitures *[note 4]*	**4,005**	95,067	135,684
Business acquisitions, net of cash acquired *[note 3]*	**—**	(90,581)	(462,696)
Increase in investments	**(5,312)**	(27,068)	(283,382)
Additions to deferred charges	**(80)**	(26,278)	(13,022)
Dividends paid to minority interest	**(1,496)**	—	—
Decrease in public benefits associated with acquisitions	**(12,198)**	(7,444)	—
Other	**690**	(421)	3,288
Cash provided by (used in) investing activities	**(29,299)**	49,926	(654,900)
FINANCING ACTIVITIES			
Increase (decrease) in bank overdraft	**—**	(3,600)	6,536
Increase (decrease) in bank loans	**(15,499)**	(557,648)	305,829
Increase in senior subordinated notes *[note 13[b]]*	**—**	604,000	—
Increase (decrease) in securitized borrowing	**—**	(89,500)	89,500
Decrease in other long-term debt	**(2,810)**	(3,325)	(110,752)
Issuance of shares under stock option plan	**—**	944	800
Other	**216**	(2,045)	—
Cash provided by (used in) financing activities	**(18,093)**	(51,174)	291,913
Net increase (decrease) in cash and cash equivalents during the year	**17,230**	26,644	(372,348)
Cash and cash equivalents, beginning of year	**26,644**	—	372,348
Cash and cash equivalents, end of year	**43,874**	26,644	—

Supplemental cash flow disclosures *[note 22]*

See accompanying notes

notes to consolidated financial statements

August 31, 2003, 2002 and 2001

1. basis of presentation

Corus Entertainment Inc. ["Corus" or the "Company"] is a diversified Canadian communications and entertainment company. The Company is incorporated under the Canada Business Corporations Act and its shares are listed on the Toronto and New York Stock Exchanges.

2. [a] significant accounting policies

The consolidated financial statements have been prepared by management on the historical cost basis in accordance with Canadian generally accepted accounting principles ["Canadian GAAP"]. The effects of differences between the application of Canadian and U.S. GAAP on the consolidated financial statements of the Company are described in note 24.

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Corus and all of its subsidiaries, all of which are wholly-owned except for Country Music Television Ltd. [80% interest], Telelatino Network Inc. [50.5% interest] and Discovery Kids [53.6% interest]. Intercompany transactions and balances have been eliminated on consolidation. The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant assumptions made by management in the preparation of the Company's consolidated financial statements include future revenue projections for investments in film and television programs, provisions for doubtful accounts to reflect credit exposures, valuation allowances and impairment assessments for various assets including investments in film and television programs, property and equipment, long-term investments, current and future income taxes, broadcast licenses and goodwill. Actual results could differ from those estimates.

REVENUE RECOGNITION

Advertising revenues are recognized in the period in which the advertising is aired under broadcast contracts.

Affiliate subscriber fee revenues are recognized to the extent that the service has been made available under distribution contracts.

Product and distribution revenues from the distribution and licensing of proprietary exploitation rights for network television, syndicated television, pay cable television feature films and home video are recognized when all of the following conditions are met: [i] persuasive evidence of a sale or licensing arrangement with a customer exists; [ii] the film is complete and is available for immediate and unconditional delivery; [iii] the license period of the arrangement has begun; [iv] the arrangement fee is fixed or determinable; and [v] collection of the arrangement fee is reasonably assured.

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

Revenues from merchandise licensing contracts, publishing and other royalties, which may provide for non-refundable advances, are recognized when the license period has commenced and collection is reasonably assured.

Revenues from the sale of books are recognized at the time of shipment, net of an estimated provision for returns. Revenues from the sale of subsidiary book rights, when determinable, are recorded on an accrual basis. When amounts are not determinable, amounts are recorded on receipt of funds. Grants for specific projects are recognized as revenue when the related expenses are incurred.

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.

INVESTMENTS

Investments in entities over which the Company exercises significant influence are accounted for using the equity method. Investments in joint ventures and partnerships which the Company jointly controls are accounted for using the proportionate consolidation method of accounting. Other investments are recorded at cost and written down only when there is evidence that a decline in value that is other than temporary has occurred.

Acquisitions subject to Canadian Radio-television and Telecommunications Commission ["CRTC"] approval are recorded at cost until approval is received and then accounted for according to the nature of the investment made.

CAPITAL ASSETS

Capital assets are recorded at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

ASSET	ESTIMATED USEFUL LIFE
Broadcasting head-end equipment	10 years
Production equipment	5 years
Leasehold improvements	lease term
Buildings	20 - 40 years
Computer equipment	3 years
Furniture and fixtures	7 years
Other	4 - 10 years

PROGRAM AND FILM RIGHTS

Program and film rights represent contract rights acquired from third parties to broadcast television programs and feature films. The assets and liabilities related to these rights are recorded when the cost of the rights is known or reasonably determinable, the program material is accepted by the Company in accordance with the license agreement and the material is available to the Company for airing. These costs are amortized over the contracted exhibition period as the programs or feature films are aired. Program and film rights are carried at the lower of cost less accumulated amortization and net recoverable amount.

Amortization of program and film rights is included in operating, 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 which have been produced by the Company or for which the Company has acquired distribution rights and investments in third party produced film projects. Such costs include development and production expenditures, attributable studio and other costs which are expected to benefit future periods.

The Company accounts for its film investments in accordance with the Statement of Position 00-2, "Accounting by Producers or Distributors of Films" ["SOP 00-2"].

The individual-film-forecast-computation method is used to determine amortization. The capitalized costs and the estimated total costs of participations and residuals, net of anticipated federal and provincial program contributions, production tax credits and co-producers' shares of production costs, are charged to amortization expense on a series or program basis in the ratio that current period revenue bears to management's estimate of total gross revenue ["ultimate revenue"] to be realized from the series or program. Ultimate revenue is projected for periods not exceeding ten years from the date of delivery or acquisition. For episodic television series, SOP 00-2 requires that ultimate revenue includes estimates of revenue over a period not to exceed ten years from the date of delivery of the first episode or, if still in production, five years from the date of delivery of the most recent episode, if later. Estimates of gross revenue can change significantly due to the level of market acceptance of film and television products. Accordingly, revenue estimates are reviewed periodically and amortization is adjusted. Such adjustments could have a material effect on the results of operations in future periods.

The Company reviews the status of projects in development quarterly. If, in the opinion of management, any such projects will not progress toward production, the accumulated costs are charged to operating expenses. Projects are written off at the earlier of the date determined not to be recoverable or when projects under development are abandoned, and three years from the date of the initial investment.

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

Completed project and distribution rights are stated at the lower of unamortized cost or estimated net realizable value as determined on a series or program basis. Revenue and cost forecasts for each production are evaluated quarterly in connection with a comprehensive review of the Company's inventory of audio-visual products. Estimated losses, if any, are then provided for.

Investments in third party produced film projects are carried at the lower of cost and net realizable value.

Amortization of film investments is included in operating, general and administrative expenses.

DEFERRED CHARGES

Financing costs and credit facility arrangements are amortized to income on a straight-line basis over the term of the debt facility.

Start-up costs for the preparation of new applications to the CRTC are deferred prior to approval by the CRTC. The costs associated with unsuccessful applications are expensed. Start-up costs for licenses of successful applications which are awarded by the CRTC are capitalized from the date they are awarded to the date revenue is generated for the service. Start-up costs are amortized over a period which reflects their expected future benefit, not exceeding the term of the licenses.

Advertising and promotion costs incurred for reformatting of radio, specialty and pay television stations are deferred and amortized on a straight-line basis over a period which reflects their expected future benefit, not exceeding three years. Costs assessed as having no future benefit are written off.

BROADCAST LICENSES AND GOODWILL

The cost of acquiring media broadcasting, production/distribution and publishing businesses is allocated to the fair value of related net identifiable tangible and intangible assets acquired. Net identifiable intangible assets acquired consist primarily of broadcast licenses. The excess of the cost of acquiring these businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Prior to September 1, 2001, amounts allocated to broadcast licenses and goodwill were amortized on a straight-line basis over twenty to forty years.

Broadcast licenses are considered to have an indefinite life based on management's intent and ability to renew the licenses without substantial cost and without material modification of the existing terms and conditions of the license.

Broadcast licenses and goodwill will be tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired. The Company has selected August 31 as the date it will perform its annual impairment test.

GOVERNMENT FINANCING AND ASSISTANCE

The Company has access to several government programs that are designed to assist film and television production in Canada. Funding from certain programs provides a supplement to a series' Canadian license fees 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 equity investments is recorded as a reduction in film investments.

Government grants for specific publishing projects are recorded as revenue when the related expenses are incurred.

DEFERRED CREDITS

Deferred credits include: [i] a provision for contributions to Canadian broadcasting initiatives that must be made by a purchaser of specialty television, pay television, and radio undertakings in accordance with CRTC policies ["public benefits associated with acquisitions"] associated with acquiring radio and television businesses that will be drawn down when the Company makes eligible payments towards meeting the conditions of license; [ii] foreign exchange gains on translating long-term debt; and [iii] unearned revenue from the distribution and licensing of rights for feature films and television programs.

INCOME TAXES

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws which are expected to be in effect when the differences are expected to reverse.

FOREIGN CURRENCY TRANSLATION

The assets and liabilities of the Company's self-sustaining operations having a functional currency that is not in Canadian dollars are translated into Canadian dollars using the exchange rate in effect at the consolidated balance sheet date and revenues and expenses are translated at the average rate during the year. Exchange gains or losses on translation of the Company's net equity investment in these operations are deferred as a separate component of shareholders' equity.

For integrated foreign operations monetary items are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transaction. Foreign exchange gains and losses are included in income.

Long-term debt denominated in U.S. dollars is translated into Canadian dollars at the year end rate of exchange. Exchange gains or losses on translating long-term debt that qualifies for hedge accounting are deferred.

Other exchange gains and losses are included in net income for the year.

FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments to manage risks from fluctuations in exchange and interest rates. These instruments include cross-currency agreements. All such instruments are only used for risk management purposes. The Company accounts for these financial instruments as hedges and, as a result, the carrying values of the financial instruments are not adjusted to reflect their current market value. The net receipts or payments arising from financial instruments relating to the management of interest rate risks are recognized in interest expense over the term of the instrument. Foreign exchange gains or losses arising on cross-currency agreements used to hedge U.S. dollar denominated debt are deferred until maturity of the agreement at which time they are offset by the foreign currency hedge.

STOCK-BASED COMPENSATION

No compensation expense is recognized for stock options granted under the Company's Stock Option Plan. Consideration paid by employees and senior officers on the exercise of stock options is credited to share capital. Consideration paid by the Company under its Employee Share Purchase Plan is included in operating, general and administrative expenses.

Effective September 1, 2002, the Company adopted the new accounting standard for stock-based compensation *[note 2[b][iii]]*.

EARNINGS (LOSS) PER SHARE

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

2. [b] accounting changes

The following changes were made to the consolidated financial statements for the year ended August 31, 2002:

[thousands of Canadian dollars except per share amounts]	AS PREVIOUSLY REPORTED	ADJUSTMENT	AS RESTATED
Total assets	1,925,156	14,828	1,939,984
Total liabilities	1,074,141	15,127	1,089,268
Revenues	652,784	21,719	674,503
Operating income before the following	116,496	9,075	125,571
Income (loss) before income taxes	(174,596)	5,239	(169,357)
Net loss for the year [ii]	(166,037)	(2,610)	(168,647)
Basic loss per share	$ (3.90)	$ (0.06)	$ (3.96)
Diluted loss per share	$ (3.90)	$ (0.06)	$ (3.96)

[i] PROPORTIONATE CONSOLIDATION

Effective September 1, 2002, the Company has retroactively adopted with restatement the proportionate consolidation of its 40% interest in TELETOON Canada Inc. ["TELETOON"] and its 50% interest in The Locomotion Channel. Both of these investments afford the Company joint control of the strategic operating, investing and financing decisions and the Company is now reflecting the assets, liabilities, and operating results to the extent that the Company owns them. The retroactive adoption of this accounting policy has had no impact on net loss and loss per share for 2002, as the previous equity accounting treatment for these investments resulted in the same net loss as the proportionate consolidation treatment. The consolidated balance sheet as at August 31, 2002 and the consolidated statement of income (loss) and retained earnings (deficit) and consolidated statement of cash flows for the year ended August 31, 2002 have been restated to reflect the Company's proportionate share of these investments.

[ii] FOREIGN CURRENCY TRANSLATION

Effective September 1, 2002, the Company has retroactively adopted with restatement the amended Canadian standard for foreign currency translation, which is consistent with U.S. standards, and eliminates the deferral and amortization of unrealized translation gains and losses on long-term monetary items that are not hedged. The standard requires that unrealized translation gains and losses be included in the determination of net income as they arise. The adoption of this accounting policy resulted in an increase of $2,610,000 to fiscal 2002 opening retained earnings and an increase of $2,610,000 to fiscal 2002 net loss.

[iii] STOCK-BASED COMPENSATION

Effective September 1, 2002, the Company has adopted the new accounting standard that requires that a fair value based method of accounting be applied to all stock-based payments to non-employees and to direct awards of stock to employees. The standard permits the Company to continue its existing policy of recording no compensation cost on the grant of stock options to employees, but does require additional disclosures of pro forma information. This pro forma information is disclosed in note 15 to these consolidated financial statements.

3. business combinations

In fiscal 2002, the Company completed a number of acquisitions, accounted for using the purchase method, which are summarized below:

[thousands of Canadian dollars except for percentages]	TELELATINO[a]	WTN[b]	LOCOMOTION[c]	OTHER[d] [e]	TOTAL
Effective date acquired	**November 2001**	**November 2001**	**May 2002**		
Percentage acquired	**50.5%**	**100%**	**50%**	**100%**	
Cash consideration, including transaction costs,					
net of cash acquired					
- Fiscal 2002	**7,480**	**55,009**	**12,825**	**15,231**	**90,545**
- Prior years	**738**	**150,079**	**—**	**—**	**150,817**
	8,218	**205,088**	**12,825**	**15,231**	**241,362**
Non-cash consideration	**—**	**—**	**—**	**8,000**	**8,000**
Integration and transaction costs, net of taxes	**30**	**35**	**—**	**100**	**165**
Total consideration after integration and transaction costs	**8,248**	**205,123**	**12,825**	**23,331**	**249,527**

[thousands of Canadian dollars except for percentages]	TELELATINO[a]	WTN[b]	LOCOMOTION[c]	OTHER[d] [e]	TOTAL
ASSIGNED VALUE OF ASSETS AND LIABILITIES ACQUIRED					
Capital assets	1,301	3,834	140	129	5,404
Program and film rights	412	4,990	1,217	—	6,619
Broadcast licenses	7,424	68,238	—	2,196	77,858
Goodwill	6,803	167,959	10,431	21,834	207,027
Non-cash working capital	(439)	1,721	1,037	83	2,402
Long-term debt	(146)	—	—	—	(146)
Deferred credits	(1,106)	(20,500)	—	(242)	(21,848)
Minority interest	(2,339)	—	—	—	(2,339)
Future tax liability	(2,277)	(21,119)	—	(669)	(24,065)
	9,633	205,123	12,825	23,331	250,912
Equity earnings of investee recorded in prior years	(1,385)	—	—	—	(1,385)
	8,248	205,123	12,825	23,331	249,527

[a] TELELATINO NETWORK INC. ["TELELATINO"]

Effective November 16, 2001, Corus acquired shares that increased its total interest in Telelatino to 50.5% from 20% for cash consideration of $11,060,000. Telelatino operates TLN Television, a specialty ethnic channel that provides programming in Italian, Spanish and English. The results of operations are included in the Company's consolidated financial statements from the date of acquisition.

[b] WOMEN'S TELEVISION NETWORK ["WTN"]

Effective November 19, 2001, Corus acquired all of the outstanding shares of Lifestyle Television (1994) Limited, which operates WTN, a special television network [relaunched April 15, 2002 as "W Network"] focused on women's programming, from Moffat Communications Ltd. ["Moffat"] for cash consideration of $205,000,000. During fiscal 2001, $150,000,000 was advanced to Moffat against the purchase price. The balance was paid upon completion of the transaction. The results of operations are included in the Company's consolidated financial statements from the date of acquisition.

[c] THE LOCOMOTION CHANNEL/LOCOMOTION CHANNEL B.V. ["LOCOMOTION"]

Effective May 17, 2002, Corus acquired a 50% interest in Locomotion, an action-oriented animation pay television service for a maximum consideration of approximately $16,250,000 [U.S.$10,500,000] less a holdback in the event of certain economic changes that may impact revenue projections. Cash consideration of $12,825,000 [U.S.$8,400,000] was paid during the third quarter of fiscal 2002. The results of operations are included in the Company's consolidated financial statements from the date of acquisition.

[d] TRI-CO BROADCASTING LIMITED

Effective January 4, 2002, Corus acquired all of the outstanding shares of Tri-Co Broadcasting Limited, a company that owns and operates three radio stations in Cornwall, Ontario for cash consideration of $4,250,000. The results of operations are included in the Company's consolidated financial statements from the date of acquisition.

[e] DMX MUSIC SERVICES ["DMX"]

For accounting purposes, Corus recorded, effective March 1, 2002, the exchange of ownership interests in digital music subscription services to residential and commercial customers in Canada with DMX. The transaction resulted in Corus acquiring the remaining 20% ownership of the existing Canadian residential subscription business in exchange for DMX gaining 100% ownership of the Canadian commercial business. Corus acquired assets with an assigned fair value of approximately $19,000,000 for which cash of approximately $11,000,000 was paid.

[f] ACQUISITION OBLIGATIONS

As a result of acquisitions made by the Company since 2000, the Company has incurred certain obligations related to direct acquisition costs, workforce reductions and costs to exit certain activities identified at the time of acquisition. An accrual for these obligations was included in the tangible net assets of the acquired businesses at the time of acquisition.

At August 31, 2003, the acquisition obligation was $571,000.

The Company expects to draw down these liabilities by the fourth quarter of 2004.

4. divestitures

[A] KLUTZ

Effective April 8, 2002, Corus sold Klutz, its U.S. publishing business, to Scholastic Inc. for approximately $68,000,000 [U.S.$43,000,000] in cash plus a three-year earn-out based on revenue, resulting in a pre-tax gain of approximately $900,000. Additional consideration, once determinable, will be recorded as a gain on sale once earned.

[B] CORUS VC LTD.

Effective May 31, 2002, Corus sold all of its outstanding shares in Corus VC Ltd., which operates the Viewer's Choice Pay-Per-View Service, to Shaw Communications Inc. ["Shaw"] for consideration of $33,000,000. The transaction resulted in a pre-tax gain of approximately $3,000,000.

[C] THE COMEDY NETWORK INC.

Effective October 11, 2001, Corus acquired an additional 14.95% interest in The Comedy Network Inc., increasing its total ownership interest to 29.9%. The specialty channel provides programming such as Canadian and foreign comedy series, comedy sketches, variety and human interest programs. On December 18, 2001, Corus disposed of its 29.9% interest to CTV Inc. for cash consideration of $36,000,000, resulting in a pre-tax gain of approximately $17,967,000. This investment was accounted for using the cost method prior to disposition.

[D] CHAU-TV

Effective February 28, 2001, Corus sold its Quebec conventional television station CHAU-TV for the base price of $7,000,000 plus a working capital adjustment and other consideration of approximately $1,800,000, resulting in a pre-tax gain of approximately $900,000.

[E] THE FAMILY CHANNEL INC.

Effective May 30, 2001, Corus sold its 50% interest in The Family Channel Inc., held by a wholly-owned subsidiary, to Astral Media Inc., for $126,900,000, resulting in a pre-tax gain of approximately $102,000,000.

5. joint ventures

The following amounts, included in these consolidated financial statements, represent the Company's proportionate share in joint ventures:

[thousands of Canadian dollars]	2003	2002
BALANCE SHEETS		
Current assets	**28,058**	23,036
Long-term assets	**15,401**	16,784
Current liabilities	**20,105**	18,041
STATEMENTS OF INCOME (LOSS)		
Revenues	**32,602**	27,236
Expenses	**28,732**	28,164
Net income (loss)	**3,870**	(928)
STATEMENTS OF CASH FLOWS		
Operating activities	**6,585**	5,193
Investing activities	**(230)**	(4,351)
Financing activities	**—**	2,936

6. accounts receivable

[thousands of Canadian dollars]	2003	2002
Trade	**158,634**	169,819
Receivable from co-venturers	**351**	—
GST receivable	**554**	337
Other	**4,206**	5,799
	163,745	175,955
Less allowance for doubtful accounts	**5,056**	3,549
	158,689	172,406

7. investments and other assets

[thousands of Canadian dollars]	2003	2002
INVESTMENTS, AT COST		
Astral Media Inc.		
[market value – 2003 – $8,797;		
2002 – $7,654] *[note 7[i]]*	**13,861**	13,861
Other *[notes 7[ii] and 27]*	**24,925**	19,794
	38,786	33,655

[i] ASTRAL MEDIA INC.

During fiscal 2001, the Company, through a wholly-owned subsidiary, purchased 2,029,000 Class A non-voting shares and 145,600 Class B subordinate voting shares of Astral Media Inc. from Shaw for approximately $110,000,000.

On October 31, 2001, the Company, through a wholly-owned subsidiary, disposed of 1,000,000 Class A non-voting shares of Astral Media Inc. for $43,000,000, resulting in a pre-tax loss of approximately $4,700,000.

On April 2, 2002, the remaining 1,000,000 Class A non-voting shares were disposed of for $50,500,000, resulting in a pre-tax gain of approximately $2,250,000. The securitized borrowing was repaid in full upon sale of the shares.

[ii] OTHER INVESTMENTS

Other investments consist primarily of an interest in a privately owned Canadian media company, financing provided to the Company's digital channel partnership and loans to employees.

8. capital assets

	2003		2002	
[thousands of Canadian dollars]	COST	ACCUMULATED DEPRECIATION	COST	ACCUMULATED DEPRECIATION
Broadcasting head-end equipment	**30,067**	**20,878**	28,565	19,096
Production equipment	**87,357**	**63,826**	82,021	54,214
Leasehold improvements	**31,321**	**15,352**	29,445	11,655
Buildings	**21,175**	**6,897**	21,624	6,124
Computer equipment	**40,457**	**28,356**	33,926	20,831
Furniture and fixtures	**21,228**	**15,004**	24,009	15,008
Other	**2,981**	**2,464**	2,533	1,873
	234,586	**152,777**	222,123	128,801
Land	**7,569**	**—**	8,026	—
	242,155	**152,777**	230,149	128,801
Net book value	**89,378**		101,348	

Depreciation on capital assets provided in the accounts amounted to $24,708,000 [2002 – $25,980,000; 2001 – $19,960,000].

9. film investments

[thousands of Canadian dollars]	2003	2002
Projects in development, net of advances	**1,790**	3,251
Projects in process	**17,704**	23,607
Completed projects and distribution rights	**105,464**	109,636
Investments in third party film projects	**9,606**	4,107
	134,564	140,601

During fiscal 2003, the Company reduced its investments in film and television programs by anticipated Federal and Ontario production tax credits amounting to $8,296,000 [2002 – $15,392,000].

The Company expects that 27% of the costs related to completed films, net of amortization, will be amortized during the year ending August 31, 2004. The Company estimates that 62% of unamortized film costs, excluding acquired film libraries, will be amortized within three years from August 31, 2003. It is estimated that at least 80% will be amortized within five years.

The Company expects that $2,700,000 of accrued participation liabilities will be paid during the year ending August 31, 2004.

The Company also generates revenue from productions which have been fully amortized in prior years and are not valued in the accounts.

10. deferred charges

	2003		2002	
[thousands of Canadian dollars]	COST	ACCUMULATED AMORTIZATION	COST	ACCUMULATED AMORTIZATION
Financing costs and credit facility arrangement fees	**27,949**	**8,703**	27,925	4,786
Start-up costs of new specialty programming networks	**12,232**	**9,274**	13,031	6,858
Advertising and promotion costs for reformatting radio, specialty and pay television stations	**11,366**	**6,989**	11,366	3,140
Other	**1,374**	**1,374**	1,318	1,135
	52,921	**26,340**	53,640	15,919
Net book value	**26,581**		37,721	

Amortization on deferred charges provided in the accounts amounted to $9,792,000 [2002 – $8,273,000; 2001 – $3,529,000].

11. broadcast licenses and goodwill

	2003		2002	
[thousands of Canadian dollars]	COST	ACCUMULATED AMORTIZATION	COST	ACCUMULATED AMORTIZATION
Broadcast licenses	**557,590**	**48,550**	557,890	48,561
Goodwill	**823,123**	**33,605**	825,245	33,680
	1,380,713	**82,155**	1,383,135	82,241
Net book value	**1,298,558**		1,300,894	

The changes in the carrying amounts of broadcast licenses and goodwill since August 31, 2002 are summarized as follows:

[thousands of Canadian dollars]	2002	DISPOSALS	2003
Broadcast licenses	509,329	(289)	**509,040**
Goodwill			
Radio	414,980	(2,047)	**412,933**
Television	329,247	—	**329,247**
Content			
- Production and distribution	24,953	—	**24,953**
- Branded consumer products	22,385	—	**22,385**
	791,565	(2,047)	**789,518**

In February 2002, total goodwill impairment loss of $150,000,000 was recognized upon adoption of CICA Section 3062 and reflected as an adjustment to retained earnings as at September 1, 2001. The total goodwill impairment loss was comprised of $66,000,000 related to the production and distribution business and $84,000,000 related to the branded consumer products business.

At August 31, 2003, the Company performed its annual impairment test and determined that there was no impairment. The Company determined that there was a further impairment of goodwill during fiscal 2002 of $153,240,000 of which $150,000,000 related to the production and distribution business in the Content division and $3,240,000 related to the Television division. In addition, an impairment of $9,532,000 was determined related to other intangible assets. To determine the amount of the impairment, management used a fair value methodology based on market transaction multiples for comparable businesses applied to forecasted operating income used to evaluate the reporting units performance.

Amortization on broadcast licenses, other intangibles and goodwill provided in the accounts amounted to nil [2002 – $297,000; 2001 – $42,429,000].

12. accounts payable and accrued liabilities

[thousands of Canadian dollars]	2003	2002
Trade	**83,962**	100,889
Program rights payable	**50,482**	45,304
Accrued interest	**28,422**	27,836
Restructuring	**3,568**	11,342
Acquisition and integration costs	**571**	1,883
Third party participation payments	**3,827**	3,922
GST payable	**1,564**	896
Other	**1,353**	1,047
	173,749	193,119

13. long-term debt

[thousands of Canadian dollars]	2003	2002
Bank loans *[a]*	**38,800**	61,558
Senior subordinated notes *[b]*	**519,637**	584,550
Other	**—**	2,897
	558,437	649,005
Less current portion	**—**	2,391
	558,437	646,614

[a] BANK LOANS

The Company has a $25,000,000 revolving operating loan facility with interest rates and borrowing options, which are the same as those contained in the credit facilities described below. At August 31, 2003, the Company has not drawn on this facility. If the Company were to draw on this facility, it would be classified as current on the consolidated balance sheets.

A syndicate of banks has provided the Company with various credit facilities [the "facility"], which at August 31, 2003 amounted to $240,000,000, all of which is revolving on a reducing basis until repayment on August 31, 2006. At August 31, 2003, $201,200,000 of the facility was not utilized. During fiscal 2003, the Company reduced its facility by allowing its revolving credit facility of $150,000,000 to expire on March 10, 2003. This facility was undrawn at the time of its expiry. Funds are available to the Company in both Canadian and U.S. dollars. At August 31, 2003, the U.S. dollar portion of the bank loans was $28,000,000 [Cdn.$38,800,000] [2002 – U.S.$35,000,000; Cdn.$54,558,000].

Interest rates on the balance of the bank loans fluctuate with the Canadian bankers' acceptances and LIBOR and averaged 4.8% for the year ended August 31, 2003 [2002 – 6.7%].

The banks hold as collateral a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the credit agreements. As well, unlimited guarantees are provided by certain subsidiaries. Under the facility, the Company has undertaken to maintain certain financial covenants. Management has determined that the Company was in compliance with the covenants provided under the bank loans at August 31, 2003.

[b] SENIOR SUBORDINATED NOTES

On March 7, 2002, Corus issued U.S.$375,000,000 aggregate principal amount of 8¾% Senior Subordinated Notes [the "Notes"] due 2012 at a price of 99.186% of their aggregate principal amount.

The Company has entered into cross-currency agreements to fix the liability for interest and principal payments on the Notes. The agreements have resulted in an effective interest rate of 9.33% on the Canadian dollar equivalent of the U.S. debt. The exchange rate applicable to the principal portion of the debt has been fixed at Cdn.$1.6107 or approximately Cdn.$604,000,000.

The net proceeds from this offering were used to repay existing indebtedness including the permanent repayment in full of the Company's reducing term loans of Cdn.$294,000,000 due on August 31, 2007. Consequently, the Company unwound U.S.$147,000,000 of cross-currency interest rate swaps relating to the reducing term loan that had fixed the interest rate at 11.4% and liability for interest and principal payments at Cdn.$212,000,000, resulting in a non-cash hedge transaction loss of approximately $20,429,000.

Principal repayments on long-term debt in each of the next five years and thereafter are approximately as follows:

[thousands of Canadian dollars]	$
2004	—
2005	—
2006	38,800
2007	—
2008	—
Thereafter	519,637
	558,437

14. deferred credits

[thousands of Canadian dollars]	2003	2002
Public benefits associated with acquisitions	**42,558**	54,756
Foreign exchange gains on translating long-term debt	**84,362**	19,450
Unearned revenue from distribution and licensing of film rights	**1,106**	1,511
Other	**776**	914
	128,802	76,631

15. share capital

AUTHORIZED

The Company is authorized to issue an unlimited number of Class A participating shares ["Class A Voting Shares"], 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 attaching to the Class A Preferred Shares in connection with the payment of dividends.

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

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

ISSUED AND OUTSTANDING

The changes in the Class A Voting and Class B Non-Voting Shares since August 31, 2001 are summarized as follows:

[thousands of Canadian dollars except number of shares]	CLASS A VOTING SHARES (#)	$	CLASS B NON-VOTING SHARES (#)	$	TOTAL ($)
Balance, August 31, 2001	1,842,677	28,539	40,761,198	853,977	882,516
Conversion of Class A Voting to Class B Non-Voting Shares	(3,965)	(61)	3,965	61	—
Issuance of shares under Stock Option Plan	—	—	37,425	944	944
Executive stock purchase loans	—	—	—	(2,045)	(2,045)
Balance, August 31, 2002	1,838,712	28,478	40,802,588	852,937	881,415
Conversion of Class A Voting to Class B Non-Voting Shares	(112,000)	(1,735)	112,000	1,735	—
Executive stock purchase loans	—	—	—	216	216
Balance, August 31, 2003	**1,726,712**	**26,743**	**40,914,588**	**854,888**	**881,631**

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 maximum number of shares that can be reserved for issuance under the Plan is 4,084,642. All options granted are for terms not to exceed ten years from the grant date. The exercise price of each option equals the market price of the Company's stock on 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 options outstanding at August 31, 2003 and the changes since August 31, 2001 is presented as follows:

	NUMBER OF OPTIONS (#)	WEIGHTED AVERAGE EXERCISE PRICE ($)
Outstanding, August 31, 2001	1,857,933	32.98
Granted	927,742	30.14
Exercised	(37,425)	25.25
Cancelled	(129,212)	32.44
Outstanding, August 31, 2002	2,619,038	32.11
Granted	580,852	21.03
Cancelled	(182,604)	31.98
Outstanding, August 31, 2003	**3,017,286**	**29.87**

The weighted average fair value of the stock options granted during 2003 was $10.96 per option.

At August 31, 2003, the options outstanding and exercisable consist of the following:

RANGE OF EXERCISE PRICES ($)	OPTIONS OUTSTANDING NUMBER OUTSTANDING (#)	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (IN YEARS)	WEIGHTED AVERAGE EXERCISE PRICE ($)	OPTIONS EXERCISABLE NUMBER OUTSTANDING (#)	WEIGHTED AVERAGE EXERCISE PRICE ($)
19.05 – 25.25	**1,367,727**	**5.0**	**23.45**	**585,019**	**25.24**
29.50 – 37.90	**990,219**	**5.4**	**31.24**	**304,223**	**31.97**
39.00 – 44.00	**659,340**	**4.6**	**41.15**	**329,670**	**41.15**
19.05 – 44.00	**3,017,286**	**5.1**	**29.87**	**1,218,912**	**31.22**

On January 23, 2003, the Board of Directors approved an extension of the lives of all outstanding options subject to shareholder approval at the Annual and Special Meeting of Shareholders of the Company to be held in December 2003. The original five-year life of all outstanding options at that date was adjusted to seven and a half years. The benefit of this extended option life to the employees, calculated using the Black-Scholes option pricing model, is reflected in the pro forma disclosure to the extent that the options are vested.

On September 1, 2003, the Company granted a further 516,000 options for Class B Non-Voting Shares to eligible officers, directors, and employees of or consultants to the Company. These options are exercisable at $23.90 per share.

DIVIDENDS

The holders of Class A Voting 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, an additional dividend at a rate of $0.01 per share per annum. This additional dividend 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 and Class B Non-Voting Shares participate equally, on a share-for-share basis, on all subsequent dividends declared.

EXECUTIVE STOCK PURCHASE LOANS

In October 2001, the Board of Directors of the Company authorized the granting of loans to certain of its executive officers in order to finance the acquisition of Class B Non-Voting Shares of the Company on the open market. These loans are non-interest bearing and are secured by a promissory note and the relevant Class B Non-Voting Shares. Each loan has a ten-year term from December 1, 2001 with annual instalments at the greater of 10% of the original principal or 10% of the employee's pre-tax bonus for the most recently completed financial year of the Company. At August 31, 2003, the Company has loans receivable of $1,829,000 [2002 – $2,045,000] from certain qualifying executive officers. At August 31, 2003, the market value of the shares held as collateral for the loans was $1,306,000 [2002 – $928,000].

PERFORMANCE SHARE UNITS

The Company has granted Performance Share Units ["PSUs"] to certain employees. Each PSU entitles the participant to receive a cash payment in an amount equal to the closing price of Class B Non-Voting Shares traded on the Toronto Stock Exchange on August 31, 2005, multiplied by the number of vested units determined by achievement of specific performance-based criteria. The employee must be actively employed by Corus as of the end of the restriction period [August 31, 2005] to receive a payment of the vested units. Compensation expense related to the PSUs is accrued over the term of the restriction period based on the expected total compensation to be paid out at the end of the restriction period, factoring in the probability of any performance-based criteria being met during the period. The compensation expense recorded for the year ended August 31, 2003 in respect of this plan was $1,250,000 [2002 – nil] and has been recorded in operating, general and administrative expenses.

PRO FORMA IMPACT OF STOCK-BASED COMPENSATION

As described in note 2[b], the Company applies the intrinsic value based method of accounting for stock options granted to employees. Accordingly, no compensation cost has been recorded for the Plan. Had compensation cost for the Plan been determined based on the fair value based method of accounting for stock-based compensation, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

[thousands of Canadian dollars except per share amounts]	YEAR ENDED AUGUST 31, 2003
Net income	**40,021**
Pro forma net income	**34,824**
Pro forma basic earnings per share	**$ 0.82**
Pro forma diluted earnings per share	**$ 0.82**

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

Expected life	From 2.5 to 7.5 years
Risk-free interest rates	3.7% to 5.0%
Dividend yield	0%
Volatility	39.3% to 42.1%

For the purposes of pro forma disclosure, the estimated fair value of the options is amortized to income over the option's vesting period on a straight-line basis.

16. income taxes

[a] Future income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax liability and asset as at August 31 are as follows:

[thousands of Canadian dollars]	2003	2002
FUTURE TAX LIABILITY		
Deferred charges deducted for tax purposes capitalized for accounting purposes	**4,525**	7,424
Capital cost allowance in excess of book depreciation	**620**	919
Deferred partnership income	**3,521**	3,468
Differences in tax and accounting cost bases for investments	**38,243**	38,035
Broadcast licenses	**126,580**	124,630
Purchase price equation differences	**25,000**	25,000
Other, net	**9,356**	10,136
Total future tax liability	**207,845**	209,612
FUTURE TAX ASSET		
Book depreciation in excess of capital cost allowance	**18,480**	20,733
Employment obligations recognized on purchase equation	**332**	338
Loss carryforwards, net of valuation allowances	**23,261**	22,483
Deferred charges deducted for accounting purposes in excess of tax purposes	**1,613**	2,989
Differences in tax and accounting cost bases for investments	**342**	1,619
Revenue recognition differences between tax and accounting purposes	**6,802**	6,627
Purchase price equation differences	**231**	756
Other, net	**1,458**	1,852
Total future tax asset	**52,519**	57,397
Net future tax liability	**155,326**	152,215

[b] Significant components of the income tax expense (recovery) attributable to operations are as follows:

[thousands of Canadian dollars]	2003	2002	2001
Current tax expense	**25,281**	33,297	51,248
Future income tax expense (recovery) relating to origination and reversal of temporary differences	**7,115**	(9,128)	(15,474)
Future income tax recovery resulting from recognition of losses incurred in the year	**(4,460)**	(17,541)	(4,986)
Future income tax recovery resulting from tax rate changes	**—**	(160)	(42,258)
Other	**598**	(8,713)	8,377
Income tax expense (recovery)	**28,534**	(2,245)	(3,093)

[c] The reconciliation of income taxes attributable to operations computed at the statutory tax rates to income tax expense (recovery) is as follows:

	2003		2002		2001	
[thousands of Canadian dollars]	AMOUNT ($)	%	AMOUNT ($)	%	AMOUNT ($)	%
Tax at combined federal and provincial rates	**25,706**	**37.5**	(68,015)	39.8	53,457	42.7
Differences from statutory rates relating to						
Amortization of goodwill	**—**	**—**	63,640	(37.2)	14,462	11.6
Non-deductible (non-taxable) portion of net capital losses (gains) on sale of investments	**1,869**	**2.7**	(16,345)	9.5	(40,329)	(32.2)
Reduction in future income taxes resulting from statutory rate reduction	**—**	**—**	(160)	0.1	(42,258)	(33.8)
Reversal in current year of temporary differences originally recorded using long-term tax rates	**(102)**	**(0.1)**	8,451	(4.9)	2,658	2.1
Large Corporations Tax	**1,170**	**1.7**	1,103	(0.7)	1,505	1.2
Other	**(109)**	**(0.2)**	9,081	(5.3)	7,412	5.9
	28,534	**41.6**	(2,245)	1.3	(3,093)	(2.5)

[d] The Company recognizes as a future tax asset the benefit of capital and non-capital loss carryforwards to the extent it is more likely than not that the benefit will be realized. At August 31, 2003, the Company has available loss carryforwards of approximately $86,900,000. A future tax asset of $29,700,000 [2002 – $22,400,000] has been recognized in respect of these carryforwards, net of a valuation allowance of $6,500,000 [2002 – $5,000,000].

The available loss carryforwards will expire as follows:

[thousands of Canadian dollars]	$
2007	200
2008	2,700
2009	18,100
2010	47,700
2021	4,300
2022	300
No expiration – capital losses	13,600
	86,900

17. business segment information

The Company's business activities are conducted through three reportable operating segments:

RADIO

The Radio segment is composed of 50 radio stations [2002 – 52 stations], situated primarily in high growth urban centres in Canada. Revenues are derived from advertising aired over these stations.

TELEVISION

The Television segment includes interests in several specialty television networks, pay television and pay-per-view services, several conventional television stations, digital audio services and cable advertising services. Revenues are generated from affiliate subscriber fees and advertising.

CONTENT

The Content segment includes the production and distribution of film and television programs and the branded consumer products business [formerly merchandise licensing and publishing businesses] of Nelvana Limited which was acquired in fiscal 2001. Revenues are generated from licensing of proprietary films and television programs, merchandise licensing and publishing.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Management evaluates the business segments' performance based on revenues less operating, general and administrative expenses.

[a] REVENUES AND SEGMENT PROFIT

[thousands of Canadian dollars]	**2003**	2002	2001
REVENUES			
Radio	**226,034**	211,416	191,773
Television	**306,885**	308,529	228,693
Content			
- production and distribution	**70,474**	99,357	81,287
- branded consumer products	**45,795**	60,558	56,119
Eliminations	**(5,270)**	(5,357)	(1,047)
	643,918	674,503	556,825
SEGMENT PROFIT			
Radio	**58,114**	52,853	48,063
Television	**113,415**	99,061	73,728
Content			
- production and distribution	**(5,185)**	(28,797)	8,509
- branded consumer products	**8,351**	7,843	3,616
Corporate	**(8,779)**	(4,750)	(9,461)
Eliminations	**(604)**	(639)	(539)
	165,312	125,571	123,916

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

During fiscal 2003, two customers accounted for approximately 15% and 9% of production and distribution revenues, respectively for the Content segment.

Gross revenues are derived from the following geographical sources by location of customer as follows:

[thousands of Canadian dollars]	**2003**	2002	2001
Canada	**545,694**	540,872	442,743
United States	**43,221**	87,166	75,277
International	**55,003**	46,465	38,805
	643,918	674,503	556,825

[b] SEGMENT ASSETS

[thousands of Canadian dollars]	**2003**	2002
Radio	**331,143**	334,209
Television	**528,049**	487,335
Content		
- production and distribution	**223,969**	271,252
- branded consumer products	**10,106**	14,519
Corporate	**848,506**	833,791
Eliminations	**(1,147)**	(1,122)
	1,940,626	1,939,984

[c] CAPITAL EXPENDITURES BY SEGMENT

[thousands of Canadian dollars]	**2003**	2002	2001
Radio	**6,432**	12,740	10,326
Television	**3,461**	5,462	20,040
Content			
- production and distribution	**2,109**	3,422	2,951
- branded consumer products	**64**	217	403
Corporate	**2,842**	6,335	7,379
	14,908	28,176	41,099

Capital assets and goodwill are located primarily within Canada.

18. restructuring charges

Changes in the restructuring provision are summarized as follows:

[thousands of Canadian dollars]	BALANCE AT AUGUST 31, 2002	RESTRUCTURING CHARGES	PAID IN THE YEAR	BALANCE AT AUGUST 31, 2003
Workforce reduction *[i]*	7,294	2,865	8,840	**1,319**
Contract settlement and lease costs *[ii]*	3,787	2,160	3,893	**2,054**
Other *[iii]*	261	—	66	**195**
	11,342	5,025	12,799	**3,568**

In light of the current economic climate, the Company has taken steps to reduce debt and improve operating margins by streamlining operations and exiting activities not aligned with its core assets.

During 2003 and 2002, the Company recorded restructuring charges of $5,025,000 and $22,089,000, respectively which included the following:

[i] Workforce reduction charges of $2,865,000 in 2003 and $15,986,000 in 2002 relating to the cost of severance and benefits associated with approximately 510 job positions. Of the 510 positions, approximately 130, 150 and 230 were from the Radio, Television and Content divisions, respectively and included management, sales/marketing, operations, programming and administrative staff. In fiscal 2003, the workforce reduction provision has been drawn down by cash payments totaling $8,840,000 [2002 – $8,692,000], resulting in an ending provision balance of $1,319,000. The remaining provision is expected to be substantially drawn down by the end of fiscal 2004.

[ii] Contract settlement costs of $2,160,000 in 2003 and $5,396,000 in 2002 relating to provisions for negotiated settlements to cancel programming contracts at the Radio division, production contracts at Content and future contractual obligations under operating leases for facilities that will no longer be required. In fiscal 2003, the provision for contract settlement has been drawn down by cash payments totaling $3,893,000 [2002 – $1,609,000], resulting in an ending provision balance of $2,054,000.

[iii] Other costs of $707,000 were drawn down by cash payments totaling $66,000 in 2003 and $237,000 in 2002. The provision balance at August 31, 2003 was $195,000.

19. asset write-downs

As part of the Company's restructuring plan announced in the first quarter of 2002, management focused on exiting activities not aligned with its core assets. As a result, the following investments were either discontinued or disposed of. The carrying values of these investments were written down at August 31, 2003 and 2002 as follows:

[thousands of Canadian dollars]	**2003**	2002	2001
Local Media Internet Venture	**—**	6,869	—
Balmur Corus Music Inc.	**1,350**	4,000	—
Liberty Digital Inc.	**—**	2,171	—
Other	**1,018**	2,200	1,530
	2,368	15,240	1,530

20. financial instruments

FAIR VALUES

The fair values of financial instruments have been determined as follows:

[i] CURRENT ASSETS AND CURRENT LIABILITIES

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

[ii] INVESTMENTS AND OTHER ASSETS

[a] The fair value of publicly traded shares included in this category is determined by the closing market values for those investments.

[b] The fair value of other investments in this category is not determinable.

[iii] LONG-TERM DEBT

The carrying value of the Company's bank loans approximates their fair value because interest charges under the terms of the bank loans are based upon current Canadian bank prime and bankers' acceptance rates and on U.S. bank base and LIBOR rates.

As at August 31, 2003, the fair value of the Company's senior subordinated debt was $543,021,000 [U.S.$391,875,000] [2002 – $586,742,000; U.S.$376,406,000].

[iv] DERIVATIVE FINANCIAL INSTRUMENTS

The fair values of cross-currency agreements are based on quotations by the counterparties to the agreements.

The estimated fair values of these agreements are as follows:

[thousands of Canadian dollars]	2003 CARRYING VALUE	2003 ESTIMATED FAIR VALUE	2002 CARRYING VALUE	2002 ESTIMATED FAIR VALUE
Cross-currency agreements	**—**	**(112,767)**	—	(11,318)

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.

CREDIT RISKS AND CONCENTRATION

Credit risks associated with the cross-currency agreements arise from the ability of counterparties to meet the terms of the contracts. In the event of non-performance by the counterparties, the Company's accounting loss would be limited to the net amount that it would be entitled to receive under the contracts and agreements. These risks are mitigated by dealing with major creditworthy financial institutions.

Accounts receivable resulting from advertising and affiliate subscriber fee revenues are not subject to any concentration of credit risk.

Accounts receivable from distribution and licensing of proprietary exploitation rights of feature films and television programs are subject to credit risk. The risk is mitigated because the Company enters into license and distribution contracts with many major international broadcasters and distributors.

Accounts receivable from Canadian federal government and other government agencies in connection with production on financing represents 15% of the total accounts receivable balance at August 31, 2003 and 2002. The Company believes that there is minimal risk associated with the collection of these amounts.

21. earnings (loss) per share

The following is a reconciliation of the numerators and denominators used for the computation of the basic and diluted earnings (loss) per share amounts:

[thousands of Canadian dollars except share amounts]	2003	2002	2001
Net income (loss) for the year [numerator]	**40,021**	(168,647)	128,167
Weighted average number of shares outstanding [denominator]			
Weighted average number of shares outstanding – basic	**42,641**	42,621	41,539
Effect of dilutive securities	**4**	—	280
Weighted average number of shares outstanding – diluted	**42,645**	42,621	41,819

22. consolidated statements of cash flows

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

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

[thousands of Canadian dollars]	2003	2002	2001
Accounts receivable	**8,246**	13,076	(17,032)
Prepaid expenses and other	**628**	6,554	(6,666)
Accounts payable and accrued liabilities	**(15,890)**	19,929	(3,029)
Income taxes payable	**10,397**	(19,226)	12,899
	3,381	20,333	(13,828)

[ii] Interest paid, interest received, dividends received and income taxes paid and classified as operating activities are as follows:

[thousands of Canadian dollars]	**2003**	2002	2001
Interest paid	**60,467**	32,349	47,238
Interest received	**1,803**	2,671	8,313
Dividends received	**—**	1,597	826
Income taxes paid	**15,338**	53,093	35,400

[iii] Non-cash transactions

The consolidated statements of cash flows exclude the following non-cash transactions:

	2003	2002	2001
Common shares issued on acquisitions	**—**	—	211,022
Accounts payable and accrued liabilities relating to capital assets	**—**	—	4,054

23. foreign exchange gains and losses

The Company has reflected certain gains and losses in its consolidated statements of income (loss) and retained earnings (deficit) and cash flows as a result of exposure to foreign currency exchange rate fluctuations.

A portion of these gains and losses relate to operating activities while others are of a financing nature. The following table details the foreign exchange gains and losses:

[thousands of Canadian dollars]	**2003**	2002	2001
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND RETAINED EARNINGS (DEFICIT)			
Operating, general and administrative expenses	**(772)**	(552)	340
Other expense (income)	**(6,638)**	4,149	(224)
Total foreign exchange loss (gain)	**(7,410)**	3,597	116
CONSOLIDATED STATEMENTS OF CASH FLOWS			
Add (deduct) non-cash items – other	**(7,259)**	(2,012)	940

An analysis of the cumulative translation adjustment shown separately in shareholders' equity is as follows:

[thousands of Canadian dollars]	**2003**	2002
Balance, August 31, 2002	**1,187**	940
Effect of exchange rate valuation on translation of net assets of self-sustaining foreign operations	**(6,276)**	247
Balance, August 31, 2003	**(5,089)**	1,187

24. reconciliation of Canadian GAAP to U.S. GAAP

The consolidated financial statements of the Company are prepared in Canadian dollars in accordance with Canadian GAAP. The following adjustments and disclosures would be required in order to present these consolidated financial statements in accordance with U.S. GAAP.

[A] RECONCILIATION TO U.S. GAAP

[thousands of Canadian dollars except per share amounts]	2003	2002	2001
Net income (loss) using Canadian GAAP	**40,021**	(168,647)	128,167
Add (deduct) adjustments for			
Deferred charges *[1]*	**7,246**	(1,529)	(10,134)
Foreign exchange gains (losses)	**—**	—	(804)
Equity in earnings of investees *[2]*	**—**	—	1,283
Dividend income *[2]*	**—**	—	(690)
Transaction gain (loss) *[4]*	**—**	(1,385)	4,617
Reversal of net derivative loss deferred in other comprehensive income *[4]*	**—**	—	(1,996)
Adoption of SOP 00-2 *[5]*	**—**	(13,473)	5,418
Adoption of FAS 142 *[6]*	**—**	(150,000)	—
Income tax effect of adjustments	**(2,898)**	4,554	4,525
Net income (loss) using U.S. GAAP	**44,369**	(330,480)	130,386
Unrealized gains (losses) on investments classified as available for sale, net of tax *[3]*	**320**	(647)	(13,369)
Realized gains (losses) on investments classified as available for sale, net of tax	**—**	5,605	—
Unrealized gain (loss) on derivative contracts *[4]*	**(31,055)**	23,573	(16,661)
Unrealized foreign exchange gain (loss) on translation of self-sustaining foreign operations	**(6,276)**	247	940
Comprehensive income (loss) using U.S. GAAP	**7,358**	(301,702)	101,296
Net income (loss) per share prior to cumulative catch-up using U.S. GAAP			
Basic	**$ 1.04**	$ (4.01)	$ 3.03
Diluted	**1.04**	(4.01)	3.01
Net income (loss) per share related to cumulative catch-up using U.S. GAAP			
Basic	**$ —**	$ (3.74)	$ 0.11
Diluted	**—**	(3.74)	0.11
Net income (loss) per share using U.S. GAAP			
Basic	**$ 1.04**	$ (7.75)	$ 3.14
Diluted	**1.04**	(7.75)	3.12
Comprehensive income (loss) per share using U.S. GAAP			
Basic	**$ 0.17**	$ (7.07)	$ 2.44
Diluted	**0.17**	(7.07)	2.42

BALANCE SHEET ITEMS USING U.S. GAAP

[thousands of Canadian dollars]	2003 CANADIAN GAAP	2003 U.S. GAAP	2002 CANADIAN GAAP	2002 U.S. GAAP
Investments and other assets *[2]*	**38,786**	**33,722**	33,655	28,191
Film investments *[5]*	**134,564**	**134,564**	140,601	140,601
Deferred charges *[1]*	**26,581**	**19,246**	37,721	23,140
Broadcast licenses and goodwill *[5]*	**1,298,558**	**1,302,089**	1,300,894	1,304,425
Deferred credits *[4]*	**128,802**	**44,440**	76,631	57,181
Interest rate swap liability *[4]*	**—**	**112,767**	—	11,318
Future tax liability	**165,556**	**160,875**	149,967	147,788
Shareholders' equity	**884,677**	**852,086**	850,716	844,512

The cumulative effect of these adjustments on shareholders' equity is as follows:

[thousands of Canadian dollars]	2003	2002
Deferred charges *[1] and [4]*	**(4,401)**	(8,749)
Equity in earnings of investees *[2]*	**4,758**	4,758
Adoption of SOP 00-2 *[5]*	**(4,754)**	(4,754)
Accumulated other comprehensive income (loss)		
Unrealized losses on investments *[3]*	**(4,051)**	(4,371)
Unrealized gain on derivative contracts *[4]*	**(24,143)**	6,912
Unrealized foreign exchange gain (loss) on translation of self-sustaining foreign operations	**(5,089)**	1,187
Total cumulative effect of adjustments on shareholders' equity	**(37,680)**	(5,017)

Areas of material difference between Canadian GAAP and U.S. GAAP and their impact on the consolidated financial statements are as follows:

[1] DEFERRED CHARGES

Start-up costs of new specialty programming networks and costs associated with reformatting radio stations are deferred and amortized under Canadian GAAP. Under U.S. GAAP, these costs are expensed as incurred net of amortization recorded for Canadian GAAP.

[2] EQUITY IN EARNINGS OF INVESTEES

The earnings of investees determined under Canadian GAAP have been adjusted to reflect U.S. GAAP. Under Canadian GAAP, the investment in Nelvana's 20% interest in TELETOON in fiscal 2001 and Western International Communications Ltd. ["WIC"] in fiscal 2000 were accounted for using the cost method of accounting until CRTC approval was received for the transactions. When the Company received CRTC approval, the amount in the accounts under the cost method became the basis for the purchase price allocation and equity accounting commenced. Under U.S. GAAP, equity accounting for the investments was done retroactively to the date the Company first acquired shares in Nelvana and WIC.

[3] UNREALIZED GAINS (LOSSES) ON INVESTMENTS

Under U.S. GAAP, equity securities having a readily determinable fair value and not classified as trading securities are classified as "available-for-sale securities" and reported at fair value, with unrealized gains and losses included in comprehensive income and reported as a separate component of shareholders' equity, net of related deferred income taxes. Under Canadian GAAP, these investments are carried at cost and written down only when there is evidence that a decline in value that is other than temporary has occurred.

[4] DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Under U.S. GAAP, all derivative instruments are to be recorded on the consolidated balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through income or deferred in other comprehensive income until the hedged item is recognized in income.

[5] ADOPTION OF SOP 00-2

Under Canadian GAAP, adoption of a new accounting standard is applied retroactively including a revision to the purchase price equation for the Nelvana acquisition. Under U.S. GAAP, the adoption of SOP 00-2 is reflected in the consolidated statements of income (loss) of the adoption year. As such, under U.S. GAAP the effect of the adoption of SOP 00-2 is reflected as a cumulative catch-up adjustment in income of fiscal 2002. The increased amortization from adopting this accounting policy retroactively under Canadian GAAP has therefore been added back in the determination of pro forma net income under U.S. GAAP for the year ended August 31, 2001.

Accounting for SOP 00-2 also gives rise to a balance sheet difference. Under Canadian GAAP the adjustment to broadcast licenses and goodwill is recorded retroactively, with an adjustment to opening retained earnings which therefore impacts the 2001 consolidated balance sheet. Under U.S. GAAP, the adjustment is applied as a cumulative adjustment to the current year's income which therefore impacts the broadcast licenses and goodwill balance in 2002.

[6] ADOPTION OF FAS 142

Under Canadian GAAP, adoption of a new accounting standard is applied retroactively as an adjustment to retained earnings. Under U.S. GAAP, the adoption of FAS 142 is reflected in the consolidated statements of income (loss) of the adoption year. As such, under U.S. GAAP, the effect of the adoption of FAS 142 is reflected as a cumulative catch-up adjustment in income of fiscal 2002.

[B] STOCK-BASED COMPENSATION

The Company applies Accounting Principles Board Opinion No. 25 in accounting for common share options granted to employees and officers for U.S. GAAP purposes. Had compensation expense been determined on the basis of the estimated fair values of the options granted in accordance with Financial Accounting Standards Board ["FASB"] Statement No. 123, "Accounting for Stock-Based Compensation", the net income for the year ended August 31, 2003 would have decreased by $15,498,000 to $28,871,000 or $0.68 per share [2002 – would have decreased by $7,243,000 to a loss of $337,723,000, or a loss of $7.92 per share]. The assumptions used to determine fair value are consistent with those disclosed in note 15.

[C] RECENT ACCOUNTING PRONOUNCEMENTS

In May 2003, the FASB issued FAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". FAS 150 establishes standards for the measurement and classification of certain financial instruments with characteristics of both liabilities and equity. FAS 150 is effective for financial instruments entered into or modified after May 31, 2003. Corus adopted FAS 150 during 2003. It had no impact on the Company's consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation ["FIN"] 46, "Consolidation of Variable Interest Entities an interpretation of ARB No. 51" [the "Interpretation"]. The Interpretation introduces a new consolidation model – the variable interests model – which determines control [and consolidation] based on potential variability in gains and losses of the entity being evaluated for consolidation. The Interpretation requires disclosure of certain information in financial statements initially issued after January 31, 2003, if it is reasonably possible that an enterprise will consolidate or disclose information about a variable interest entity when Interpretation 46 becomes effective. For foreign private issuers, Interpretation 46 will be applicable from the beginning of their first standalone U.S. GAAP reporting period that begins after June 15, 2003. Corus will assess the impact of the FIN in its first quarter of fiscal 2004.

In November 2002, the FASB issued FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 clarifies and expands on existing disclosure requirements for a guarantor regarding its obligations under certain guarantees it has issued. FIN 45 also requires that the guarantor must recognize a liability for the fair value of its obligations under certain guarantees. The disclosure requirements are effective for fiscal years ending after December 15, 2002. The initial recognition and measurement provisions apply on a prospective basis to guarantees issued after December 31, 2002. Corus adopted FIN 45 during 2003. FIN 45 had no impact on the Company's consolidated financial statements.

25. government financing and assistance

Revenues include $1,248,000 [2002 – $1,893,000] of production financing obtained from government programs. This financing provides a supplement to a production series' Canadian license fees and is not repayable. As well, revenues include $938,000 [2002 – $1,224,000] of government grants relating to the marketing of books in both Canada and international markets. The majority of the grants is repayable if the average profit margin for the three-year period following receipt of the funds equals or is greater than 10%.

26. commitments and contingencies

The Company and its subsidiaries 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.

The Company has various long-term operating lease agreements for the use of transmission facilities and premises in each of the next five years and thereafter as follows:

[thousands of Canadian dollars]	$
2004	17,226
2005	13,869
2006	12,619
2007	10,995
2008	10,612
Thereafter	34,735
	100,056

Acquisition commitments are outlined in note 3 to these consolidated financial statements. Rental expenses recognized in operating, general and administrative expenses totalled approximately $10,637,000 [2002 – $10,460,000; 2001 – $10,433,000].

27. related party transactions

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

[thousands of Canadian dollars]	**2003**	2002
Revenues		
Cable service subscriber fees and advertising	**89,250**	96,511
Sales representation fees	**—**	1,923
Production and distribution	**2,120**	3,208
Other	**—**	600
Expenses		
Digital music subscriber fees	**29**	1,933
Cable and satellite system distribution access fees	**3,636**	5,153
Administrative service fees	**1,022**	1,824
Amounts due from (to) affiliated companies		
Cable service subscriber fees and advertising	**18,479**	15,962
Sales representation fees	**—**	959
Production and distribution	**1,961**	2,718
Other	**—**	184
Cable and satellite system distribution access fees	**(238)**	(447)
Administrative service fees	**28**	(49)

Included in other investments *[note 7]* are loans of $5,321,000 made to certain executive officers of the Company for housing or investment purposes. The loans are secured by charges on the officers' personal residences and/or by related investment. The loans are non-interest bearing and are due between April 2, 2007 and October 31, 2012.

28. comparative consolidated financial statements

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2003 consolidated financial statements and to give effect to the accounting changes described in note 2[b].

directors and officers

DIRECTORS

PIERRE BÉLAND (4) *Montreal, Quebec*
President, Metromedia Plus

JOHN M. CASSADAY (2) *Toronto, Ontario*
President and Chief Executive Officer, Corus Entertainment Inc.

DENNIS M. ERKER (2) (3) *Edmonton, Alberta*
Partner, The FE Advisory Group

CLINTON C. FORSTER *Victoria, British Columbia*
President, Forvest Investment Inc.

WENDY A. LEANEY (1) *Toronto, Ontario*
President, Wyoming Associates Ltd.

DOROTHY ZOLF MCDONALD, PHD (4) *Toronto, Ontario*
Corporate Director, former Associate Professor, Graduate Program in Communication Studies, University of Calgary and Visiting Professor, University of Alberta

CATHERINE ROOZEN (1) (3) *Edmonton, Alberta*
Director and Corporate Secretary of Cathton Holdings Ltd.

TERRANCE E. ROYER (1) (2) *Calgary, Alberta*
Executive Vice Chairman, Royal Host Reit and Royal Host Corp.

HEATHER A. SHAW (2) (3) *Calgary, Alberta*
Executive Chair, Corus Entertainment Inc.

JULIE M. SHAW (4) *Calgary, Alberta*
Vice President, Facilities, Design and Management,
Shaw Communications Inc., and Secretary, Shaw Foundation

OFFICERS

JUDY ADAM CA *Oakville, Ontario*
Vice President, Controller, Corus Entertainment Inc.

PIERRE ARCAND *Montreal, Quebec*
President, Quebec Radio

HAL BLACKADAR *Oakville, Ontario*
Vice President, Human Resources, Corus Entertainment Inc.

JOHN M. CASSADAY *Toronto, Ontario*
President and Chief Executive Officer, Corus Entertainment Inc.

JOHN P. HAYES *Toronto, Ontario*
President, Radio, Corus Entertainment Inc.

KATHLEEN C. MCNAIR *Toronto, Ontario*
Vice President, Corporate & Regulatory Affairs, General Counsel,
Corus Entertainment Inc.

THOMAS C. PEDDIE FCA *Toronto, Ontario*
Senior Vice President and Chief Financial Officer,
Corus Entertainment Inc.

JOHN R. (JACK) PERRATON *Calgary, Alberta*
Corporate Secretary

PAUL W. ROBERTSON *Toronto, Ontario*
President, Television and Nelvana, Corus Entertainment Inc.

(1) Member of the Audit Committee
(2) Member of the Executive Committee
(3) Member of the Human Resources Committee
(4) Member of the Corporate Governance Committee

corporate information

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Corus Entertaiment's Annual Report, Annual Information Form, Quarterly Reports, Press Releases and other relevant Investor Relations information are available electronically on the Internet at www.corusent.com under "Financial Info".

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The Toronto-Dominion Bank

transfer agents

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corporate governance

Information concerning Corus Entertaiment's corporate governance policy is contained in the Information Circular and is also available by contacting the company.

further information

Financial analysts, portfolio managers, other investors and interested parties may contact the Company at 416.642.3770 or visit our Web site.

To receive additional copies of Corus Entertainment's Annual Report, please fax your request to the Vice President of Communications at 416.642.3779.

Vous pouvez obtenir la version francaise du present rapport en communiquant par telecopieur avec le vice-président des Communications, au 416.642.3779.

annual meeting

The Annual General Meeting of Shareholders will be held on December 9, 2003 at The Carlu, 444 Yonge Street, 7th floor, Toronto, Ontario.

significant events

fiscal 2003

october

- **On October 3, 2002** Corus announced the launch of Deep Sky, a marketing solutions company for radio.
- **On October 16, 2002** Corus and Shaw Communications Inc. announced the introduction of Canada's first subscription-based Video-on-Demand (SVOD) service, Movie Central EXPRESS and launched Treehouse Theatre, a preschool VOD offering.
- **On October 31, 2002** Corus completed the sale of its 70% interest in Country Canada to the Canadian Broadcasting Corporation.

november

- **On November 6, 2002** Corus announced that it would combine the operations of Nelvana and Corus Television under the leadership of Paul Robertson.
- **On November 30, 2002** Corus completed the sale of Sound Products Limited.

february

- **On February 14, 2003** the CRTC approved an application by Corus Entertainment to change the frequency of its radio station CIZN-FM in Cambridge from 92.9 to 107.5 MHZ and to increase the station's power, improving the quality of the signal and expanding the coverage area.

march

- **On March 3, 2003** Nelvana announced that its state-of-the-art 3-D production, *Miss Spider's Sunny Patch Kids*, featuring the voices of Brooke Shields and Rick Moranis, would be broadcast on Nickelodeon in the U.S. and TELETOON in Canada.
- **On March 7, 2003** Corus and Serendipity Point Films reached an agreement that will see Corus, through its pay-TV service Movie Central, invest in six feature films produced by Robert Lantos over the next four years.
- **On March 8, 2003** Nelvana and YTV presented the first official North American *Beyblade Battle Association* tournament to a sold-out crowd of over 800 fans in Toronto.
- **On March 28, 2003** the Copyright Board of Canada issued its decision on a proposal by the Canadian Musical Reproduction Rights Agency (CMRRA) and the Society for Reproduction Rights of Authors, Composers, and Publishers in Canada (SODRAC) for tariffs on the reproduction of musical works by commercial radio stations. The decision requires radio licensees to commit up to 0.8% of revenues, retroactive to 2001, to be paid in royalties to Canadian artists.
- **On March 31, 2003** over two million kids tuned in Nelvana's state-of-the art 3-D production *Miss Spider's Sunny Patch Kids* on Nickelodeon to make it the #1 kids program in its time period.
- **In March 2003** Corus implemented a Performance Share Unit (PSU) program. The PSU program is designed to restrict and reduce the number of stock options issued. Payment is linked to prescribed share growth, a stock purchase requirement and retention.

april

- **On April 9, 2003** Nelvana and Sony Wonder Canada signed an exclusive five-year Video, DVD and Soundtrack licensing agreement that will see the release of programming from the hit TV series *Beyblade,* along with music from the show and original songs created specifically for upcoming shows and soundtracks.
- **On April 28, 2003** Artisan's Family Home Entertainment acquired the distribution rights to Nelvana's new *Care Bears* animated feature film *The Care Bears In: King Funshine, The Great*.

may

- **In early May 2003** Corus began broadcasting on the expanded CIZN-FM radio signal which was approved by the CRTC in mid-February. The signal was boosted to 2500 watts from 560 watts, delivering a strong signal into the Cambridge, Kitchener and Waterloo markets.
- **On May 22, 2003** the Spring 2003 BBM was released and Corus maintained its leadership of the Canadian radio market with a 29% reach of total Canadians 12+.
- **On May 23, 2003** Movie Central announced a restructuring of its Edmonton operations which will result in an annual savings in excess of $1 million.
- **On May 31, 2003** Corus completed the transfer of ownership of its Oshawa radio stations CKDO AM and CKGE FM to Durham Radio Inc.

june

- **On June 9, 2003** Nelvana announced a new *Babar* licensing program that includes an infant layette program from Children's Apparel Network that will develop into a full complement of products including home décor and toys.
- **On June 10, 2003** Nelvana announced the acquisition of worldwide merchandise licensing rights for Nickelodeon's *The Fairly OddParents*. One of the network's top-rated shows, *The Fairly OddParents* is a wacky animated series with the voices of such celebrities as Jay Leno and Frankie Muniz.
- **On June 10, 2003** Corus announced the creation of the $1.5 million *Corus Made With Pay Development Fund*, to assist producers of movies and series being developed for theatrical release and/or pay television in Canada.
- **On June 11, 2003** Corus announced the launch of the *Corus Telelatino Fund*, a $1.1 million national initiative to support the production of high quality programming of particular interest to Italian and Hispanic television audiences.
- **On June 12, 2003** Corus announced the decision to discontinue operating Edge TV, its Category 2 digital television service of rock and alternative music videos, effective July 15. Corus Entertainment and CHUM Television announced that Corus' alternative and hard rock radio stations will collaborate with CHUM's altrock/metal/punk digital music television service, MuchLOUD, to further develop and promote the alternative music genre.
- **On June 26, 2003** Nelvana opened its new state-of-the-art digital post-production facility in Toronto which will help the Company meet its goals of high quality production at a lower cost with the latest technological production capabilities.

CONCEPT & DESIGN The Riordon Design Group Inc. **www.riordondesign.com** **PRINCIPAL PHOTOGRAPHY** Brian Pieters Photography **www.pietersphoto.com**

FOOTNOTES

1. July/Aug 03 comScore MediaMetrix
2. NMR Fall 2002 and Spring 2003 V2+ AMA Mo-Su 6am-6am
3. NMR Fall 2002 and Spring 2003 V2+ Average Weekly Reach Mo-Su 6am-6am
4. BBM Infosys. Fall 2002 and Spring 2003 compared to a year ago
5. NMR Fall 2002 and Spring 2003 Kids 2-11 and Teens 12-17 AMA Mo-Su 6am-6am
6. NMR Fall 2002 and Spring 2003 Kids 2-5 AMA Mo-Su 6am-6am
7. BBM Infosys Fall 2002 and Spring 2003 Kids 2-11 AMA Mo-Su 6am-6am
8. NMR Fall 2002 and Spring 2003 W 25-54 AMA Mo-Su 6am-6am compared to 2 years ago
9. NMR Fall 2002 and Spring 2003 W 25-54 AMA Mo-Su 6am-6am
10. NMR Fall 2002 and Spring 2003 A 25-54 AMA Mo-Su 6am-6am
11. Spring 2003 BBM
12. Spring 2003 BBM
13. Summer 2003 BBM
14. Jul-Sep 2003 NetTracker Web log files
15. Jul-Sep 2003 www.streamaudio.com log files
16. NTI/Galaxy Explorer March 2003