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Job Number:	18324
Filer:	CORUS ENTERTAINMENT INC.
Form Type:	40-F
Reporting Period / Event Date:	08/31/07
Customer Service Representative:	CNW GROUP
Revision Number:	#1

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Submission Type	40-F
Live File	on
Return Copy	on
Submission Contact	CNW Group
Submission Contact Phone Number	18008256133
Exchange	NYSE
Confirming Copy	off
Filer CIK	0001100868
Filer CCC	5agnode@
Period of Report	08/31/07
Notify via Filing website Only	off
Emails	sedar@newswire.ca

Documents

40-F	corus40f18324.htm
	Form 40-F
EX-99.1	ex991.htm
	AUDITORS REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS - ENDING AUGUST 31, 2007
EX-99.2	ex992.htm
	MANAGEMENT'S DISCUSSION AND ANALYSIS
EX-99.3	ex993.htm
	CONSENT OF AUDITORS
EX-99.4	ex994.htm
	CEO AND CFO CERTIFICATIONS
EX-99.5	ex995.htm
	CEO AND CFO U.S. SARBANES-OXLEY CERTIFICATIONS
EX-99.6	ex996.htm
	BUSINESS CODE OF CONDUCT
GRAPHIC	corusentlogo.jpg
	Corus logo
GRAPHIC	coruslogo_bw.jpg
	Corus logo

Module and Segment References

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934

or

Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the Fiscal year ended: August 31, 2007
Commission File number: 001-14992

CORUS ENTERTAINMENT INC.

(Exact name of registrant as specified in its charter)

Canada
(Province or other jurisdiction of incorporation or organization)

4832, 4833
(Primary standard industrial classification
code number, if applicable)

Not Applicable
(I.R.S. employer identification number, if applicable)

Brookfield Place
181 Bay Street, Suite 1630
P.O. Box 767
Toronto, Ontario
M5J 2T3 Canada
(416) 642-3770

(Address and telephone number of registrant's principal executive office)

CT Corporation System
111 8th Avenue, 13th Floor
New York, New York 10011
(212) 894-8700

(Name, address and telephone number of agent for service in the United States)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Class B Non-Voting Shares

Name of each exchange on which registered:

New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

For annual reports, indicate by check mark the information filed with this form:

Annual Information Form Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

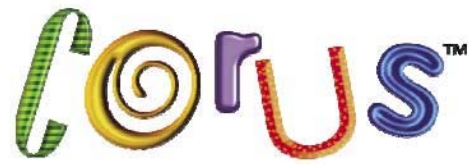
Class A Voting Shares 1,722,929 As of August 31, 2007
Class B Non-Voting Shares 40,512,297 As of August 31, 2007

Indicate by check mark whether the registrant by filing the information contained in this form is also thereby
furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange
Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the
registrant in connection with such rule.

Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13(d) or 15(d)
of the Exchange Act during the proceeding 12 months (or for such shorter period that the registrant has been
required to file such reports); and (2) has been subject to such filing requirements in the past 90 days.

Yes No



ENTERTAINMENT

RENEWAL ANNUAL INFORMATION FORM

Fiscal year ended August 31, 2007

Corus Entertainment Inc.

November 28, 2007

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FORWARD-LOOKING STATEMENTS

To the extent any statements made in this report contain information that is not historical; these statements are forward-looking statements and may be forward-looking information within the meaning of applicable securities laws (collectively, "forward-looking statements"). These forward-looking statements related to, among other things, our objectives, goals, strategies, intentions, plans, estimates and outlook, including advertising, program, merchandise and subscription revenues, operating costs and tariffs, taxes and fees, and can generally be identified by the use of the words such as "believe", "anticipate", "expect", "intend", "plan", "will", "may" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Although Corus believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, including without limitation factors and assumptions regarding advertising, program, merchandise and subscription revenues, operating costs and tariffs, taxes and fees and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things: our ability to attract and retain advertising revenues; audience acceptance of our television programs and cable networks; our ability to recoup production costs, the availability of tax credits and the existence of co-production treaties; our ability to compete in any of the industries in which we do business; the opportunities (or lack thereof) that may be presented to and pursued by us; conditions in the entertainment, information and communications industries and technological developments therein; changes in laws or regulations or the interpretation or application of those laws and regulations; our ability to integrate and realize anticipated benefits from our acquisitions and to effectively manage our growth; our ability to successfully defend ourselves against litigation matters arising out of the ordinary course of business; and changes in accounting standards. Additional information about these factors and about the material assumptions underlying such forward-looking statements may be found in this Annual Information Form. Corus cautions that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Corus, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise required by applicable securities laws, we disclaim any intention or obligation to publicly update or revise any forward-looking statements whether as a result of new information, events or circumstances that arises after the date thereof or otherwise.

INCORPORATION OF CORUS

Organization and Name

Corus Entertainment Inc. ("Corus" or the "Company") is a Canadian based media and entertainment company with interests in radio broadcasting, television broadcasting, and the production and distribution of children's media content. The Company was originally incorporated under the *Canada Business Corporations Act* as 3470652 Canada Inc. on March 3, 1998. Corus amended its articles to change its name to Corus Entertainment Inc. on May 28, 1999 and subsequently amended its articles on August 26, 1999 to create additional classes of shares.

Corus commenced operations on September 1, 1999. On that date, pursuant to a statutory plan of arrangement (the "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 programming, digital audio services and cable advertising services businesses, as well as certain investments held by Shaw.

Corus commenced trading on the Toronto Stock Exchange (CJR.B) on September 3, 1999 and on the New York Stock Exchange (CJR) on May 10, 2000.

Corus' registered office and an executive office is located at 501, 630 - 3rd Avenue S.W., Calgary, Alberta, T2P 4L4. A second executive office is located at Brookfield Place, Bay-Wellington Tower, Suite 1630, 181 Bay Street, P.O. Box 767, Toronto, Ontario, M5J 2T3.

Subsidiaries and Affiliates

The following table describes the significant operating subsidiaries and affiliates of Corus as at August 31, 2007, their jurisdiction of incorporation or organization, and the percentage of voting and non-voting securities owned by Corus directly or indirectly.

Subsidiary	Jurisdiction	Percentage of securities owned by the Company
Corus Radio Company	Nova Scotia	100%
Metromedia CMR Broadcasting Inc.	Canada	100%
Corus Premium Television Ltd.	Canada	100%
591989 BC Ltd.	British Columbia	100%
YTV Canada Inc	Canada	100%
W Network Inc.	Canada	100%
591987 BC Ltd.	British Columbia	100%
Movie Central Ltd.	Alberta	100%
Encore Avenue Ltd.	Alberta	100%
Corus Audio & Advertising Services Ltd.	Alberta	100%
TELETOON Canada Inc.	Canada	50%
Nelvana Limited	Ontario	100%

The Corporation has other subsidiaries and associated companies but they have been omitted as each represents 10% or less of total consolidated assets and 10% or less of total consolidated revenues. These omitted subsidiaries together represent less than 20% of total consolidated assets and revenues.

GENERAL DEVELOPMENT OF THE BUSINESS

Corus is an integrated Canadian media and entertainment company with an established global distribution network for the programming the Company produces. Corus has strong established brands in each of its businesses: Radio, Television, and Content. The principal assets consist of 52 radio stations; a variety of specialty television networks focused on children and adult genres; western Canada's premium television services; Nelvana Limited, an international producer and distributor of children's programming and merchandise products; Kids Can Press, the largest Canadian-owned English language publisher of children's books; three broadcast television stations; a cable advertising service; and a digital audio service.

Historical Background

Certain of the businesses of Corus were operated by Shaw prior to September 1, 1999. On that date, the shareholders of Shaw approved the Arrangement which had the effect of creating Corus as an independently operated, publicly traded company. Under the Arrangement, the assets of Shaw were separated into two distinct, publicly traded corporations: one continued under the name Shaw Communications Inc. and the other one became Corus Entertainment Inc. Shaw continues to carry on Shaw's cable television, Internet access, telecommunications and satellite businesses. Corus now owns and operates the media businesses which had previously been carried on by Shaw.

Pursuant to the Arrangement, Class A shareholders of Shaw received one Class A participating share ("Shaw Class A Share") of Shaw and one-third of a Class A participating share of Corus ("Corus Class A Voting Share") for each Shaw Class A Share previously held by them. Class B non-voting shareholders of Shaw received one Class B non-voting participating share of Shaw ("Shaw Class B Share") and one-third of one Class B non-voting participating share of Corus ("Corus Class B Non-Voting Share") for each Shaw Class B Share previously held by them.

Pursuant to the Arrangement, 1,907,665 Corus Class A Voting Shares and 28,492,618 Corus Class B Non-Voting Shares were issued. On September 3, 1999, the Corus Class B Non-Voting Shares were listed and posted for trading on the Toronto Stock Exchange (CJR.B) and commenced trading at \$18.90 per share. On May 10, 2000, Corus Class B Non-Voting Shares were listed for trading on the New York Stock Exchange (CJR) and commenced trading at US \$26.125 per share.

Significant Acquisitions and Divestitures

Since September 1, 1999, Corus has become one of Canada's leading media and entertainment companies and one of the largest radio broadcasters and specialty and premium television operators in Canada. Corus' radio and television divisions have expanded through a number of acquisitions. As well, Corus expanded its business to include production and distribution of television programs, merchandise licensing and publishing. The most significant acquisitions and divestitures in the past three fiscal years include the following:

Sale of Locomotion

On January 18, 2005, the Company sold its 50% share in the assets of the Locomotion Channel to a wholly-owned subsidiary of Sony Pictures Inc. for an aggregate \$6.2 million purchase price.

Astral/Corus radio asset exchange

On May 26, 2004, the Company and Astral Media Inc. ("Astral") entered into an agreement to swap certain assets, being radio stations located in the Province of Quebec. The transaction was reviewed and approved by the Canadian Radio-television and Telecommunications Commission ("CRTC") on January 21, 2005. See *Broadcasting Decision CRTC 2005-15*. A labour union associated with one of the swapped stations appealed the decision to the federal Cabinet pursuant to the appeal provisions in the *Broadcasting Act*. Cabinet released its decision on April 21, 2005, finding that the CRTC's decision was sound and met the objectives of the *Broadcasting Act*. As a result the transaction closed on May 29, 2005.

Red Deer radio sale

The Company entered into an agreement in January 2005 with Newfoundland Capital Corporation ("NewCap") to sell two radio stations located in Red Deer, Alberta. On August 10, 2005, the CRTC approved the application to transfer the Red Deer assets (CIZZ-FM and CKGY-FM) to NewCap. See *Broadcasting Decision CRTC 2005-390*. The transaction was closed on September 25, 2005.

TELETOON acquisition

In the first quarter of fiscal 2007, the Company completed the acquisition of an additional 10% share of TELETOON, to increase its ownership interest in this television network from 40% to 50%. The total cash consideration paid was \$46.6 million.

Radio station acquisition

In the fourth quarter of fiscal 2007, the Company completed the acquisition of two radio stations. The total cash consideration paid was \$18.0 million.

Sale of Controlling Interest in The Documentary Channel

In the last quarter of fiscal 2007, the Company completed its sale of its controlling interest in The Canadian Documentary Channel Limited Partnership to the Canadian Broadcasting Corporation.

DESCRIPTION OF THE BUSINESS

Corus' principal business activities are conducted through three operating groups: Radio, Television and Content, as described below.

RADIO

Description of the Industry

The Canadian radio industry has historically been fragmented, with most stations being owned locally and oriented towards local advertisers and markets. In April 1998, the CRTC adopted a new radio multiple ownership policy. In any market where there are at least eight commercial radio stations in English or French, a single owner can own as many as two AM and two FM stations in that language. Since then, there has been a significant amount of consolidation of ownership within the radio industry.

According to the CRTC, as of December 31, 2006, there were 649 commercial radio stations in Canada of which approximately 72% were FM stations and 28% were AM stations.

The industry is dependent upon advertising revenues for economic performance and growth. According to the CRTC, the industry generated over \$1.415 billion in revenues in 2006 up 5.7% versus last year. Radio stations compete for advertising dollars with other radio stations and many other forms of media. According to industry sources, the radio industry captures approximately 17% of an estimated \$8.4 billion spent on advertising in Canada, compared to the newspaper and television industries, which capture approximately 38% and 31% of the total, respectively. According to the CRTC, in 2006, local advertising and national advertising represented 75% and 25%, respectively, of total radio advertising revenues.

Radio is an efficient, cost-effective medium for advertisers to reach specific demographic groups. Stations are typically classified by their on-air format, such as classic rock, country, adult contemporary, oldies and news/talk. A station's format and style of presentation enables it to target certain demographics. By capturing a specific share of a market's radio listening audience, with particular concentration in a targeted demographic market, a station is able to market its broadcasting time to advertisers seeking to reach that specific audience demographic. Advertisers and stations utilize data published by audience measuring services, such as Bureau of Broadcast Measurement ("BBM"), to estimate how many people within particular geographical and demographic markets listen to specific stations. The number of advertisements that can be broadcast without jeopardizing listening levels, and the resulting ratings, is determined primarily by the format of a particular station and the local competitive environment. The number of advertisements that can be broadcast is not regulated.

Radio broadcasters are continuing to see the importance of new media outlets to work in tandem with the traditional radio stations. There is a growing need to ensure that strong local websites exist for each station to offer advertisers an opportunity to complement on-air campaigns with an interactive element not previously possible through radio streaming alone. A successful combination of on-air and on-line streaming will lead to increased brand awareness for the radio broadcaster and the advertiser and should translate to a rise in ratings and advertising revenues.

Advances in digital technology have now made subscription radio a reality. Subscription or Satellite radio provides a number of channels of programming to listeners for a flat monthly fee. Three licenses were approved by the CRTC in 2004 to distribute digital radio signals across Canada. Two of these licenses were launched in 2005 and now distribute digital signals via satellite. The third license has not been pursued to date on the basis of existing license conditions. Results to date indicate some minor penetration in the market place.

Business Overview

Corus' radio group ("Corus Radio") comprises 52 radio stations situated primarily in nine of the 10 largest Canadian markets by population and in the densely populated area of southern Ontario.

Corus Radio is the largest radio operator in Canada in terms of audience reach and tune-in. According to BBM's Survey 1 2007 ("S1 '07"), Corus led the industry with a market share of 29.1% in terms of audience reach, compared to its closest competitors, Standard Radio and Rogers Media, which had market shares of 21.4% and 18.0%, respectively, in terms of reach, during that same period. Corus Radio reaches one in three Canadians on a weekly basis.

Corus Radio operates stations primarily in urban centres in Canada, including Montreal, Quebec City, Toronto, Hamilton/Burlington, Winnipeg, Edmonton, Calgary and Vancouver, and in the densely populated area of southern Ontario. Corus Radio operates news/talk stations in nine out of Canada's 10 largest markets by population (Vancouver, Calgary, Edmonton, Winnipeg, Hamilton, London, Toronto, Quebec City and Montreal). Corus is well positioned in the Toronto market through its three stations that focus on adults 18 to 49: Q107, 102.1 The Edge and AM 640. Corus Radio news & talk stations continue to be the most listened to AM stations in Calgary, Edmonton, Vancouver and Winnipeg, measured by audience tuning.

Corus Radio's primary method of distribution is over-the-air, analog radio transmission. Each radio station's content is available to audiences through traditional analog radio receivers at the particular station's licensed frequency on the AM or FM band. The following table sets out particulars of Corus' radio stations as at October 31, 2007:

Location	Call letter	Frequency	Format	Target	Rank	Audience share (i)
B.C.						
Vancouver	CKNW (CKNW 980)	AM	News/Talk	A35+	1	13.1
	CFOX (The Fox)	FM	Active rock	M18-34	1	17.8
	CFMI (Rock 101)	FM	Classic rock	M25-54	1	12.8
	CHMJ (AM 730)	AM	Traffic	M25-49	14	0.4
Alberta						
Calgary	CKRY (Country 105)	FM	Country	A35-54	2	10.9
	CHQR (QR77)	AM	News/Talk	A35+	3	10.5
	CFGQ (Q107)	FM	Classic rock	M25-49	3	10.7
Edmonton	CHED (630 CHED)	AM	News/Talk	A25+	1	13.6
	CKNG (JOE)	FM	80's/90's	A25-49	1	14.2
	CISN (CISN Country)	FM	New country	F35-54	3	9.6
	CHQT (Cool 880)	AM	Oldies	A35-54	11	1.6
Manitoba						
Winnipeg	CJOB (CJOB 680)	AM	News/Talk/Sports	A35+	1	22.2
	CJZZ (99.1 Cool FM)	FM	Smooth adult jazz	A35-64	10	2.9
	CJKR (Power 97)	FM	Rock	M18-34	1	26.1
Ontario						
Barrie	CIQB (B101)	FM	Hot adult contemporary	A25-54	2	12.1
	CHAY (The New CHAY)	FM	Adult contemporary	A25-54	5	5.7
Burlington	CING (Country 95.3)	FM	Country	A25-49	3	5.4
Cambridge	CJDV (DAVE)	FM	80's/90's	A25-49	3	11.6
Collingwood	CKCB (The Peak)	FM	Adult contemporary	A25-54	NA	NA
Cornwall	CFLG (Variety 104.5)	FM	Adult contemporary	A25-49	1	24.0
	CJSS (Rock 101.9)	FM	Rock	M25-54	2	10.6
	CJUL (Jewel 1220)	AM	Oldies	A50+	2	14.2

Location	Call letter	Frequency	Format	Target	Rank	Audience share (i)
Guelph	CJOY (1460 CJOY)	AM	Oldies	A35+	1	7.0
	CIMJ (Magic 106.1)	FM	Adult contemporary	A25-49	1	18.0
Hamilton	CJXY (Y108)	FM	Rock hits	M25-49	1	15.2
	CHML (AM 900)	AM	News/Talk	A35+	2	10.5
Kingston	CFMK (JOE)	FM	80's/90's	A25-49	4	6.0
	CFFX (Oldies 960)	AM	Oldies	A35+	5	5.1
Kitchener	CKBT (91.5 The Beat)	FM	Contemporary hit	A25-44	4	7.4
London	CFPL (FM 96)	FM	Rock	M18-49	1	24.1
	CFPL (AM 980)	AM	News/Talk	A35+	5	4.9
St. Thomas	CFHK (Fresh FM)	FM	Contemporary hit	A18-34	2	16.2
Peterborough	CKWF (The Wolf)	FM	Rock	A25-49	1	28.2
	CKRU (980 Kruz)	AM	Oldies/Sports	A35+	3	12.5
Toronto	CFNY (102.1 The Edge)	FM	New rock	M18-34	1	17.7
	CILQ (Q107)	FM	Classic rock	M25-49	1	11.5
	CFMJ (AM 640)	AM	News/Talk	M25-49	12	2.8
Woodstock	CKDK (The Hawk)	FM	Classic rock	M25-49	1	17.3
Quebec						
Gatineau	CJRC	AM	News/Talk	A35+	3	11.7
Montmagny	CFEL	FM	Soft rock	A25-54	NA	NA
Montreal	CFQR	FM	Adult contemporary	F25-54	1	29.2
	CKOI	FM	Contemporary hit	A25-54	5	8.9
	CKAC	AM	News/Talk/Sports	A35+	7	3.2
	CINW (940 News)	AM	News/Talk	A35+	5	4.0
	CHMP	FM	News/Talk	A25-54	3	10.6
	CINF (Info 690)	AM	News	A35+	9	1.1
Quebec City	CHRC	AM	News/Talk	A35+	6	6.1
	CFOM	FM	Adult contemporary	A25-54	5	8.6
Saguenay	CKRS	AM	News/Talk	A35+	1	24.2
St. Jerome	CIME	FM	Adult contemporary	A25-54	1	11.2
Sherbrooke	CHLT	AM	News/Talk	A35+	4	11.3
Trois Rivieres	CHLN	AM	News/Talk	A35+	4	8.5

(i) Sources: S2'07 - Vancouver, Calgary, Edmonton, Winnipeg, Hamilton, Toronto, Gatineau, Montreal, Quebec City, S4'06 - Cornwall, Guelph, Peterborough, Woodstock; St. Jerome, S1'07 - All other markets

Corus Radio derives the majority of its revenues from advertising sales. Revenues for fiscal 2007 and 2006 were \$276 million and \$268 million, respectively.

Revenues from Corus Radio are derived mainly from two types of advertising: (a) advertising by local advertisers who are generally local merchants and who operate in the trading area encompassed by the station's signal; and (b) advertising by national businesses such as automotive manufacturers, breweries, banks, fast food chains and similar operations which develop national advertising campaigns. The extent to which Corus' advertising revenues are from local or national advertising depends on the given market. In 2007, approximately 75% of Corus Radio's revenues were derived from local advertising.

In addition to advertising revenues, Corus Radio derives a smaller portion of its revenues through non-traditional revenue sources (non-airtime). Websites have proven to be extremely popular with audiences and advertisers and are a growing source of revenue. Corus Radio has very loyal listeners that continue to be connected to the station for the music, the hosts, the events and information-entertainment that is present on Corus websites. With approximately 1,200,000 people registered to Corus Radio's stations' web-clubs and permission-based e-mail, the stations are able to develop one-to-one relationships and connect audiences with advertisers in areas that meet their needs. Other sources of non-traditional revenue include sponsorships, concerts and other events that allow Corus Radio to diversify its revenue streams and reach more potential listeners.

Operating Strategy

Corus Radio has a focused strategy for the coming fiscal year. It will continue to emphasize growth in the listener and advertising base in the top 10 markets in Canada. It will strengthen core competencies of both sales management and programming. Corus will seek to dominate its target demographics. The Company will leverage new media to connect audiences with advertisers.

During fiscal 2007, Corus concluded the purchase of two FM stations (CJZZ and CKBT) in Winnipeg and Kitchener from Canwest Media Works. The transaction closed on July 28, 2007. In addition, Corus Radio announced on June 18, 2007 that it had reached an agreement to buy one radio station from an independent operator in Sherbrooke, QC and also announced on August 9, 2007, the sale of one radio station in Quebec City, QC. Both transactions are subject to approval by the CRTC which is expected in early 2008.

Corus Radio is committed to providing the best quality in programming for the listener. Corus Radio stations boast key proprietary personalities that are both highly recognized in their communities and dedicated to Corus programming standards. The Company is committed to reformatting stations when research shows that there is a need. In fiscal 2007, Corus' recently reformatted stations continued to gain traction with their targeted demographics.

Corus Radio aims to be rated by audience measuring services, such as BBM, as number one or two in the targeted demographic for their relevant markets, by continuing to provide attractive programming. Corus Radio has a clustering strategy pairing AM and FM radio stations to the limits allowed by the CRTC for the given market. Such clustering improves operating performance by expanding demographic coverage of the market, thereby providing local and national advertisers with an attractive and efficient medium with which to allocate their advertising dollars. Clustering also provides opportunities to share costs between radio stations, thereby improving operating margins.

Corus Radio is also committed to having the best radio sales force in the industry. In 2002, Corus launched Corus Radio Sales University, an internal training course designed to provide the sales team with the tools to succeed. Stage one is an 80-hour on-line training session that is an orientation to customer-focused selling. Stage two involves on-site training and customer calls with the trainer who visits every major market cluster at least twice a year. To date, all of the Corus radio sellers and managers in the major markets have completed both stage one and two of the training. All new sales representatives and managers hired by Corus must participate in the training.

Corus owns a 50% stake in Canadian Broadcast Sales ("CBS"), in partnership with Rogers Media. CBS is Canada's leading national sales representation firm. In 2007, Corus Radio entered into a joint venture with Cogeco to form Group Force Radio a new sales representation firm in the province of Quebec. Similarly to CBS, Group Force Radio will focus on developing and delivering increased National revenues for the Corus Radio operations in the province of Quebec.

Corus Radio will continue to leverage new media to expand its audience and give new opportunities to advertisers through a series of strong local websites to complement Corus' radio stations. On-line audio streaming through websites affords the broadcaster and advertiser a more personal connection with the listener not available through traditional radio.

Competitive Conditions

Radio stations compete for advertising dollars with other radio stations in their respective market areas as well as with other forms of media such as conventional television, specialty television networks, daily, weekly, and free-distribution newspapers, outdoor billboard advertising, magazines, other print media, direct mail marketing, and the Internet. In each market, Corus' radio stations face competition from other stations with substantial financial resources, including stations targeting the same demographic groups. In markets near the U.S. border, such as Kingston, Corus also competes with U.S. radio stations. On a national level, Corus competes generally with Standard Radio, Rogers Media, CHUM Radio and Astral, each of which owns and operates stations across Canada. The acquisition of Standard Radio by Astral was approved by the CRTC on September 28, 2007. At the time of writing the transaction had not yet closed. CHUM Radio was acquired by CTVglobemedia during the fiscal year 2007.

Factors that are material to competitive position include the station's rank in its demographic, market share of audience, authorized power, assigned frequency, audience characteristics, local program acceptance and the number and characteristics of stations in the market area.

TELEVISION

Corus' television group ("Corus Television") comprises specialty television networks, premium pay television services, three local television stations, and other media services.

Description of the Industry

According to the CRTC Broadcasting Policy Monitoring Report 2007, there were approximately 9.978 million subscribers to television programming services in 2006. There were approximately 7.3 million cable subscribers and 2.628 million direct-to-home ("DTH") satellite and multipoint distribution systems ("MDS") subscribers. Total digital subscribers were approximately 5.789 million, up from 5.275 million a year earlier.

Specialty and Premium Pay Television Networks

Specialty and premium pay television networks generated \$2.5 billion of combined advertising and subscriber revenues in 2006. Specialty and premium television networks are available to those Canadians who subscribe to the service package of a particular broadcasting distribution undertaking ("BDU") (i.e. cable television, direct-to-home satellite and multipoint distribution systems). Specialty television networks provide special interest, news, sports, arts and entertainment programming, while premium television networks provide commercial-free movies, series and special event programming.

Specialty and premium pay television networks each obtain revenues by charging a monthly subscriber fee to cable and direct-to-home satellite operators. Subscriber fees are the sole source of revenues for licensed premium television services, while specialty services can also generate advertising revenue. The CRTC regulates the maximum subscriber fee if the network is included as part of the basic cable service of a large cable operator, but not if the network is carried on a discretionary tier. Regardless, the amount of the subscriber fee is specified in the network's agreement with the BDU. Digital specialty services are carried on a discretionary tier of digital-only theme packages, as a stand-alone digital offering, or as part of individual premium services provided to digital subscribers. Specialty and premium television networks benefit from these subscriber fees, which are supported by the high level of cable and satellite penetration in Canada. Subscribers to discretionary tiers pay monthly fees to their BDU that reflect an amount for the basic service, plus an additional amount for specialty and premium television networks for which they subscribe on discretionary tiers.

Because all subscribers receive at least basic service, specialty television networks that are carried on a basic tier typically have a much higher number of subscribers. The number of subscribers for a cable network in a discretionary tier depends primarily upon pricing and subscriber preference. A specialty television network's subscriber penetration will also benefit to the extent it is packaged or tiered with other popular specialty television networks. As a consequence, discretionary specialty television networks that are popular (or are otherwise packaged with popular specialty television networks) can generally be priced at rates above those for specialty television networks on basic service.

Unlike premium television networks, which are prevented by CRTC regulations from obtaining advertising revenues, specialty television networks may obtain both subscriber and national advertising revenues. Specialty television networks appeal to advertisers seeking highly targeted markets. The CRTC limits national advertising to 12 minutes an hour but does not regulate advertising rates, and specialty television networks are not required to share a portion of their advertising revenues with the cable and DTH satellite operators. According to the CRTC, television advertising in 2006 totaled approximately \$3.2 billion in Canada. Specialty television networks received a 27% share of total television advertising revenues, or approximately \$882 million, up from \$769 million or a 26 % share of total television advertising revenues in 2005.

Canadian specialty and premium television networks have experienced subscriber growth over the past decade due to the advances in cable-based delivery systems and the growth of DTH satellite services. In November 2000, a number of new digital specialty television network licenses were awarded by the CRTC for launch commencing September 2001. Of these licenses, 21 were Category 1 and 262 were Category 2. Since the initial awarding of 262 Category 2 licenses, additional Category 2 licenses have been granted. However, as of December 2006, approximately 79 Category 2 digital networks are in operation. It remains unclear how many of the remaining Category 2 networks will be launched in the future.

Local Television

Local television stations are licensed by the CRTC and provide over-the-air broadcast television signals to viewers within a local geographical market or on a network basis. The CRTC has licensed three English-language television networks, two private commercial networks and one public network. The private commercial networks are operated by CTV Television Network Inc. ("CTV") and Global Television Network ("Global") with the Canadian Broadcasting Corporation ("CBC") operating the public broadcasting network. In addition to receiving conventional television signals off-air, the majority of Canadian viewers have access, either directly or through a BDU, to the television signals of U.S. border stations which are generally affiliated with one of the four U.S. commercial networks (ABC, NBC, CBS and Fox) and a Public Broadcasting Service station. Canadian conventional television stations generate revenue from advertising and receive no subscription revenues. The number of commercial messages that a station may broadcast is restricted to 12 minutes an hour and in some instances, as in the case of Corus' Oshawa television station, is dependent on the production of local programming. These advertising limits will be relaxed and eliminated over the next two years. The success of conventional television is dependent on the quality of programming which results in audience ratings that in turn attract advertisers to a station or network. In the case of stations affiliated with the CBC, the local, private affiliated station receives a fee from the CBC to air or broadcast CBC national programming at certain designated times, in addition to being able to generate advertising revenues.

Other Media Businesses

Digital audio services distribute music in a digital mode to homes served by BDUs. A digital stream is delivered via cable or satellite to a "set top" box and converted to a signal that a residential customer's television or audio system can understand. A variety of music formats are available, including channels devoted exclusively to classical, rock, jazz, country and many other music genres. Residential digital audio services are subject to licensing requirements by the CRTC.

Cable advertising services provide commercial customers with wide coverage, high-frequency advertising at rates that are competitive with other forms of media. The business is exempt from licensing or regulatory requirements. An access fee is paid to the cable provider.

New Products

The trend in the television sector is in innovative new products and services in the digital environment. The emphasis on instant gratification for consumers is dominating the industry. New product offerings will fuel growth in the digital sector, reduce churn and contribute to incremental revenue growth. Video-on-demand ("VOD"); Subscription video-on-demand ("SVOD"); High Definition Television ("HDTV"); and Personal Video Recorders ("PVR") all provide greater choice in delivery to the consumer and increase the amount of digital subscriptions for the provider. A description of these new digital products is as follows:

- VOD provides an alternate method for the supply of video and related content material over cable and telecommunications networks. For broadcasters it represents a fundamental shift from a linear program service to the consumer having complete control over the programming segment.
- SVOD is a video-on-demand service offered at a flat subscription price that provides viewers with unlimited access to select programs from the libraries of featured cable networks.
- HDTV is a high-resolution digital television service combined with Dolby Digital surround sound. This combination creates an unparalleled combination of sound and image. HDTV requires new production and transmission equipment at the HDTV stations, as well as new equipment for reception by the consumer. The higher resolution picture is the main selling point for HDTV.

- A PVR is a Personal Video Recorder or an interactive television recording device. Like the VCR, a PVR records and plays back television programs, but unlike the VCR, it stores the programs in digital as opposed to analog form, allowing the user the ability to watch what they want when they want.

Business Overview

Corus had the following interests in specialty and premium television networks in Canada as at October 31, 2007:

Network	Description of programming	Interest
YTV	Children/Family	100%
Treehouse TV	Preschool children/Parents	100%
W Network	Lifestyle and entertainment geared to women	100%
Country Music Television	Country music/Country lifestyle	80%
Teletatino	Canadian-Italian and Spanish	50.5%
TELETOON	Children/Family/Adult animation	50%
The Food Network Canada	Food related	20%
Movie Central	Premium movies and series	100%
Encore Avenue	Classic movies	100%
Discovery Kids (Digital Service)	Children/Family	53.6%
SCREAM TV (Digital Service)	Horror movies and series	51%
Cosmopolitan Television	Lifestyle and entertainment geared to working women aged 18 to 34	54%

Specialty Television Networks

Corus Television's group of specialty television networks appeal particularly to kids, teens and women, much-coveted target groups among Canadian marketers. Corus Television's specialty networks have a 41.4% higher cumulative average minute audience (2-54 demographic) than its nearest competitor, based on BBM Nielsen Media Research ("BBM NMR") 06/07 broadcast year data. Each of the analog specialty television networks is ranked among the top three analog television networks based on targeted demographics.

YTV is a specialty television network dedicated to programming for children and teens aged two to 17. YTV broadcasts 5 of the top 20 children's shows in Canada in the Kids 2-11 demographic, based on the BBM NMR 06/07 broadcast year data. This network reaches children beyond the television with interactive events and initiatives including *ytv.com*, a top Canadian kids' website. YTV is generally carried on the basic tier.

Treehouse TV is a specialty service in Canada dedicated to preschoolers (aged two to five). Treehouse TV operates on a 24-hour basis offering a commercial-free television environment in its preschool programming that reflects the interests and developmental levels of young children. Treehouse TV broadcasts 50 of the top 50 preschool shows in Canada, based on BBM NMR 06/07 broadcast year data.

W Network is a specialty television service dedicated to serving the needs and interests of women. On April 15, 2002, the service, which was previously known as WTN, was rebranded, reformatted and relaunched as W Network. Since the relaunch, W Network has achieved a 100% growth in its core demographic of women 25-54. Recent Nielsen statistics indicate that W Network is tied for the highest average minute audience of all Canadian specialty networks for W25-54 and is watched by 11 million Canadians in an average month.

Country Music Television ("CMT") is a specialty service dedicated to exhibiting country music videos, a prime-time lineup of comedy and drama series, movies and specials, music programming and daily entertainment news. In 2000, the network established the Video Advantage Program to support the development and production of original Canadian music videos for emerging artists. Corus has a 90% voting interest and an 80% equity interest in CMT. The remaining 10% voting interest and 20% equity interest is held by Country Music Television Inc., the operator of a similar service in the United States. According to recent Nielsen statistics, CMT has seen an 88% increase in the adult 25-54 demographic over the past five years and the network has more than doubled its prime time audience in the five year period.

Teletelino, in which Corus acquired a controlling interest in November 2001, is an ethnic specialty service that offers general interest domestic and international programming in the Italian, Spanish and English languages.

Currently, Corus offers two digital specialty television networks: Discovery Kids, which offers children informative and entertaining programming with an emphasis on action, adventure and the environment; and SCREAM TV, which offers horror theme through a movie-rich schedule of classic and modern thrillers, cult favorites and popular series. These services were launched in September 2001. Corus will launch a third digital specialty television network Cosmopolitan TV, which will offer lifestyle and entertainment programming geared to working women 18-34, early in calendar 2008. Corus also holds interests in the following specialty television networks:

- A 50% interest in TELETOON, which is a Canadian specialty service featuring a wide range of animation programming in all forms. TELETOON is available in both an English language version and a French language version. For fiscal 2006, Corus had a 40% interest in TELETOON, however, in fiscal 2007 this interest increased to 50%.
- A 20% equity interest in The Food Network Canada, a specialty service which provides information and entertainment programming related to food and nutrition.

Revenues from Corus' specialty television networks are derived primarily from subscriber fees and advertising. In fiscal 2007, subscriber fees accounted for 39% and advertising accounted for 59% of total revenues from the specialty television networks.

Premium Television Networks

Movie Central and Encore Avenue provide premium television services in western Canada, featuring blockbuster movies, series and specials from diverse genres on six channels. Each channel broadcasts commercial-free 24 hours a day, seven days a week. *The Movie Central* brand consists of four channels and the *Encore* brand consists of two channels.

Revenues from premium television networks have experienced significant growth over the past two years as a result of increased direct-to-home satellite and digital cable subscribers. As at August 31, 2007, Corus' Movie Central service had 883,000 subscribers, a 7% increase in year-over-year subscribers, representing penetration of approximately 50% of digital cable and direct-to-home satellite subscribers in western Canada.

Local Television

Corus owns three local television stations - one in each of Kingston, Peterborough and Oshawa, Ontario. Each is an affiliate of the CBC. These were acquired in April 2000 as part of the Power Broadcasting acquisition.

Revenues are almost exclusively derived from advertising. In fiscal 2007, national agency directed clients and local advertisers accounted for a combined 85% of revenues. CBC network affiliate payments amounted to 12% of revenues, with the remaining 3% originating from a variety of other sources.

Other Media Services

Corus Custom Networks primarily operates TV listings channels, providing viewers with current and easily accessible listings for the local cable television program lineup. Revenues for Corus Custom Networks are derived through advertising.

Max Trax is a residential digital audio service launched in the spring of 1997. Max Trax is a partner in a joint marketing agreement with CBC to offer a 40 channel service package. Max Trax is carried by cable operators and direct-to-home satellite operators. Revenues from Max Trax are earned through subscriber fees.

Operating Strategy

Corus has reorganized its television division to focus on two strategic portfolios. The kids' portfolio includes YTV, Treehouse TV, TELETOON, Discovery Kids and the Nelvana Studio. The consolidation of the kids assets will allow for shared programming, a streamlined development process, the ability to create and maintain multi-platform rights in Canada and ensure stable output with cost certainty for the studio. The Lifestyle, Drama and Movies portfolio includes the operations of W Network, CMT, Teletatino, Movie Central, Encore Avenue, Cosmopolitan TV and SCREAM TV. Management is responsible for generating program buying synergies, developing strategies for integrating operations where possible, as well as consolidating cross-promotion and marketing opportunities and joint sales initiatives.

Corus Television's operating strategy remains focused on four key areas: (i) increasing its position in the kids' and women's genres, (ii) leveraging the competitive position of Corus Premium Television, (iii) building key relationships with BDUs and (iv) maximizing operational synergies across all Corus brands.

Corus will continue to focus on managing and growing its core business. The Company will continue to explore new platform opportunities and make investments to test where appropriate.

Kids

Corus Television continues to lead the kids' entertainment marketplace in Canada through programming on YTV, Treehouse TV, TELETOON and Discovery Kids. Corus Television intends to drive revenue growth in the kids sector by building program ratings, building the kids market by attracting new advertisers and building new revenue sources. Corus Television will also focus on programming and operational synergies across its properties.

The integration of Nelvana Studios and the interactive group maximizes new platform efforts, an increasingly important segment of the kids market. The consolidation of the development streams has ensured that Corus continues to create superior content which will drive ratings. The studio will continue to provide content to Teletoon to meet that network's unique needs.

The kids' market and new media provide growth opportunities. Corus Television will capitalize on the growth in the home entertainment industry by constructing and investing in the new media platforms such as VOD, SVOD and interactive games, including massive multiplayer on-line games ("MMOG") to create new revenue streams. Sales of branded DVDs, CDs and other merchandise will also fuel revenue growth in the kids' area.

Lifestyle, Drama and Movies

Corus Television has achieved a leadership position in the women's genre with its W Network targeting women aged 25-54. The viewing audience in this demographic has increased 100% since the 2001-2002 season, making W Network one of the leading specialty services for women. In fiscal 2007, W Network is tied for the highest average minute audience of all Canadian specialty networks for women 25-54. W Network intends to invest in its programming to maximize audience growth and revenue potential. W Network is building an outstanding programming schedule anchored on movie blocks, lifestyle shows and drama and comedy series. The Company will focus on new media opportunities and platforms to deliver the programming that the target audience wants, in the format they want it in, through the wnetwork.com website and other merchandise offerings.

Corus Premium Television services, has been integrated into the Toronto facility. The service will continue to operate under two separate licenses (Movie Central and Encore Avenue), and will continue to focus marketing effort on customer acquisition and retention. Having established a track record of successful direct marketing campaigns, undertaken with the cooperation of key cable and satellite providers, Corus will continue to capitalize on the growth in the number of digital households in western Canada as well as up-selling current digital households. Demand for movies and new original dramatic series continue to fuel strong interest in the service's programming. To this end, Movie Central has secured output agreements with major Hollywood studios for exclusive programming, such as first windows on blockbuster feature films and new HBO and Showtime products. These agreements allow Movie Central to premiere HBO series on Movie Central at the same time as they debut in the United States.

Corus Premium Television is also leading with innovative new digital product offerings which will fuel digital growth, reduce churn and contribute incremental revenues. In this regard, Corus Premium Television established the first SVOD product in Canada, Movie Central Express. Movie Central Express showcases programming from five major Hollywood studios with up to 90 hours of unique programming each week. In conjunction with Shaw's VOD service, this service is offered to current subscribers for a separate monthly subscription.

Movie Central has two dedicated high definition channels offering an unparalleled lineup of new releases, original series and re-mastered library features all in true high definition format.

In addition to the growth of digital products, opportunities are developing on two mainstream platforms, broadband and mobile, that are creating new revenue opportunities for Corus Premium Television. Although the products are still quite nascent, Corus believes the potential is substantial and is actively exploring and developing these opportunities with the BDUs now.

Other Media Services

The CBC-affiliated local television stations improved operating efficiencies by consolidating with Corus' local market radio stations. Revenue growth is being achieved through an improved program schedule, expansion of news service and joint selling of radio and television. Each of the stations represents the only local television broadcaster in their respective communities.

Corus believes cable advertising services such as Corus Custom Networks are a cost-effective advertising vehicle for national accounts and local merchants, particularly in areas where there are no local television stations. Corus' operating strategy involves optimizing existing products and services through product quality enhancements. Corus Custom Networks is also investigating new types of advertising-related businesses that are complementary to its core competencies. Corus Custom Networks has streamlined operations by creating regional hubs to service advertisers.

Competitive Conditions

The television broadcast environment is highly competitive. The principal methods of competition in broadcast television are the development and acquisition of popular programming and the development of audience interest through programming and promotion, in order to sell advertising at profitable rates. Broadcast networks like YTV, W, CMT, the local stations and digital channels compete for audience, advertising revenues, and programming with other broadcast networks such as CBC, CTV, Global, specialty networks owned by Alliance Atlantis Communications Inc. ("AAC") and other digital channels, independent television stations, basic cable program services as well as other media, including DTH television services, videocassettes, DVDs, print and the Internet.

Television stations compete for programming, audiences and advertising revenues with other stations and cable networks in their respective coverage areas and, in some cases, with respect to programming, with other station groups, and in the case of advertising revenues, with other local and national media.

Because conversion to digital television broadcasting has begun, current and future technological and regulatory developments may affect competition within the television marketplace.

Corus Television's specialty and premium television networks compete for subscriber fees with other specialty and premium television network operators, including CTVglobeMedia, AAC, Allarco Limited and Astral. According to the CRTC, in 2006, the Canadian specialty television and premium television network industries generated \$2.5 billion of combined advertising and subscriber revenues. Corus' specialty services also compete directly for advertising revenues with the operators of cable networks listed above and with broadcast networks, including Global, CBC and CTV, and with other advertising media. Corus' conventional television stations compete principally for viewers and advertisers with other television stations that broadcast in central and eastern Ontario.

In June 2006, the CRTC licensed a national pay television service which will compete directly with Corus' premium television networks. The service is expected to launch in the fall of 2007.

CONTENT

Description of the Industry

In recent years the launch of numerous segmented networks in the North American television broadcasting industry has provided viewers with greater channel selection. There are now numerous television networks around the world that program dedicated children's blocks and other programming exclusively for children. Corus' content is seen in more than 190 countries on over-the-air, analog and digital platforms.

Over the past few years, the children's television market has fundamentally changed. Demand for production has slowed due to consolidation and vertical integration of U.S. production studios and television networks.

Despite the current environment, the long-term outlook for the worldwide animation business and the children's entertainment sector is favorable. Future growth in the sector is being fueled by:

- the growth of the 3D animation market;
- the shift of audiences from traditional broadcast networks to cable networks;
- the growth of digital television services, providing a new platform for additional cable and satellite services and thereby new programming opportunities;
- the continued international expansion by all types of programming services, including major U.S. broadcasters and domestic children's services;
- the growth in demand for content featuring recognizable characters on the Internet; and
- the emerging platforms for content distribution (i.e. VOD, SVOD, broadband, cell phones and video games).

According to industry sources, total spending on filmed entertainment, which includes feature films, video, television shows, animation and other programming worldwide is expected to grow from an estimated US\$81.2 billion in 2006 to US\$103.3 billion in 2011. In part due to the proliferation of cable and satellite services, channels targeting children have increased substantially in recent years.

Merchandising has grown from the popularity of toys that are associated with movies, books and television characters. According to industry sources, in 2006 licensed retail sales in the United States and Canada were approximately US\$71 billion. All of Corus' character brands fall into the entertainment/character property type category, which, according to industry sources, accounted for US\$12.7 billion of retail sales in the United States and Canada in 2005. The entertainment/character property type category is the third largest category of licensed retail products, accounting for 18% of total sales in the United States and Canada in 2005.

The home entertainment market is a US\$55.8 billion industry worldwide, and includes DVD & VHS sales and in-store rental and online rental subscription revenues. At more than double the size of the global box office business, the home entertainment market enjoyed double digit and high single digit growth through 2004. Growth in the market has slowed somewhat in the past two years, but is anticipated to pickup again due to two factors. First is the increased penetration of HD TV systems, which in turn will spur DVD sell-through as customers upgrade their DVD collections to HD. The second catalyst is the launch of new digital download-to-own and subscription streaming services, which make available a much broader selection of content to potential customers.

Business Overview

The Content group consists of Nelvana Enterprises, the distribution operations of Corus' wholly-owned subsidiary, Nelvana, and Kids Can Press, a Canadian publisher of children's books that is a wholly-owned subsidiary of Nelvana. Nelvana Enterprises distributes quality animated branded media content and related products for children worldwide. Its brand portfolio includes internationally recognized animated characters such as *Babar*, *Franklin*, *The Backyardigans*, *Grossology*, and *The Berenstain Bears*. Nelvana Enterprises' operations consist of the distribution of film and television programs, and the sale and licensing of related products.

Production and Distribution

Nelvana Enterprises distributes programming that has been developed and produced by the Nelvana Studio, a division of the Corus Kids Television group. In the Canadian marketplace, Nelvana Enterprises exploits 2nd window and French language window sales for Nelvana Studio produced programming. In the international marketplace, Nelvana Enterprises is responsible for exploiting all new and existing Nelvana Studio titles. Nelvana Enterprises distributes programming to broadcasters in over 190 countries, including some of the world's leading networks, such as Nickelodeon, the Disney Channel, HBO, ITV in the United Kingdom and France 3. Nelvana Enterprises, together with the Nelvana Studio, has 79 television programs licensed in Canada, and 41 in the United States. Programming is distributed through three sales and distribution offices located in Toronto, Canada, Shannon, Ireland and Paris, France.

In 2002, in response to a leaner marketplace, Corus committed to reducing cash flow requirements with the goal of achieving operating cash flow neutrality within one year while continuing to grow its library. This was successfully achieved. In the last three years, Corus' production slate has ranged between 90 to 120 new episodes, well below the 252 episodes peak reached in fiscal 2002. This amount of production maintained Corus' leadership position in the industry while reducing cash flow requirements to produce the year's slate. Following are some highlights of titles that became available for Nelvana Enterprises to distribute in Fiscal 2007:

- 17 episodes of *The Backyardigans*, a series which airs on Nickelodeon in the United States and on Treehouse TV in Canada, bringing the total to 44 episodes
- 21 episodes of *DiGata Defenders*, which airs on TELETOON in Canada, bringing the total to 32 episodes
- 21 episodes of *Grossology*, which airs on Discovery Kids in the U.S. and on TELETOON in Canada, bringing the total to 26 episodes

At August 31, 2007, Nelvana Enterprises' program library totaled over 3,000 half-hour equivalent episodes, comprising 83 animated television series, 18 specials, 19 animated feature length films and 9 live action series. Children's animated programs generally have longer life spans than those of live action programs because they can typically be resold continually to new generations of audiences around the world. International television markets outside of the United States and Canada are Nelvana Enterprises' largest source of revenue, accounting for 37.4% of production and distribution revenues in fiscal 2007, compared to 33.3% from the Canadian market and 28.3% from the United States.

Merchandising

Nelvana Enterprises' merchandising business contains some of Nelvana's most popular characters, including *Franklin*, *Babar*, and *Backyardigans*, which have achieved recognition and popularity worldwide and have become valuable long-term merchandising brands. Nelvana Enterprises' merchandising efforts focus on marketing its most popular brands and co-coordinating with retailers to promote its character merchandise in North America and around the world. Nelvana Enterprises acquires brands from the Nelvana Studio produced media content and becomes either the licensor or agent, on behalf of the owner of the property, for most product categories, including toys, plush, apparel, gifts, book publishing and interactive products. Highlights in fiscal 2007 include continued growth in *Babar* merchandising revenue in France, as well as the ongoing rollout of the *Backyardigans* merchandising program in key international markets.

Publishing

Content's publishing business is conducted through its subsidiary Kids Can Press, acquired in 1998. Kids Can Press is the largest Canadian-owned English language publisher of children's books with a broad and growing backlog of titles. Highlights of the Kids Can Press catalogue include:

- *Franklin* - more than 61 million books sold worldwide. In the fall of 2006, we celebrated the 20th anniversary of the very first *Franklin* book, *Franklin in the Dark*, with a commemorative-boxed set, a special edition of the book going to 500,000 school children in Canada thanks to the Canadian Children's Book Centre and a series of public events with Paulette Bourgeois and Brenda Clark;

- *Scaredy Squirrel* - a new character has arrived. This book, which tells of a squirrel too afraid to leave his nut tree in which he lives the same existence day in and day out, has gathered steam since publication in February 2006. The charming worrywart who finally breaks out of his fears to see that he too can soar has made a second appearance in Spring 2007 with *Scaredy Squirrel Makes a Friend*.

Operating Strategy

The operating strategy for Content is based on the diversification of revenue streams. In a marketplace where dependence on worldwide broadcast license fees is no longer viable, Content is seeking to maximize revenue from all streams including:

- Broadcasting (traditional and new platforms);
- Merchandise licensing;
- Publishing;
- Home entertainment;
- Interactive; and
- Music

To capitalize on the dominance that Corus enjoys in the kids broadcast market in Canada, Corus is putting a "Made in Canada" strategy into effect. The Nelvana Studio was integrated into Corus Kids Television in the fall of 2006 as part of the strategy. This integration is designed to ensure alignment of new Nelvana Studio produced content with the Corus Kids Television programming priorities. Corus Kids Television covers a significant portion of the hard costs of new productions by maximizing all available sources of production financing in the Canadian marketplace. Corus optimizes brand success by aligning all of Corus' resources, both broadcasting and merchandising, to establish great ratings which will drive strong consumer product performance. The success in Canada can then be used to roll the brand out worldwide as Nelvana Enterprises exploits these new productions in the international marketplace.

Nelvana Enterprises will focus on the strong near-term revenue growth potential of the home entertainment market. With the worldwide DVD business expected to double by 2008, Nelvana Enterprises is in a perfect position to exploit this market with a strong catalogue of existing titles and titles in production. As well, home entertainment products will drive significant merchandise sales in North America's major retailers.

Many existing outlets are expanding and new markets are emerging for branded children's content. As the marketplace changes with new distribution platforms, Nelvana Enterprises is investigating how this new technology can benefit the Corus stable of shows. Many of these distribution platforms - VOD, SVOD, cell phones and broadband - are in the early stages and are not expected to generate significant revenue for at least five years. Nelvana Enterprises has concluded transactions or is in dialogue with all of the major strategic players in the On-Demand space including Comcast, Microsoft, Hewlett Packard and Sony in order to determine the best fit for Corus' properties.

Nelvana Enterprises is also using its programming library to help launch new linear broadcast channels internationally. One such channel initiative, Kidsco, was launched in fiscal 2007 to help increase the profile of Nelvana Enterprises' brands. Nelvana Enterprises has partnered with Sparrowhawk Media and DIC Entertainment to launch Kidsco, new kids channel that is being rolled out across 40 different territories within the next 18 months. The channel will help bring Nelvana Enterprises' brands to a whole new generation of children around the world.

This ever growing number of outlets for the distribution of children's content creates a need for Nelvana Enterprises to be focused on rights management. By identifying and properly tracking the full spectrum of rights attached to Nelvana Enterprises' properties, we are better able to optimize current deal structures. Nelvana Enterprises ensures that it licenses only those specific rights required by its current customers, and retains unrelated, neighboring rights for future exploitation. This in turn will enable us to monetize emerging distribution platforms that have yet to appear in today's marketplace.

Competition

The business of producing and distributing children's television programs is highly competitive. We compete with a variety of international companies, including HIT Entertainment, DIC, 4KIDS, and several U.S. studios such as the Walt Disney Company, Warner Bros., and Nickelodeon (a division of Viacom International Inc.). These U.S. studios are substantially larger, and have greater financial resources. Many have their own television networks on which their in-house productions are aired. In Canada, Corus also competes with several domestic producers and distributors such as Cookie Jar Corp. and Studio B Productions.

ADDITIONAL INFORMATION CONCERNING CORUS' BUSINESSES*a) Intangible Properties*

Corus uses a number of trademarks, service marks and official marks for its products and services. Many of these brands and marks are owned and registered by Corus, and those trademarks that are not registered are protected by common law. Corus also licenses certain marks from third parties. Corus has taken affirmative legal steps to protect its owned and licensed trade marks, and Corus believes its trademark position is adequately protected. The exclusive rights to trademarks depend upon the Company's efforts to use and protect these and Corus does so vigorously.

Distribution rights to television programming and motion pictures as well as ancillary rights are granted legal protection under the copyright laws and other laws of Canada, the United States and most foreign countries. These laws impose substantial civil and criminal sanctions for the unauthorized duplication and exhibition of television programming. Corus believes that it takes, and plans to continue taking, all appropriate and reasonable measures to secure, protect and maintain or obtain agreements from licensees to secure, protect and maintain copyright and other legal protections for all of the television programming produced and distributed by Corus under the laws of all applicable jurisdictions.

Corus can give no assurance that its actions to establish and protect Corus trademarks and other proprietary rights will be adequate to prevent imitation or copying of its filmed and animated entertainment by others or to prevent third parties from seeking to block sales of its filmed and animated entertainment as a violation of their trademarks and proprietary rights.

Moreover, Corus can give no assurance that others will not assert rights in, or ownership of, its trademarks and other proprietary rights, or that Corus 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 and Canada.

Corus also licenses copyright materials either by way of direct contracting or through blanket licensing regimes. The tariffs for blanket licenses are established by the Copyright Board in Canada. Although the amount of a blanket license is set by this third party regulator, the system provides certainty as to cost and also a modicum of immunity from claim for innocent infringements due to the presumptions of right to use works that flow with the imposition of these tariffs.

The Company operates a comprehensive clearance and rights management system to both protect its rights and to ensure that works that Corus uses have the requisite clearances or licenses from the owners. A key element of contracts for copyright works is the term or time period of the license granted which in the broadcasting sector can vary but usually is for a time period such as one to three years. In some circumstances the time period is combined with a right to only a certain number of "plays" or broadcasts.

b) Seasonality and Cycles

Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. Accordingly, one-quarter's operating results are not necessarily indicative of what a subsequent quarter's operating results will be. Corus' broadcasting businesses (Radio and Television) and the Content business each has unique seasonal aspects.

For the Company's broadcasting businesses, operating results are dependent on general advertising and retail cycles associated with consumer spending activity. Accordingly, operating results for the first quarter tend to be the strongest, reflecting pre-Christmas advertising activity, and the second quarter tends to be the weakest, consistent with lower consumer spending in winter months.

For Corus' Content business, operating results are dependent on the timing and number of television programs made available for delivery in the period, as well as timing of merchandising royalties received, none of which can be predicted with certainty. Consequently, Content's operating results may fluctuate significantly from quarter to quarter. Cash flows may also fluctuate and are not necessarily closely related to revenue recognition.

c) Economic Dependence

Corus' operating results for the Company's broadcasting businesses are not dependent upon any single customer or upon a few customers with respect to revenues from advertisers.

Corus' broadcasting businesses are dependent upon on-air talent to provide quality, consistent programming to attract advertisers. All on-air talent is under contractual obligation to the Company.

Corus Television's premium pay television services are solely dependent on subscriber fees. The major BDUs are Rogers, Shaw, Cogeco, BEV, Videotron and Star Choice.

The Company's regulated properties operate in a competitive environment with both regulated and unregulated competitors. Although entry by new competitors into the Company's markets is slowed by the regulatory process, new competition always poses a risk to the Company's revenue streams. The regulatory environment is more fully explained below.

d) Environmental

Corus' operations do not have any significant impact on the environment. Corus has not made, and does not anticipate making, any significant capital expenditures to comply with environmental regulations.

e) Employees

As at August 31, 2007, Corus had approximately 2,037 full-time employees. The Company operates in a non-union environment except for: 140 employees in specialty and conventional television and radio and 33 employees in its Quebec radio operations who are members of the Communications, Energy and Paperworkers Union of Canada; 42 employees in Quebec radio operations who are members of the Syndicat Général de la Radio; 7 employees in Quebec radio operations who are members of the Centrale Syndicat Nationale; 11 employees in Quebec radio operations who are members of the Independent Syndicat; and 31 employees in Quebec operations who are members of the Syndicat Canadien de la Fonction Publique.

There are 118 Corporate employees, 1,112 Radio employees of which 146 are unionized, 538 TV employees of which 118 are unionized and 269 Content employees.

f) Foreign Operations

A significant portion of the revenues in the Content division are in currencies other than Canadian dollars and therefore subject to fluctuation in exchange rates. Approximately 7% of Corus' consolidated revenues for the year ended August 31, 2007 were derived from foreign operations.

g) Lending

Corus does not have any lending operations as a distinct or significant business. Corus has, however, provided financing through loans to its digital channels and loans to privately owned Canadian media companies and has outstanding loans to executive officers. Corus may make loan investments in companies involved in the media sector of up to \$5 million with the approval of the chief executive officer ("CEO") or the chief financial officer ("CFO") and more than \$5 million with the approval of the Executive Committee of the Board of Directors. Outstanding loans to executive officers were granted prior to July 31, 2002.

h) Bankruptcy

There have been no bankruptcies, receiverships or similar proceedings against Corus or any of its subsidiaries within the past three years.

i) Reorganizations

There have been no material reorganizations at Corus or any of its subsidiaries within the past three years.

j) Social or Environmental Policies

Corus is committed to fair dealing, honesty and integrity in all aspects of its business conduct. The Company takes its responsibility to its employees, shareholders and other stakeholders very seriously. The Company's Code of Business Conduct (the "Code") aims to demonstrate to its stakeholders and the public the Company's commitment to conduct itself ethically.

The Code applies to all employees and members of the Board of Directors of Corus and its subsidiary companies. 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. The Code is available on the Corus Entertainment website at www.corusent.com under "Investor Information."

k) Risk Factors

A discussion of risk affecting the Company and its business is set forth under the heading "Risks and Uncertainties" in the Management's Discussion and Analysis for the year ended August 31, 2007, as contained in the Company's 2007 Annual Report, which discussion is incorporated by reference herein. In addition, the Company is subject to the risks and uncertainties set forth below in the discussion of the Canadian communications industry regulatory environment.

These descriptions of risks do not include all possible risks, and there may be other risks of which the Company is currently not aware.

l) Control of Corus by the Shaw family

JR Shaw and members of his family and the corporations owned and controlled by JR Shaw and members of his family (the "JR Shaw Group") currently own 84.4% of the outstanding Class A participating shares in the capital of Corus. The Class A participating shares are the only shares entitled to vote in all circumstances. All of the Class A participating 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 Class A participating shares are exercised by the representative of a committee of five trustees. Accordingly, the JR Shaw Group is, and as long as it owns a majority of the Class A participating shares will continue to be, able to elect a majority of the Board of Directors of Corus and to control the vote on matters submitted to a vote of Corus' Class A participating shareholders.

**CANADIAN COMMUNICATIONS INDUSTRY
REGULATORY ENVIRONMENT**

Canadian Radio-television and Telecommunications Commission

Under the *Broadcasting Act* (Canada), the CRTC is responsible for regulating and supervising all aspects of the Canadian broadcasting system with a view to implementing broadcasting policy objectives set forth in the *Broadcasting Act*.

Changes in the regulation of Corus' business activities, including decisions by regulators affecting the Company's operations (such as the granting or renewal of licenses; decisions as to the rights to programming licenses to competitors in the Company's markets) or changes in interpretations of existing regulations by courts or regulators, could adversely affect the Company's results of operations. The Company's CRTC licenses must be renewed from time to time and cannot be transferred without regulatory approval.

Since 1996, the CRTC has been implementing a competitive policy framework and has focused its attention on strengthening the creation of Canadian content and programming.

The current objectives of the CRTC, as articulated in its 1997 Vision Statement and revised in May 1998, are to:

- promote an environment in which existing and new communications services are available to Canadians;
- ensure a strong Canadian presence in content that fosters creative talent and reflects Canadian society, including its linguistic duality and cultural diversity;
- promote choice and diversity of high-quality communications services; and
- to foster strong competitive and socially responsive communications industries.

On April 1, 2004, the CRTC issued its so-called "CRTC 3-Year Work Plan" which included four objectives for the broadcasting sector which expand upon the aforementioned Vision Statement:

1. Increased availability of Canadian content and programming that reflects Canadian creative talent and Canada's linguistic duality, cultural diversity and social values, as well as its national, regional and community characteristics.
2. Increased access to a variety of innovative, high-quality communications services, at reasonable prices, that meet consumers' needs and reflect their values.
3. A sustainable competitive Canadian communications industry.
4. Commission processes that are fair, transparent and effective.

Industry Canada

The technical aspects of the operation of radio and television stations in Canada are also subject to the licensing requirements and oversight of Industry Canada, a Ministry of the Government of Canada.

Restrictions on Non-Canadian Ownership

The legal requirements relating to Canadian ownership and control of broadcasting undertakings are embodied in a statutory order (the "Order") from the Governor in Council (i.e. Cabinet of the Canadian federal government) to the CRTC. The Order is issued pursuant to authority contained in the *Broadcasting Act*. Under the Order, non-Canadians are permitted to own and control, directly or indirectly, up to 33 1/3% of the voting shares and 33 1/3% of the votes of a holding company which has a subsidiary operating company licensed under the *Broadcasting Act*. In addition, up to 20% of the voting shares and 20% of the votes of the operating licensee company may be owned and controlled, directly or indirectly, by non-Canadians. The Order also provides that the Chief Executive Officer and 80% of the members of the board of directors of the operating company must be Canadian. In addition, where the holding company is less than 80% Canadian-owned, the holding company and its directors are prohibited from exercising any control or influence over the programming decisions of a subsidiary operating company. There are no restrictions on the number of non-voting shares that may be held by the non-Canadians at either the holding company or licensee operating company level. The CRTC, however, retains the discretion under the Order to determine as a question of fact whether a given licensee is controlled by non-Canadians.

The Company's articles currently give its Board of Directors the authority to restrict the issue, transfer and voting of its Class A participating shares and the transfer of its Class B non-voting participating shares for the purpose of ensuring that Corus remains qualified to hold or obtain licenses to carry on any broadcasting or programming business.

Broadcasting Services

Corus' radio stations and local television undertakings, specialty and premium television networks and pay audio services are subject to licensing and regulation by the CRTC. The *Broadcasting Act* gives the CRTC the power to issue and renew broadcasting licenses for a maximum term of seven years. Historically, all licenses issued by the CRTC have been consistently renewed except where there have been serious breaches of license conditions or regulations, in which case the licenses have been renewed for less than seven years, or, in a very limited number of instances, not at all. In order to conduct its business, Corus maintains its licenses in good standing and is in material compliance with conditions of license and regulatory requirements. The CRTC has never declined to renew a license held by any broadcasting undertaking in which Corus holds an ownership interest.

Licenses issued by the CRTC generally sets out the terms and conditions of the broadcaster's program offering, including Canadian content expenditures, Canadian exhibition requirements and signal delivery terms for Corus' specialty, premium television and pay audio services. The CRTC also imposes restrictions on the transfer of ownership and effective control of all licensed broadcasting undertakings. Transferees of ownership or control of a licensed undertaking must demonstrate to the CRTC that the transfer is in the public interest, and the purchaser is required, in most instances, to provide a specific package of tangible benefits designed to benefit the Canadian broadcasting system. For transfer of ownership applications involving profitable radio stations, tangible benefits are required to represent a financial contribution equal to 6% of the purchase price and for acquisitions of television, or specialty or premium television network services, a financial contribution of 10% of the value of the transaction is expected.

The CRTC's regulations that apply to radio, conventional television and specialty and premium television services require these broadcasting undertakings to obtain the prior approval of the CRTC in respect of any act, agreement or transaction that, directly or indirectly, would result in (i) a change in the effective control of a broadcasting undertaking; or (ii) a person together with any associate acquiring control of 30% or more of the issued voting securities, or 50% or more of the common shares, of a broadcasting undertaking or (iii) of a person that has, directly or indirectly, effective control of that broadcasting undertaking.

Radio Undertakings

The CRTC no longer regulates the formats of commercial FM radio stations except in the case of "specialty" radio licenses which, by definition, requires that (i) the language of broadcast is neither French nor English; (ii) more than 50% of the programming is spoken word; or (iii) less than 70% of the musical selections broadcast are not pop, rock, dance, country or country-orientated selections. For non-specialty format FM stations, the CRTC continues to require that less than 50% of the musical selections broadcast each week be "hits" which are defined in English markets as any selection which, prior to December 31, 1980, achieved a Top 40 position in any of the charts recognized by the CRTC. Each commercial station is required to make a contribution to Canadian talent development initiatives ranging from an annual payment of \$27,000 for major market stations to \$400 for small market stations.

On April 30, 1998, the CRTC announced certain changes to its commercial radio policy. By regulation, the CRTC increased Canadian popular music content levels broadcast to 35%. For French-language radio stations, at least 65% of popular, vocal music selections must be in the French language. The CRTC also changed ownership restrictions on the number of stations that could be owned within a particular market. The ownership changes allow a single owner to operate up to three stations provided only two are in the same band, in a given language in smaller markets and, in markets with eight or more commercial stations in a given language, one owner may hold up to two AM stations and two FM stations. In assessing transactions involving a change in control or ownership, the CRTC has stated it will examine the impact on diversity of news voices, the level of competition and, if the applicant has equity holdings in other local radio stations or media, cross-media ownership levels in a given market. Under its new policy, the CRTC also stated that it would no longer apply market entry criteria in assessing applications for new radio services in a particular market. Radio broadcasters derive substantially all of their revenues from advertising revenues. There is no regulatory limit on the number of commercials that can be broadcast. In markets with more than one commercial FM station, FM licensees are required to broadcast at least 42 hours per week of local programming in order to access local advertising.

On December 15, 2006, the CRTC released its most recent review of radio policy. The new policy maintained current levels of Canadian Content music required of broadcast licensees. The contributions required of licensees to Canadian Talent Development was renamed to Canadian Content Development, the amounts payable were slightly increased, and the list of eligible recipients was amended.

Specialty and Premium Television Networks Undertakings

Specialty and premium television networks each have varying Canadian programming and expenditure requirements set by a condition of license. These requirements depend on a number of factors, including the nature of the service and the types and availability of programming offered. The Canadian content conditions of license are reviewed by the CRTC at the time that the networks renew their licenses. Licensees are also required to make financial contributions to the creation of Canadian programming which is imposed by condition of license.

Specialty television networks derive substantially all of their revenues from subscription and advertising revenues. Premium television networks derive their revenues from subscriptions and by regulation are required to be commercial free. The CRTC generally requires cable and DTH satellite distributors to carry all licensed specialty and premium television networks appropriate to the markets in which they are distributed with the exception of Category 2 digital services as described below. The maximum wholesale subscriber fee that can be charged to subscribers for the carriage of the service is regulated if it is carried as part of the basic service, but is not regulated if it is carried on an extended or discretionary tier. Subscriber fees payable to premium television network licensees are not regulated by the CRTC.

On November 24, 2000, the CRTC announced that it would license 16 new English-language and five French-language digital programming services for mandatory distribution on a digital basis known as Category 1 services. The CRTC stated that all Category 1 services must commence operation on or before November 24, 2001, but subsequently extended this date until September 30, 2002 for certain of the French-language Category 1 services. An additional 262 Category 2 digital services were also approved by the CRTC for distribution on a digital basis and continue to be licensed by the CRTC. Category 2 services may be competitive with one another but may not be directly competitive with an existing licensed analog specialty or premium television network or a Category 1 digital service. Category 2 services have no guaranteed distribution rights except that, if a cable or DTH satellite operator carries a Category 2 service in which it or an affiliate owns more than 10% of the issued equity, it must distribute at least five non-related Category 2 services for each related service carried. The Category 2 services licensed in the fall of 2000 were required to implement service no later than November 24, 2004, unless the CRTC approved an extension before that date. Since then, the Commission has licensed many new Category 2 services while at the same time allowing for carriage of new foreign services, especially those in third languages.

In the fall of 2006, the Commission started a policy review for over-the-air broadcasting stations. Key issues include the imposition of a fee for carriage of broadcast stations, the introduction of high definition television technology, transfer of ownership benefits payments, and closed captioning regulations. It is expected that this will be followed by a review of policies regarding pay and specialty services and broadcasting distribution undertakings.

New applications for Category 2 services are considered on an ongoing basis.

Local Television Undertakings

The CRTC reviewed its policies and regulations pertaining to Canadian television, primarily as they affect local broadcasters, and, on June 11, 1999, issued a new policy entitled "Building on Success - A Policy Framework for Canadian Television". This policy introduced changes to the regulatory environment in an attempt to provide more flexibility and diversity for broadcasters while still providing a predominant amount of Canadian programming content.

Under this new policy, Canadian content levels for conventional private television broadcasters will remain at 60% overall and 50% in prime time. As part of its new policy, the CRTC also announced that it would not require licensees to make quantitative commitments to local news programming but would require licensees to demonstrate how they intend to respond to the demands of local viewers as part of a license renewal application. The CRTC retained its policy of requiring the provision of local programming in order to access local advertising. The CRTC also retained the existing 150% dramatic programming credit for stations not part of a large multi-stations group applicable to Canadian programming in the calculation of Canadian content requirements. As of September 1, 2000, the CRTC eliminated the Canadian programming expenditure requirements and the expectations that had been imposed on stations. As well, in a departure from past practice, the renewal of all conventional television licenses held by an ownership group is considered at the same hearing.

Pay Audio Services

Pay audio musical programming services provided to residential Canadian subscribers by broadcast distribution undertakings are licensed and regulated by the CRTC. The CRTC has established an open licensing framework and has imposed identical requirements on each licensee regarding Canadian content and French-language selection requirements. Canadian-originated pay audio channels may be linked on a 1:1 basis with foreign-originated channels.

The CRTC has also imposed access requirements in the *Broadcasting Distribution Regulations* for third party pay audio services. If a Class 1 cable licensee distributes a pay audio service in which it or an affiliate controls 30% or more of the issued shares of the pay audio licensee, the Class 1 cable licensee is required to distribute at least one other third party pay audio service.

Cable Advertising Services

Still image and teleshopping advertising services are exempted from having to hold a CRTC license. If the CRTC is satisfied that the licensing of an undertaking will not contribute in a material manner to the implementation of the broadcasting policy outlined in the *Broadcasting Act*, it shall exempt such undertaking from licensing requirements. The CRTC has issued a number of exemption orders which allow an undertaking to be operated without a license, provided it satisfies any terms and conditions contained in the particular order. Still image and teleshopping cable advertising services operate under the terms of exemption orders.

Canadian Content Requirement for Broadcasters

As mentioned previously, Canadian conventional television services, specialty television networks and premium television networks are required to devote a certain amount of their programming schedules to Canadian productions. These requirements provide support to the market for Canadian programs (such as the ones produced through Nelvana) as long as they qualify as Canadian programs for purposes of the Canadian Audio Visual Certification Office ("CAVCO") as an officially recognized co-production or the CRTC.

CAVCO and the CRTC determine the criteria for qualification of a program as "Canadian". Generally, a program will qualify if it is produced by an individual Canadian producer with the involvement of individual Canadians in principal functions, and where a substantial portion of the budget is spent on Canadian elements. In addition, the Canadian producer must have full creative and financial control of the project.

Film and Television Tax Credits and Grants

Nelvana generally receives various federal and provincial tax credits on its television series and feature films, which typically provide benefits of between 10% and 25% of the Canadian production budget. These tax credits are calculated on the basis of each individual production.

Nelvana is also eligible to receive additional funding for its productions from various Canadian industry funding sources including the Canadian Television Fund and Telefilm Canada in respect of feature films. However, given the limited resources of these programs, Nelvana has no assurance that it will obtain these funds for future productions.

International Treaty Co-Productions

Canada is a party to co-production treaties with many countries throughout the world, excluding the United States. These international co-production treaties allow for the reduction of the risks of production by permitting the pooling of creative, technical and financial resources of Canadian producers with non-Canadian producers under prescribed conditions. Canadian co-production treaty partners include China, France, Great Britain, Germany, New Zealand and Australia. A production that qualifies as a co-production for treaty purposes is considered to be a domestic product in each of the participating countries and, as such, is entitled to many aspects of national treatment in each country. More specifically, the co-production usually qualifies for domestic treatment under applicable broadcasting legislation and certain government subsidies. The co-producers jointly hold the copyright in the production. Sharing of foreign revenues is based on the respective contribution of each co-producer, subject to negotiation between the co-producers and approval by the appropriate government authorities. Many of Nelvana's productions are produced through international treaty co-productions.

Competition Act Requirements

The Commissioner of Competition has the authority pursuant to the *Competition Act* (Canada) to inquire into mergers and apply to the Competition Tribunal for remedial orders, including an order blocking a merger, where the Commissioner determines the merger is or will likely prevent or lessen competition substantially in a market. To facilitate the Commissioner's review of mergers, parties to a merger transaction are required to pre-notify the Commissioner of Competition prior to completing the transaction when specified party and transaction-size thresholds are satisfied. For example, in the case of an asset purchase, a transaction is notifiable if the parties to the transaction, together with their affiliates, have assets in Canada or annual gross revenues from sales in, from or into Canada that exceed \$400 million and if the aggregate value of the Canadian assets to be acquired or annual gross revenues from sales in or from Canada generated from those assets exceed \$50 million.

Ownership transfers of licensed broadcasting undertakings exceeding these financial thresholds thus require the approval of both the CRTC and the Commissioner of Competition according to their respective statutory mandates. The two authorities could come to different conclusions on a given transaction. For example, the CRTC could approve a broadcasting company's acquisition of radio stations as being in accordance with its commercial radio policy whereas the Commissioner of Competition might conclude that the acquisition would substantially lessen competition in the market or markets under consideration.

Investment Canada Act

Under the *Investment Canada Act* ("ICA"), certain transactions which involve the acquisition of control of a Canadian business by a non-Canadian require the approval of the Canadian government. The Ministry of Industry (Canada) is responsible for reviewing proposed acquisitions of control of Canadian businesses by non-Canadians. However, where the Canadian business is a "cultural business", the proposed acquisition would also be subject to review by the Minister of Canadian Heritage. Cultural businesses include those involved in the publication, distribution or sale of books, magazines, periodicals and newspapers, as well as businesses involved in the production and distribution of film and video recordings, audio and video music recordings. Radio, television and cable television broadcasting undertakings are also considered "cultural businesses" under the ICA, but they are also the subject of other, more stringent, Canadian ownership and control regulations under the *Broadcasting Act*, as discussed above.

Before an acquisition of a "cultural business" by a non-Canadian can be completed, the non-Canadian must be able to demonstrate that the proposed acquisition is likely to be of "net benefit to Canada". In determining whether this test has been met, the Minister of Canadian Heritage is required to take into account a number of factors outlined in the ICA, including compatibility with Canada's cultural policy objectives, as well as any applicable government policies and any written undertakings that may have been given by the non-Canadian investor.

Copyright Act Requirements

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

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

CAPITAL STRUCTURE

Description of Capital Structure

(a) General

The authorized share capital of Corus consists of an unlimited number of Class A participating shares ("Class A Voting Shares"); an unlimited number of Class B non-voting participating shares ("Class B Non-Voting Shares") (and, together with the Class A Voting Shares, the "Corus Shares"); an unlimited number of Class 1 preferred shares (the "Class 1 Preferred Shares"), issuable in series; an unlimited number of Class 2 preferred shares (the "Class 2 Preferred Shares"), issuable in series; and an unlimited number of Class A preferred shares (the "Class A Preferred Shares"). As at August 31, 2007, there were 1,722,929 Class A Voting Shares, 40,512,297 Class B Non-Voting Shares and no preferred shares outstanding.

(b) Class A Voting Shares and Class B Non-Voting Shares

(i) Authorized Number of Shares

The authorized number of Class A Voting Shares and Class B Non-Voting Shares is unlimited. No Class A Voting Shares, however, shall be issued unless the prior written consent of holders of no fewer than two-thirds of the then outstanding Class A Voting Shares is obtained.

(ii) Voting Rights

The holders of Class A Voting Shares are entitled to one vote per share at all meetings of shareholders. The holders of Class B Non-Voting Shares are entitled to receive notice of, to attend, and to speak at all meetings of shareholders but are not entitled to vote thereat except as required by law and except upon any resolution to authorize the liquidation, dissolution or winding up of Corus or the distribution of assets among its shareholders for the purpose of winding up its affairs, in which event each holder of Class B Non-Voting Shares will be entitled to one vote per share.

(iii) Dividends

In general, subject to the rights of any preferred shares outstanding from time to time, holders of Class A Voting Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors of Corus determines to declare on a share-for-share basis, as and when any such dividends are declared or paid, except that, during each Dividend Period (as defined below), the dividends (other than stock dividends) declared and paid on the Class A Voting Shares will always be \$0.01 per share per annum less than the dividends declared and paid in such Dividend Period to holders of the Class B Non-Voting Shares, subject to proportionate adjustment in the event of any future consolidations or subdivisions of Corus Shares and in the event of any issue of Corus Shares by way of stock dividends. A "Dividend Period" is defined as the fiscal year of Corus or such other period not exceeding one year in respect of which the directors of Corus have an announced current policy to declare and pay or set aside for payment of regular dividends.

(iv) Rights on Liquidation

In the event of the liquidation, dissolution or winding up of Corus or other distribution of assets of Corus for the purpose of winding up its affairs, all property and assets of Corus available for distribution to the holders of Corus Shares will be paid or distributed equally, share for share, between the holders of Corus Shares without preference or distinction.

(v) *Conversion Privilege*

Any holder of Class A Voting Shares may, at any time or from time to time, convert any or all Class A Voting Shares held by such holder into Class B Non-Voting Shares on the basis of one Class B Non-Voting Share for each Class A Voting Share so converted.

Subject to certain exceptions described below, if an Exclusionary Offer is made, any holder of Class B Non-Voting Shares may, at any time or from time to time during a Conversion Period, convert any or all of the Class B Non-Voting Shares held by such holder into Class A Voting Shares on the basis of one Class A Voting Share for each Class B Non-Voting Share so converted. For the purpose of this paragraph, the following terms have the following meanings:

“Conversion Period” means the period of time commencing on the eighth day after the Offer Date and terminating on the Expiry Date;

“Exclusionary Offer” means an offer to purchase Class A Voting Shares that:

- (A) must, by reason of applicable securities legislation or the requirements of a stock exchange on which the Class A Voting Shares are listed, be made to all or substantially all holders of Class A Voting Shares who are residents of a province of Canada to which the requirement applies; and
- (B) is not made concurrently with an offer to purchase Class B Non-Voting Shares that is identical to the offer to purchase Class A Voting Shares in terms of price per share and percentage of outstanding shares to be taken up exclusive of shares owned immediately prior to the offer by the Offeror, and in all other material respects (except with respect to the conditions that may be attached to the offer for Class A Voting Shares), and that has no condition attached other than the right not to take up and pay for shares tendered if no shares are purchased pursuant to the offer for Class A Voting Shares,

and for the purposes of this definition if an offer to purchase Class A Voting Shares is not an Exclusionary Offer as defined above but would be an Exclusionary Offer if it were not for sub-clause (B), the varying of any term of such offer shall be deemed to constitute the making of a new offer unless an identical variation concurrently is made to the corresponding offer to purchase Class B Non-Voting Shares;

“Expiry Date” means the last date upon which holders of Class A Voting Shares may accept an Exclusionary Offer;

“Offer Date” means the date on which an Exclusionary Offer is made;

“Transfer Agent” means the transfer agent for the time being of the Class A Voting Shares; and

“Offeror” means a person or company that makes an offer to purchase Class A Voting Shares (the “bidder”), and includes any associate or affiliate of the bidder or any person or company that is disclosed in the offering document to be acting jointly or in concert with the bidder.

Subject to certain exceptions, the foregoing conversion right shall not come into effect if:

- (A) prior to the time at which the offer is made there is delivered to the Transfer Agent and to the Secretary of Corus a certificate or certificates signed by or on behalf of one or more shareholders of Corus owning in the aggregate, as at the time the Exclusionary Offer is made, more than 50% of the then outstanding Class A Voting Shares, exclusive of shares owned immediately prior to the Exclusionary Offer by the Offeror, which certificate or certificates shall confirm, in the case of each such shareholder, that such shareholder shall not:
 - a. tender any shares in acceptance of any Exclusionary Offer without giving the Transfer Agent and the Secretary of Corus written notice of such acceptance or intended acceptance at least seven days prior to the Expiry Date;

- b. make any Exclusionary Offer;
 - c. act jointly or in concert with any person or company that makes any Exclusionary Offer; or
 - d. transfer any Class A Voting Shares, directly or indirectly, during the time at which any Exclusionary Offer is outstanding without giving the Transfer Agent and the Secretary of Corus written notice of such transfer or intended transfer at least seven days prior to the Expiry Date, which notice shall state, if known to the transferor, the names of the transferees and the number of Class A Voting Shares transferred or to be transferred to each transferee; or
- (B) as of the end of the seventh day after the Offer Date there has been delivered to the Transfer Agent and to the Secretary of Corus a certificate or certificates signed by or on behalf of one or more shareholders of Corus owning in the aggregate more than 50% of the then outstanding Class A Voting Shares, exclusive of shares owned immediately prior to the Exclusionary Offer by the Offeror, which certificate or certificates shall confirm, in the case of each such shareholder:
- a. the number of Class A Voting Shares owned by the shareholder;
 - b. that such shareholder is not making the offer and is not an associate or affiliate of, or acting jointly or in concert with, the person or company making the offer;
 - c. that such shareholder shall not tender any shares in acceptance of the offer, including any varied form of the offer, without giving the Transfer Agent and the Secretary of Corus written notice of such acceptance or intended acceptance at least seven days prior to the Expiry Date; and
 - d. that such shareholder shall not transfer any Class A Voting Shares, directly or indirectly, prior to the Expiry Date without giving the Transfer Agent and the Secretary of Corus written notice of such transfer or intended transfer at least seven days prior to the Expiry Date, which notice shall state, if known to the transferor, the names of the transferees and the number of Class A Voting Shares transferred or to be transferred to each transferee; or
- (C) as of the end of the seventh day after the Offer Date, a combination of certificates that comply with either clause (A) or (B) from shareholders of Corus owning in the aggregate more than 50% of the then outstanding Class A Voting Shares, exclusive of shares owned immediately prior to the Exclusionary Offer by the Offeror, has been delivered to the Transfer Agent and to the Secretary of Corus.
- (vi) *Modification*

Neither class of Corus Shares may be subdivided, consolidated, reclassified or otherwise changed unless contemporaneously therewith the other class of Corus Shares is subdivided, consolidated, reclassified or otherwise changed in the same proportion and in the same manner.

(vii) *Offer to Purchase*

Corus may not make an offer to purchase any outstanding Class A Voting Shares unless at the same time it makes an offer to purchase at the same price and on the same terms as to payment an equivalent proportion of the outstanding Class B Non-Voting Shares.

(viii) *Redemption*

The Corus Shares are not redeemable at the option of either Corus or the holder of any such Corus Shares.

(c) *Class 1 Preferred Shares*

The Class 1 Preferred Shares are issuable in one or more series. The Board of Directors may fix from time to time before such issue the number of shares which is to comprise each series then to be issued and the designation, rights, conditions, restrictions and limitations attaching thereto, including, without limiting the generality of the foregoing, the rate of preferential dividends and whether or not such dividends shall be cumulative, the dates of payment thereof, the redemption price and terms and conditions of redemption, including the rights, if any, of the holders of Class 1 Preferred Shares of such series to require the redemption thereof, conversion rights, if any, and any redemption fund, purchase fund or other provisions to be attached to the Class 1 Preferred Shares of such series.

The holders of Class 1 Preferred Shares of any series shall not be entitled to receive notice of, to attend or vote at any meeting of shareholders of Corus, other than a meeting of holders of Class 1 Preferred Shares, as provided by applicable law.

The shares of each successive series of Class 1 Preferred Shares shall have preference over the Class A Voting Shares and Class B Non-Voting Shares as to dividends of not less than 1/100th of a cent per share, and shall not confer upon the shares of one series a priority over the shares of any other series of the Class 1 Preferred Shares in respect of voting, dividends or return of capital. If any amount of cumulative dividends or any amount payable on return of capital in respect of shares of a series of Class 1 Preferred Shares is not paid in full, the shares of such series shall participate rateably with the shares of all other series of Class 1 Preferred Shares in respect of accumulated dividends and return of capital. The Class 1 Preferred Shares and each series thereof shall rank junior to and be subject to in all respects to the preferences, rights, conditions, restrictions, limitations and prohibitions attached to the Class A Preferred Shares.

(d) Class 2 Preferred Shares

The Class 2 Preferred Shares are issuable in one or more series. From time to time before any such issue, the directors may fix the number of shares which is to comprise each series then to be issued and the designation, rights, conditions, restrictions or limitations attaching thereto, including, without limiting the generality of the foregoing, the rate of preferential dividends and whether or not such dividends shall be cumulative, the dates of payment thereof, the redemption price and terms and conditions of redemption, including the rights, if any, of the holders of Class 2 Preferred Shares of such series to require the redemption thereof, conversion rights, if any, and any redemption fund, purchase fund or other provisions to be attached to the Class 2 Preferred Shares of such series.

The holders of Class 2 Preferred Shares of any series shall not be entitled to receive notice of, to attend or vote at any meeting of shareholders of Corus, other than a meeting of holders of Class 2 Preferred Shares, as provided by applicable law.

The shares of each successive series of Class 2 Preferred Shares shall have preference over the Class A Voting Shares and Class B Non-Voting Shares as to dividends in right of payment and shall not confer upon the shares of one series a priority over the shares of any other series of Class 2 Preferred Shares in respect of voting, dividends or return of capital. If any amount of cumulative dividends or any amount payable on return of capital in respect of shares of a series of Class 2 Preferred Shares is not paid in full, the shares of such series shall participate rateably with the shares of all other series of the Class 2 Preferred Shares in respect of accumulated dividends and return of capital. The Class 2 Preferred Shares and each series thereof shall rank junior to and be subject to in all respects to the preferences, rights, conditions, restrictions, limitations and prohibitions attached to the Class A Preferred Shares and the Class 1 Preferred Shares.

(e) Class A Preferred Shares

In accordance with the provisions of subsection 26(3) of the *Canada Business Corporations Act* (the "CBCA"), the directors of Corus may add to the stated capital account maintained for Class A Preferred Shares the whole or any part of the amount of consideration received by Corus in an exchange for property, or shares of another class, or pursuant to an amalgamation referred to in section 182 of the CBCA or an arrangement referred to in subsection 192(1)(b) or (c) of the CBCA. The Class A Preferred Shares shall be redeemed (the "Class A Redemption Amount") at the amount of consideration received therefore as determined by the directors of Corus at the time of issuance. No Class A Preferred Shares shall be issued by Corus at any particular time if, at that time, there are Class A Preferred Shares issued and outstanding

The holders of the Class A Preferred Shares shall not be entitled to receive notice of, to attend or vote at any meeting of shareholders of Corus, subject to the CBCA.

When and if declared by the directors of Corus, the holders of Class A Preferred Shares shall be entitled to receive out of the net profits or surplus of Corus properly applicable to the payment of dividends, a non-cumulative dividend at such rate as the directors may from time to time determine. Upon the liquidation, dissolution or winding up of Corus, or other distribution of the assets of Corus or repayment of capital to its shareholders for the purpose of winding up its affairs, the holders of Class A Preferred Shares shall be entitled to receive for each such share, in priority of the holders of Class A Voting Shares and Class B Non-Voting Shares, the Class A Redemption Amount per share together with all declared but unpaid dividends thereon (the "Class A Redemption Price"). After such payment the holders of the Class A Preferred Shares shall have no right or claim to any of the remaining assets of Corus. Class 1 Preferred Shares, Class 2 Preferred Shares, Class A Voting Shares and Class B Non-Voting Shares shall rank junior to and shall be subject in all respect to the preferences, rights, conditions, restrictions, limitations and prohibitions attached to the Class A Preferred Shares. The Class A Preferred Shares are redeemable at the demand of Corus and are retractable at the demand of a holder of Class A Preferred Shares at the Class A Redemption Price.

Share constraints

The statutes which govern the provision of broadcasting services by Corus and its regulated subsidiaries impose restrictions on the ownership of shares of Corus and its regulated subsidiaries by persons that are not Canadian. (See information under the heading "Canadian Communications Industry Regulatory Environment - Restrictions on Non-Canadian Ownership"). In order to ensure that Corus and its regulated subsidiaries remain eligible or qualified to provide broadcasting services in Canada, the Articles of Incorporation of Corus require the directors of Corus to refuse to issue or register the transfer of any "Voting Shares" (defined as the Class A Voting Shares and any other shares of Corus carrying voting rights under all circumstances or by reason of an event that has occurred and is continuing, and includes a security that is convertible into such a share and a currently exercisable option or right to acquire such a share or such a convertible security) to a person that is not a Canadian if such issue or transfer would result in the total number of such shares held by non-Canadians exceeding the maximum number permitted by applicable law. In addition, the directors of Corus are required to refuse to issue or register the transfer of any Voting Shares to a person in circumstances where such issue or transfer would affect the ability of Corus and its regulated subsidiaries to obtain, maintain, amend or renew a license to carry on any business. The Articles of Incorporation of Corus further provide that if, for whatever reason, the number of Voting Shares held by non-Canadians or other such persons exceeds the maximum number permitted by applicable law or would affect the ability to carry on any licensed business, Corus may, to the extent permitted by corporate or communications statutes, sell the Voting Shares held by such non-Canadians or other persons as if it were the owner of such shares. The Articles of Incorporation of Corus also give the directors of Corus the right to refuse to issue or register the transfer of shares of any class in the capital of Corus if (i) the issue or the transfer requires the prior approval of a regulatory authority unless and until such approval has been obtained; or (ii) the person to whom the shares are to be issued or transferred has not provided Corus with such information as the directors may request for the purposes of administering these share constraints.

Ratings

As a result of the successful tender offer and consent solicitation for Corus' Senior Subordinated Debt, completed in January 2006, the ratings previously assigned by Standard & Poor's and Moody's Investors Service, Inc. for Corus were withdrawn.

MARKET FOR SECURITIES

Marketplaces

The securities of the Company are listed and posted for trading on the exchanges set forth below.

Security	Exchange	Symbol
Class B Non-Voting Shares	Toronto Stock Exchange ("TSX")	CJR.B
Class B Non-Voting Shares	New York Stock Exchange ("NYSE")	CJR

Trading Price and Volume

The following table sets forth the monthly price range and volume traded for each of the Company's publicly traded securities for each month during the fiscal year ended August 31, 2007.

TSX - CJR.B				
Month	High	Low	Close	Average Daily Volume
September 2006	44.94	38.41	42.62	108,289
October 2006	43.25	38.11	42.25	120,868
November 2006	42.36	38.07	41.00	96,319
December 2006	42.71	39.95	41.50	60,919
January 2007	49.10	41.00	49.00	125,013
February 2007	49.99	46.03	46.52	111,145
March 2007	48.89	43.50	44.05	117,489
April 2007	48.99	43.88	46.52	91,369
May 2007	50.05	45.60	49.50	82,324
June 2007	51.10	49.00	49.80	158,942
July 2007	50.66	47.51	48.44	114,869
August 2007	54.24	46.75	48.83	137,028

NYSE - CJR				
Month	High	Low	Close	Average Daily Volume
September 2006	40.00	34.65	38.20	5,815
October 2006	39.00	34.11	37.64	9,332
November 2006	37.50	33.75	35.56	8,957
December 2006	37.05	34.61	35.96	7,450
January 2007	41.70	34.97	41.66	8,910
February 2007	42.40	39.71	40.20	19,563
March 2007	41.10	37.55	38.20	7,082
April 2007	43.41	38.10	42.19	11,900
May 2007	46.55	41.10	46.35	19,823
June 2007	47.88	45.78	46.83	11,362
July 2007	48.56	44.50	45.84	19,000
August 2007	54.50	44.43	46.06	24,435

All price and volume information is from independent third-party sources.

DIVIDEND POLICY*(a) Dividend Policy*

On April 3, 2007, the Company announced that its Board of Directors has approved a monthly dividend for holders of its Class A Voting Shares and Class B Non-Voting Shares of \$0.0825 and \$0.08333, respectively. The expected dividend on an annual basis for the Company's Class A Voting Shares and the Class B Non-Voting Shares is \$0.99 and \$1.00, respectively.

The Company's Board of Directors will review the dividend on a quarterly basis. Shareholders are entitled to receive dividends only when any such dividends are declared by the Company's Board of Directors, and there is no entitlement to any dividend prior thereto.

As described above, the dividends (other than stock dividends) declared and paid on the Class A Voting Shares shall be \$0.01 per share per annum less than the dividends declared and paid to holders of the Class B Non-Voting Shares. See the information under the heading "Capital Structure - Description of Capital Structure - Class Voting A Shares and Class B Non-Voting Shares".

(b) Restrictions on Payment of Dividends

Covenants under Corus' credit agreement with a syndicate of lenders, as amended and restated on January 23, 2006, may restrict Corus' ability to pay dividends should Corus fail to achieve certain financial ratios and/or financial performance or if an event of default has occurred and is continuing or would result from the payment of the dividend.

(c) Distribution Rates and Payment Dates

The annual distribution rates on securities of the Company and payment dates for the fiscal year ended August 31, 2007, as well as the annual dividend payments for the past three fiscal years, are set forth in the tables below.

Fiscal 2007 dividends paid per share		
Date paid	Class A Voting Shares	Class B Non-Voting Shares
August 31, 2007	\$0.0825	\$0.08333
July 31, 2007	\$0.0825	\$0.08333
June 30, 2007	\$0.0825	\$0.08333
May 31, 2007	\$0.0825	\$0.08333
April 30, 2007	\$0.0825	\$0.08333
March 31, 2007	\$0.2125	\$0.21500
December 31, 2006	\$0.2125	\$0.21500
September 30, 2006	\$0.2125	\$0.21500

Annual dividend payments per share			
	Fiscal 2007	Fiscal 2006	Fiscal 2005
Class A Voting Shares	\$1.0500	\$0.24	\$0.065
Class B Non-Voting Shares	\$1.0617	\$0.25	\$0.075

NORMAL COURSE ISSUER BID

On December 15, 2005 Corus announced its intention to make a Normal Course Issuer Bid for its Class B Non-Voting Shares. The TSX subsequently accepted the notice filed by Corus. Under the bid Corus could purchase for cancellation up to a total of 3,000,000 Class B Non-Voting Shares during the 12 month period commencing January 1, 2006 and ending December 31, 2006. To December 31, 2006 Corus purchased 1,089,000 shares at an average price of \$35.80 per share.

On February 12, 2007, the Company announced that the TSX had accepted the notice filed by the Company of its intention to renew its normal course issuer bid for its Class B Non-Voting Shares through the facilities of the TSX. The Company intends to purchase for cancellation a maximum of 1,500,000 Class B Non-Voting Shares. To August 31, 2007 Corus purchased 714,800 shares at an average price of \$47.88 per share.

DIRECTORS AND OFFICERS

The following are the names and municipalities of residence of the directors and executive officers of the Company as of October 31, 2007 or as otherwise noted, their positions within the Company and their principal occupations during the last five years. The term of office for each director will be until the next annual meeting or until his or her successor is elected or appointed.

Name and municipality of residence	Director/Officer	Position with Corus/Principal occupation
Pierre Béland Montréal, Québec	Director	President, Métromédia Plus
John M. Cassaday Toronto, Ontario	Director and Officer	President and Chief Executive Officer, Corus Entertainment Inc.
Dennis Erker Edmonton, Alberta	Director	Partner, Fairly Erker Advisory Group
Carolyn Hursh Calgary, Alberta	Director	Chairman, James Richardson & Sons, Limited
Wendy A. Leaney Toronto, Ontario	Director	President, Wyoming Associates Ltd.
Ronald D. Rogers Calgary, Alberta	Director	Corporate director/trustee
Catherine Roozen Edmonton, Alberta	Director	Director and Corporate Secretary, Cathton Holdings Ltd.
Terrance Royer Calgary, Alberta	Director	Chairman, Royco Hotels Ltd.
Heather A. Shaw Calgary, Alberta	Director and Officer	Executive Chair, Corus Entertainment Inc.
Julie M. Shaw Calgary, Alberta	Director	Vice President, Facilities, Design and Management, Shaw Communications Inc; and Secretary, Shaw Foundation
Thomas C. Peddie FCA Toronto, Ontario	Officer	Senior Vice President and Chief Financial Officer, Corus Entertainment Inc.
John R. (Jack) Perraton Calgary, Alberta	Officer	Corporate Secretary Corus Entertainment Inc. Senior Partner, Perraton Law
Paul W. Robertson Toronto, Ontario	Officer	President, Television Corus Entertainment Inc.
John P. Hayes Toronto, Ontario	Officer	President, Radio Corus Entertainment Inc.
Doug Murphy Toronto, Ontario	Officer	President, Nelvana Enterprises Corus Entertainment Inc.
Scott Dyer Toronto, Ontario	Officer	Executive Vice President, General Manager, Corus Kids Corus Entertainment Inc.
Gary Maavara Toronto, Ontario	Officer	Vice President, General Counsel Corus Entertainment Inc.
David Spence CA Markham, Ontario	Officer	Vice President, Contoller Corus Entertainment Inc.
Hal Blackadar Oakville, Ontario	Officer	Vice President, Human Resources Corus Entertainment Inc.
Susan Ross Toronto, Ontario	Officer	Executive Vice President, General Manager, Corus Lifestyle, Drama and Movies Corus Entertainment Inc.

Each director named above was appointed a director on January 10, 2007 and will hold office until the next scheduled annual meeting of shareholders. Thereafter, each director will be elected at the annual meeting of shareholders to serve until the next annual meeting or until a successor is elected or appointed.

The Board of Directors has four committees made up of the following members:

Committee	Members
Executive Committee	Heather A. Shaw - Chair John M. Cassaday Terrance Royer Dennis Erker
Audit Committee	Ronald D. Rogers - Chair Wendy A. Leaney Catherine Roozen Terrance Royer
Human Resources Committee	Terrance Royer - Chair Pierre Béland Dennis Erker Ronald D. Rogers
Corporate Governance Committee	Dennis Erker - Chair Carolyn Hursh Catherine Roozen

Each officer or director of Corus has been engaged for more than five years in his or her principal or prior occupation, as the case may be, except as follows:

- Prior to July 2004, Ronald D. Rogers was Senior Vice President and Chief Financial Officer of Shaw Communications Inc.;
- Prior to September 2006, Doug Murphy was Executive Vice President, Business Development, Nelvana, and prior to December 2002 he was Principal, Doug Murphy and Company;
- Prior to September 2006, Scott Dyer was Executive Vice President, Production and Development, Nelvana;
- Gary Maavara was Vice President, Public Relations for CanWest Global Communications Corp. from July 2003 to September 2004, and from 2001 to 2003 Senior Vice President, Global Television Inc. and concurrently Senior Vice President and Chief Operating Officer, CanWest Interactive Inc.;
- Prior to February 2005, David Spence was Corporate Controller, Corus Entertainment Inc.
- Prior to September 2006, Susan Ross was Executive Vice President and General Manager, Specialty Television, Corus Entertainment Inc.

As of October 31, 2007, the directors and executive officers of the Company beneficially owned, directly or indirectly, or exercised control or direction over 914,366 Class A Voting Shares and 1,302,510 Class B Non-Voting Shares, representing 53.1% and 3.4% of the issued and outstanding Class A Voting Shares and Class B Non-Voting Shares, respectively.

AUDIT COMMITTEE

Charter

The text of the Audit Committee's Charter is attached as Schedule A.

Composition of the Audit Committee

The Company's Audit Committee is composed of Ronald D. Rogers, Wendy A. Leaney, Catherine Roozen and Terrance Royer, each of whom is a financially literate, independent director of the Company. The relevant education and experience of each Audit Committee member is outlined below:

Ronald D. Rogers (Chair)

Mr. Rogers holds a Bachelor of Commerce degree and is a chartered accountant. Mr. Rogers retired as Senior Vice President and Chief Financial Officer of Shaw Communications Inc. in August of 2004. Mr. Rogers serves as a trustee for The Brick Group Income Fund, Transforce Income Fund, Pizza Pizza Royalty Income Fund and Parkland Income Fund.

Wendy A. Leaney

Ms. Leaney holds a Bachelor of Arts (Hon) degree. Ms. Leaney is President of Wyoming Associates Ltd., a private investment and consulting firm based in Toronto. Prior to that, Ms. Leaney was Managing Director and Co-Head Global Communications Finance for TD Securities Inc. Ms. Leaney serves on the Board of Canadian Western Bank. From 2001 to 2005, Ms. Leaney also served on the Board of Call-Net Enterprises.

Catherine Roozen

Ms. Roozen is Director and Corporate Secretary of Cathton Holdings Ltd. and the Allard Foundation, positions she has held since 1981. Ms. Roozen also serves as a Director for Melcor Developments Ltd. Ms. Roozen serves on the Alberta Cancer Board as well as on a number of charitable boards.

Terrance Royer

Mr. Royer is Chairman of Royco Hotels Ltd., a hotel management company. Mr. Royer retired as Executive Vice-Chairman of the Calgary-based Royal Host REIT in December of 2005. He is also retired President, CEO and founder of Royal Host Corp., a hotel and resort ownership, franchising and management company. Mr. Royer served on the Board of Royal Host REIT from January, 1998 to June, 2006. Mr. Royer is Chairman Emeritus of the University of Lethbridge (Chairman from January 2001 - July 2006) and Chairman of the Alberta "Access to the Future Fund" for post-secondary institutions in Alberta.

Principal Accounting Fees and Services - Independent Auditors

Fees payable to the Registrant's independent auditor, Ernst and Young LLP, for the years ended August 31, 2007 and 2006 totaled \$1,696,355 and \$2,228,680, respectively, as detailed in the following table. All funds are in Canadian dollars:

	Fiscal year ended August 31,	
	2007	2006
Audit fees	1,333,000	1,553,000
Audit-related fees	266,500	445,880
Tax fees	96,855	229,800
All other fees	-	-
Total	1,696,355	2,228,680

The nature of the services provided by Ernst and Young LLP under each of the categories indicated in the table is described below:

Audit Fees

Audit fees were for professional services rendered by Ernst and Young LLP for the audit of the Registrant's annual financial statements and services provided in connection with statutory and regulatory filings or engagements.

Audit-Related Fees

Audit-related fees were for assurance and related services reasonably related to the performance of the audit or review of the annual financial statements and are not reported under "Audit Fees" above. These services consisted of employee benefit plan audits, non-statutory audits of wholly-owned subsidiaries, assistance with the Company's plans to comply with Section 404 of the *Sarbanes-Oxley Act of 2002*, and translation services in respect of the financial statements and other regulatory filings.

Tax Fees

Tax fees were for tax compliance, tax advice and tax-planning professional services. These services consisted of tax planning and advisory services relating to common forms of domestic and international taxation (i.e. income tax, capital tax, Goods and Services Tax, and value added tax) as well as assistance with various tax audit matters.

All Other Fees

Fees disclosed in the table above under the item "all other fees" represent products and services other than the audit fees, audit-related fees and tax fees described above. No such fees were paid in 2007 and 2006.

The Company's Audit Committee has implemented a policy restricting the services that may be provided by the auditors and the fees paid to the auditors. Prior to the engagement of the auditors, the Audit Committee pre-approves the provision of the service. In making their determination regarding non-audit services, the Audit Committee considers the compliance with the policy and the provision of non-audit services in the context of avoiding impact on auditor independence. Each quarter, the CFO makes a presentation to the Audit Committee detailing the non-audit services performed by the auditors on a year-to-date basis, and details of any proposed assignments for consideration by the Audit Committee and pre-approval if appropriate.

As required by the *Sarbanes-Oxley Act of 2002*, all audit, audit-related and non-audit services rendered by Ernst and Young LLP pursuant to engagements entered into since May 6, 2003 were pre-approved by the Audit Committee pursuant to the Company's policy and pre-approval procedures. In fiscal 2007, no audit-related or non-audit services rendered by the auditors were required to be approved by the Audit Committee pursuant to the DE MINIMIS exception set out in paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

LEGAL AND REGULATORY

Corus is involved from time to time in various claims and lawsuits incidental to the ordinary course of business, including intellectual property actions and acts for defamation. Adverse determinations in litigation could result in the loss of proprietary rights, subject the Company to significant liabilities, or require Corus to seek licenses from third parties, any one of which could have an adverse effect on the business and results of operations. Actions which are incidental to the business are typically covered by insurance and management has estimated the potential liability and expensed the amount on its financial statements. Corus does not anticipate that the damages which may be awarded in any material action of which the Company is currently aware will exceed its insurance coverage in a material way. While no assurance can be given that these proceedings will be favourably resolved, Corus does not believe that the outcome of these legal proceedings will have a material adverse impact on its financial position or results of operations.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Company, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is or has been, since the incorporation of the Company, a director or executive officer of any company that, while that person was acting in that capacity, (a) was the subject of a cease trade order or similar order or an order that denied the company access to any exemptions under Canadian securities legislation for a period of more than 30 consecutive days; (b) was subject to an event that resulted, after that person ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the company access to any exemption under Canadian securities legislation for a period of more than 30 consecutive days; or (c) has, since the incorporation of the Company, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

TRANSFER AGENTS

In Canada, CIBC Mellon Trust Company acts as Corus' transfer agent. In the United States, The Bank of New York Mellon acts as Corus' transfer agent.

MATERIAL CONTRACTS

Senior Secured Credit Facility

A syndicate of lenders has provided Corus with a senior secured revolving term credit facility (the "Revolving Facility") and a senior secured non-revolving term credit facility (the "Term Facility") under the Amended and Restated Credit Agreement dated as of January 23, 2006 (the "Credit Agreement").

The Revolving Facility consists of a committed credit of \$300 million that matures January 24, 2011. As a revolving facility, amounts borrowed may be repaid and re-borrowed as required through the term of the Revolving Facility. The commitment expires at the maturity date and there are no mandatory reductions to the committed amount, subject to certain covenants, during the term of the facility. As at August 31, 2007, \$115 million was drawn against the Revolving Facility.

The Term Facility amounts to \$500 million and matures January 24, 2011. Any amounts repaid before the maturity date may not be re-borrowed. The commitment expires at the maturity date and there are no mandatory reductions to the committed amount, subject to certain covenants, during the term of the facility. As at August 31, 2007 \$500 million was drawn against the Term Facility.

Advances under the Credit Agreement are available in either Canadian or U.S. dollars at the option of Corus. Interest rates applicable to Canadian dollar advances, at Corus' option, are equal to (i) the Canadian prime rate, or (ii) Bankers Acceptance rates for terms up to six months, plus, in each case, an applicable margin. Interest rates applicable to U.S. dollar advances, at Corus' option, are equal to (i) the U.S. base rate, or (ii) the U.S. London inter-bank offered rate ("LIBOR") for terms up to six months, plus, in each case, an applicable margin. Margins will vary based on the type of advance and debt to cash flow ratios achieved.

The Credit Agreement requires that Corus comply on a quarterly basis with certain financial covenants, including maximum debt to cash flow ratio tests and a minimum interest coverage ratio test. The Credit Agreement also includes negative covenants that, subject to certain exceptions, may restrict or limit the ability of Corus (and its significant operating subsidiaries) to, among other things, incur, assume or permit to exist additional indebtedness or encumbrances, engage in mergers, consolidations, amalgamations or other reorganizations, sell or otherwise dispose of significant assets, make investments, declare dividends or repurchase equity securities, engage in activities that adversely affect the ranking or validity of the lenders' security, or make optional prepayments on subordinated debt (excepting residual senior subordinated notes outstanding subsequent to the January 2006 completion of the tender offer and consent solicitation).

The Credit Agreement contains certain customary representations and warranties, positive covenants and events of default, including payment defaults, covenant defaults, cross-defaults to other material indebtedness or other material agreements, insolvency or bankruptcy defaults, material judgments, material breach of representations and warranties and failure to maintain security. If an event of default occurs and continues, the lenders are entitled to take all actions permitted to a secured creditor including the acceleration of amounts due.

The lenders under the Credit Agreement have a first ranking charge on the present and future property of Corus, including the present and future property of its significant operating subsidiaries. Those subsidiaries have provided guarantees to the lenders and securities pledge agreements have been entered into relative to the ownership interest in most of the significant operating subsidiaries.

Interest Rate Swaps

Corus has entered into Canadian interest rate swap agreements with certain Canadian banks (that are also lenders under the Credit Agreement) to fix the interest rate at 4.13% plus a margin on \$400 million of the Term Facility for the full term of the facility. These swap agreements are considered senior debt and are subject to the same covenants and security as available to the lenders under the Credit Agreement.

ADDITIONAL INFORMATION

Corus Entertainment Inc. shall provide to any person, upon request to the Secretary of the Company:

- a) when the securities of the Company are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities:
 - 1) one copy of the Annual Information Form of the Company, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form;
 - 2) one copy of the comparative financial statements of the Company for its most recently completed financial year together with the accompanying auditors' report and one copy of any subsequent interim financial statements of the Company;
 - 3) one copy of the information circular of the Company in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared in lieu of that information circular, as appropriate; and
 - 4) one copy of any other documents that are incorporated by reference into the short form prospectus or preliminary short form prospectus that are not mentioned in (1), (2) or (3) above.
- b) at any other time, one copy of any documents referred to in (a)(1), (2) and (3) above, provided the Company may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Company.

Additional information including directors' and officers' remunerations and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's Management Information Circular dated December 7, 2007. Additional financial information is provided in the Company's consolidated financial statements for its most recently completed financial year. A copy of such documents may be obtained upon request from the Company.

The Secretary of the Company can be contacted at:

Corus Entertainment Inc.
501, 630 - 3rd Avenue S.W.
Calgary, Alberta
T2P 4L4
Phone: (403) 444-4244

CORPORATE GOVERNANCE PRACTICES

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

The Company's Statement of Corporate Governance Practices as they compare to the TSX Guidelines on Corporate Governance, a statement of the significant ways that the Company's Corporate Governance Practices differ from the NYSE Corporate Governance Rules, charters of the Board of Directors and its committees, and the Code of Business Conduct may be found in the Company's most recently filed Management Information Circular, as well as on the Company's website at www.corusent.com.

Schedule A

AUDIT COMMITTEE CHARTER

1. Mandate

The mandate of the Audit Committee (the "Committee") shall be to: provide assistance to the Board of Directors (the "Board") of Corus Entertainment Inc. ("Corus" or the "Company") in fulfilling their oversight responsibilities relating to: (i) the integrity of the Company's financial statements; (ii) the Company's compliance with legal and regulatory requirements; (iii) the external auditor's qualifications and independence; and, (iv) the performance of the Company's internal audit function and external auditors.

In fulfilling its purpose, it is the responsibility of the Committee to maintain free and open communication between the Committee, external auditors, the internal auditors, and management of the Company, and to determine that all parties are aware of their responsibilities.

2. Composition and Operations

- 2.1 The Committee shall be composed of three or more unrelated and independent directors, as determined and appointed by the Board on an annual basis. "Unrelated and independent director" means a director who is independent of management of the Company and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Company. In this regard, to maintain their independence, members of the Committee may not accept any consulting, advisory or other compensatory fee (other than regular Board and Committee fees) from the Company or any of its affiliates. Members also may not receive any indirect payments from the Company or any of its affiliates, including payments (whether or not material) made to spouses or family members, or payments for services to law firms, accounting firms, consulting firms and investment banks for which the Committee member serves as a partner, member, managing director or executive. The members of the committee and the Chair will be appointed annually by the Board and each member shall serve until the next Annual General Meeting of the shareholders of the Company or until his or her earlier resignation or removal by the Board.
- 2.2 Every Committee member must be considered financially literate and at least one Committee member must be considered a financial expert. The definition of "financial literacy" and "financial expertise", and the determination of whether any given member of the Committee meets such definition, will be made by the Board, in consultation with the Corporate Governance Committee, in accordance with applicable laws, policies and guidelines of securities regulatory authorities.
- 2.3 The Committee should meet at least quarterly. Special meetings should be authorized at the request of any member of the Committee or at the request of the external auditor, internal auditor or senior members of management. The external auditors should have the right to attend all meetings of the Committee.
- 2.4 The Committee has access to Corus senior management and documents as required to fulfill its responsibilities and is provided with the resources necessary to carry out its responsibilities.
- 2.5 The Board should be kept informed of the Committee's activities by a report following each Committee meeting. The person designated to act as secretary should prepare minutes of all meetings, to be filed in the corporate records.
- 2.6 The Committee may at its discretion retain the services of independent outside advisors or counsel in consultation with the Executive Chair.
- 2.7 The secretary to the Committee shall be either the Corporate Secretary or a person delegated by the Chair and that person will be responsible to keep minutes of all meetings.

- 2.8 Notice of each meeting of the Committee shall be given to each member of the Committee as far in advance of the time for the meeting as possible, but in any event, not later than 24 hours preceding the time stipulated for the meeting (unless otherwise waived by all members of the Committee). Each notice of meeting shall state the nature of the business to be transacted at the meeting in reasonable detail and to the extent practicable, be accompanied by copies of documentation to be considered at the meeting.
- 2.9 A quorum for the transaction of business at a meeting shall consist of not less than a majority of the members of the Committee, which majority must include the Committee's designated financial expert. Members of the Committee may participate in any meeting by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other, and a member participating by any such means shall be deemed to be present at that meeting. Senior management of the Company and other parties may attend meetings of the Committee, as may be deemed appropriate by the Committee.

3. Duties and Responsibilities

The Committee has the responsibilities and powers set forth in this Charter:

General

- 3.1 The Committee shall review and reassess the charter at least annually and obtain the approval of the Board.
- 3.2 The Committee shall perform an evaluation of its performance at least bi-annually to determine whether it is functioning effectively.
- 3.3 The Committee shall review, at least on an annual basis, and approve the Company's policies for hiring existing and former employees and partners of the external auditors.
- 3.4 The Committee shall meet separately, periodically, as it deems appropriate, with management, with internal auditors and with external auditors.

Financial and other reports

- 3.5 The Committee shall review the Company's quarterly and annual financial statements, including Management's Discussion and Analysis, Annual Information Form, Management Information Circular and annual and interim earnings press releases that require approval by the Board prior to their release and make recommendations to the Board for their approval. In addition, the Committee will review any report of management that accompanies published financial statements.
- 3.6 The Committee's review of the annual audited financial statements shall include: (i) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles; (ii) major issues as to the adequacy of the Company's internal controls and any specific remedial actions adopted in light of material control deficiencies; (iii) discussions with management and the external auditors regarding significant financial reporting issues and judgments made in connection with the preparation of the financial statements and the reasonableness of those judgments; (iv) consideration of the effect of regulatory accounting initiatives, as well as off-balance sheet structures on the financial statements; (v) consideration of the judgment of both management and the external auditors about the quality and disclosure, not just the acceptability, of accounting principles; (vi) the clarity of the disclosures in the financial statements; and (vii) discussions with management and the external auditors regarding accounting adjustments that were noted or proposed by the external auditors but were "passed" (as immaterial or otherwise).
- 3.7 The Committee shall review with the external auditors any audit problems or difficulties encountered during the course of the audit work, including any restrictions on the scope of the external auditors' activities or access to requested information, and management's response.

- 3.8 The Committee shall review and discuss financial information and earnings guidance provided to analysts and rating agencies prior to their release.
- 3.9 The Committee shall, on an annual basis, review and assess the adequacy of the Company's procedures in place for the review of the Company's public disclosure of financial information, other than the information referred to in subsection 3.8.

Risk Management, Internal Controls and Information Systems

- 3.10 The Committee shall discuss with management, the internal auditors and the external auditors the adequacy and effectiveness of internal control over financial reporting, including any significant deficiencies or material weaknesses identified by management of the Company in connection with its required quarterly certifications with securities regulatory authorities.
- 3.11 Commencing August 31, 2006, the Committee shall review management's assessment of the effectiveness of internal control over financial reporting as of the end of the most recent fiscal year and the external auditor's report on management's assessment.
- 3.12 The Committee shall review with management, the external auditor and if necessary with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Company, and the manner in which these matters have been disclosed in the financial statements.
- 3.13 The Committee shall monitor compliance with statutory and regulatory observations.
- 3.14 The Committee is responsible for establishing appropriate processes and procedures surrounding the receipt, retention, and treatment of accounting, internal controls or auditing matter complaints received by the company. In addition the Committee shall ensure that the company has a mechanism to allow employees to communicate concerns regarding questionable accounting or auditing matters on a confidential, anonymous basis without fear of reprisal.
- 3.15 The Committee shall discuss the Company's policies with respect to risk assessment and risk management, including the risk of fraud. The Committee also shall discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- 3.16 The Committee shall review the process for identifying related party transactions.

External Audit Services

- 3.17 The external auditors will report directly to the Committee.
- 3.18 The Committee will recommend to the Board of Directors:
- (a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services of the Company; and
 - (b) the compensation of the external auditor.
- 3.19 The Committee will oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including but not limited to the following:
- (a) objectives and scope of audit, review or attest services
 - (b) reviewing the results of the external audit and any changes in accounting practices or policies and the financial statement impact thereof
 - (c) reviewing any accruals, provisions or estimates that have a significant effect upon the financial statements
 - (d) resolution of any disagreement between management and the external auditor regarding financial reporting.

- 3.20 The Committee will pre-approve all audit and non-audit services provided to the Company or its subsidiaries by the external auditors and shall not engage the external auditors to perform non-audit services proscribed by law or regulation.
- 3.21 The Committee may delegate to one or more members of the Committee the authority to pre-approve any audit and non-audit services up to a pre-determined cap in satisfaction of the requirement under subsection 3.20.
- 3.22 The pre-approval of audit and non-audit services pursuant to subsection 3.21 must be presented to the Committee at its first scheduled meeting following such pre-approval.
- 3.23 The Committee shall determine that the external audit firm has a process in place to address the rotation of the lead audit partner and other audit partners serving the account in accordance with applicable laws, policies and guidelines of securities regulatory authorities.
- 3.24 Annually, the Committee shall obtain and review a report by the external auditors describing : (i) the audit firm's internal quality control procedures; (ii) any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the audit firm, and any steps taken to deal with any such issues; and (iii) all relationships between the external auditors and the Company (to assess the auditor' independence).

4. Committee Timetable

The Committee shall fulfill its oversight responsibilities primarily by carrying out the activities set forth in a detailed quarterly schedule, as well as all such other actions which may be incidental thereto or which may be necessary for the Committee to comply with the spirit and intent of this Charter. The items enumerated in the schedule are not intended to be exhaustive of the duties of the Committee. The schedule is reviewed annually by the Board and may be supplemented and revised from time to time as may be appropriate.

5. Committee Chair - Job Description

At the time of the annual appointment of the members of the Audit committee, the Board of Directors shall appoint a Chair of the Audit Committee. The Chair shall: be a member of the Audit Committee, preside over all Audit Committee meetings, coordinate the Audit Committee's compliance with this charter, work with management to develop the Audit Committee's annual work-plan and provide reports of the Audit Committee to the Board. The Chair may vote on any matter requiring a vote and shall provide a second vote in the case of a tie vote.



UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

Corus Entertainment Inc. (the "Registrant") undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the staff of the Securities and Exchange Commission (the "SEC"), and to furnish promptly, when requested to do so by the SEC staff, information relating to the securities in relation to which the obligation to file an annual report on Form 40-F arises or transactions in said securities.

B. Consent to Service of Process

The Registrant has previously filed with the SEC a written irrevocable consent and power of attorney on Form F-X in connection with the Class B Non-Voting Shares.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

CORUS ENTERTAINMENT INC.

Date: November 28, 2007

By: /s/ THOMAS C. PEDDIE
Name: Thomas C. Peddie
Title: Senior Vice President and
Chief Financial Officer

EXHIBIT INDEX

- 99.1 Comparative consolidated financial statements for the year ended August 31, 2007, together with the auditors' reports thereon
- 99.2 Management's Discussion and Analysis of Operating Results and Financial Position
- 99.3 Consent of auditors - Ernst & Young LLP dated November 28, 2007.
- 99.4 Officers' certifications required by Rule 13a-14(a) or Rule 15d-14(a).
- 99.5 Officers' certifications required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.
- 99.6 Business Code of Conduct

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 judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the consolidated financial statements.

Corus 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. During the past year, management has continued to improve and document the design and operating effectiveness of internal control over external financial reporting. The results of management's work have been subjected to audit by the shareholders' auditors. As at year end, we have determined that internal control over financial reporting is effective and Corus Entertainment Inc. has achieved compliance with the requirements set by the U.S. Securities and Exchange Commission ("SEC") under Section 404 of the U.S. *Sarbanes-Oxley Act* ("SOX"). In compliance with Section 302 of SOX, Corus Entertainment Inc.'s Chief Executive Officer and Chief Financial Officer provided to the SEC a certification related to Corus Entertainment Inc.'s annual disclosure document in the U.S. (Form 40-F). The same certification was provided to the Canadian Securities Administrators.

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 and Chief Executive Officer

signed
Thomas C. Peddie FCA
Senior Vice President and Chief Financial Officer

To the shareholders of Corus Entertainment Inc.

We have audited the consolidated balance sheets of Corus Entertainment Inc. as at August 31, 2007 and 2006 and the consolidated statements of income and retained earnings and cash flows for each of the years in the three-year period ended August 31, 2007. 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 and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2007 and 2006 and the results of its operations and its cash flows for each of the years in the three-year period ended August 31, 2007 in accordance with Canadian generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Corus Entertainment Inc.'s internal control over financial reporting as of August 31, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 21, 2007 expressed an unqualified opinion thereon.

Toronto, Canada
November 21, 2007

signed
Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

The Board of Directors of Corus Entertainment Inc.

We have audited Corus Entertainment Inc.'s internal control over financial reporting as of August 31, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Corus Entertainment Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's responsibility for financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Corus Entertainment Inc. maintained, in all material respects, effective internal control over financial reporting as of August 31, 2007, based on the COSO criteria.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Corus Entertainment Inc. as at August 31, 2007 and 2006, and the related consolidated statements of income and retained earnings, and cash flows for each of the years in the three-year period ended August 31, 2007 and our report dated November 21, 2007 expressed an unqualified opinion thereon.

Toronto, Canada
November 21, 2007

signed
Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

Consolidated balance sheets
As at August 31

(thousands of Canadian dollars)

	2007	2006
Assets (note 12)		
CURRENT		
Cash and cash equivalents	33,347	43,636
Accounts receivable (notes 5 and 27)	151,380	142,934
Prepaid expenses and other	10,921	7,332
Program and film rights	125,068	104,723
Future tax asset (note 18)	13,518	14,535
TOTAL CURRENT ASSETS	334,234	313,160
Tax credits receivable	16,875	13,226
Investments and other assets (note 6)	17,492	29,642
Property, plant and equipment, net (note 7)	78,342	78,417
Program and film rights	90,687	79,380
Film investments (note 8)	66,593	60,779
Deferred charges (note 9)	4,100	5,655
Broadcast licenses (note 10)	532,812	505,212
Goodwill (note 10)	795,832	756,738
	1,936,967	1,842,209
Liabilities and shareholders' equity		
CURRENT		
Accounts payable and accrued liabilities (notes 11 and 27)	166,083	160,470
Income taxes payable	1,474	4,583
TOTAL CURRENT LIABILITIES	167,557	165,053
Long-term debt (note 12)	610,697	596,362
Other long-term liabilities (note 13)	64,773	71,470
Future tax liability (note 18)	102,851	80,447
Non-controlling interest	15,196	11,379
TOTAL LIABILITIES	961,074	924,711
SHAREHOLDERS' EQUITY		
Share capital (note 14)	882,244	870,563
Contributed surplus (note 15)	10,250	6,878
Retained earnings	95,568	51,585
Cumulative translation adjustment (note 23)	(12,169)	(11,528)
TOTAL SHAREHOLDERS' EQUITY	975,893	917,498
	1,936,967	1,842,209
Commitments, contingencies and guarantees (notes 12 and 26)		

See accompanying notes

On behalf of the Board:

signed

John M. Cassaday
Director

signed

Heather A. Shaw
Director

Consolidated statements of income and retained earnings
 Years ended August 31
 (thousands of Canadian dollars except per share amounts)

	2007	2006	2005
REVENUES (notes 25 and 27)	768,743	726,270	683,069
Direct cost of sales, general and administrative expenses (notes 14, 20, 23, 26 and 27)	527,822	512,151	487,758
Depreciation	21,556	21,302	23,710
Amortization	1,555	2,872	4,577
Interest expense (notes 12 and 16)	35,838	43,105	55,561
Debt refinancing loss (note 12)	-	131,951	-
Other expense, net (notes 6, 10, 11, 17 and 23)	9,800	11,667	(5,494)
INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	172,172	3,222	116,957
Income tax expense (recovery) (note 18)	59,813	(36,005)	42,810
Non-controlling interest	5,341	3,756	3,033
NET INCOME FOR THE YEAR	107,018	35,471	71,114
Retained earnings (deficit), beginning of year	51,585	50,802	(17,122)
Dividends (note 14)	(42,842)	(19,586)	(3,190)
Share repurchase excess (note 14)	(20,193)	(15,102)	-
RETAINED EARNINGS, END OF YEAR	95,568	51,585	50,802
EARNINGS PER SHARE (note 21)			
Basic	\$ 2.53	\$ 0.84	\$ 1.66
Diluted	\$ 2.47	\$ 0.82	\$ 1.65
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (in thousands)			
Basic	42,281	42,461	42,761
Diluted	43,328	43,247	43,095

See accompanying notes

Consolidated statements of cash flows
Years ended August 31

(thousands of Canadian dollars)	2007	2006	2005
Operating activities			
Net income for the year	107,018	35,471	71,114
Add (deduct) non-cash items			
Depreciation	21,556	21,302	23,710
Amortization of program and film rights	138,711	124,327	110,630
Amortization of film investments	38,781	39,450	43,693
Other amortization	1,555	2,872	4,577
Future income taxes	16,295	(74,232)	8,601
Non-controlling interest	5,341	3,756	3,033
Stock-based compensation	13,066	12,137	6,766
Debt refinancing loss	-	131,951	-
Other	849	3,078	(148)
Net change in non-cash working capital balances related to operations (note 22)	(27,810)	(9,898)	2,235
Payment of program and film rights	(156,220)	(134,751)	(122,368)
Net additions to film investments	(56,069)	(44,445)	(49,427)
CASH PROVIDED BY OPERATING ACTIVITIES	103,073	111,018	102,416
Investing activities			
Additions to property, plant and equipment	(20,287)	(23,598)	(19,217)
Business combinations (note 3)	(64,692)	-	-
Net proceeds from sale of other investments and assets	20,679	15,943	7,487
Decrease in public benefits associated with acquisitions	(6,498)	(9,594)	(9,893)
CASH USED IN INVESTING ACTIVITIES	(70,798)	(17,249)	(21,623)
Financing activities			
Increase (decrease) in bank loans	14,388	592,687	(34,017)
Notes repurchase and swap termination	(634)	(727,829)	-
Additions to deferred charges	-	(6,000)	(832)
Decrease in other long-term liabilities	(676)	(648)	(820)
Issuance of shares under stock option plan	26,915	5,981	1,650
Shares repurchased	(36,422)	(36,789)	-
Dividends paid	(44,845)	(10,547)	(3,190)
Dividends paid to minority shareholder	(1,524)	(5,304)	(937)
Other	234	230	208
CASH USED IN FINANCING ACTIVITIES	(42,564)	(188,219)	(37,938)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(10,289)	(94,450)	42,855
Cash and cash equivalents, beginning of year	43,636	138,086	95,231
CASH AND CASH EQUIVALENTS, END OF YEAR	33,347	43,636	138,086

Supplemental cash flow disclosures (note 22)

See accompanying notes

Note 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 Class B Non-Voting Shares are listed on the Toronto and New York Stock Exchanges.

Note 2. 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 ("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 Limited (80% interest), Teletatino Network Inc. (50.5% interest), Discovery Kids Canada (53.6% interest) and SCREAM (51% interest), as well as its proportionate share of the accounts of its joint ventures. 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, plant 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 monthly based on subscriber levels.

Product and distribution revenues from the distribution and licensing of film rights 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 has been delivered or 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. Non-refundable recoupable minimum guarantees received under licensing arrangements for home videos where film titles are cross-collateralized are deferred and recognized as revenue over the license term when the underlying home videos are sold as reported by third parties.

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

Non-refundable advances that are not cross-collateralized and royalties from merchandise licensing, publishing and music contracts are recognized when the license period has commenced and collection is reasonably assured. Advances that are cross-collateralized are deferred and recognized as revenue over the license term when the underlying royalties are reported as earned by third parties.

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 that 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.

Property, plant and equipment

Property, plant and equipment 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:

Broadcasting 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, feature films and radio programs. The assets and liabilities related to these rights are recorded when the license period has begun and all of the following conditions have been met: (i) the cost of the rights is known or reasonably determinable; (ii) the program material is accepted by the Company in accordance with the license agreement; and (iii) the material is available to the Company for airing. Long-term liabilities related to these rights are recorded at the net present values of future cash flows, using a discount rate that approximates the Company's weighted average cost of capital. 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 direct cost of sales, general and administrative expenses and has been disclosed separately in the consolidated statements of cash flows.

Film investments

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

The Company accounts for its film investments in accordance with the American Institute of Certified

Public Accountants ("AICPA") 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 direct cost of sales. 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 represent the accumulated costs of television series or feature films currently in production.

Completed project and distribution rights are stated at the lower of unamortized cost and 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 film investments, on a title-by-title basis. When an event or change in circumstances indicates that the fair value of a film is less than its unamortized cost, the fair value of the film is determined using management's estimates of future revenues under a discounted cash flow approach. A writedown is recorded equivalent to the amount by which the unamortized costs exceed the estimated fair value of the film.

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

Amortization of film investments is included in direct cost of sales, general and administrative expenses.

Deferred charges

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

Deferred charges are carried at the lower of cost less accumulated amortization and net recoverable amount.

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.

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 are 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 performs 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 approved 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 toward meeting the conditions of license; (ii) unearned revenue from the distribution and licensing of rights for feature films and television programs; and (iii) other items that meet the criteria for deferral.

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 that 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 net income for the year.

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 offset against the corresponding exchange gains or losses arising on the cross-currency agreements.

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

Financial instruments and hedging relationships

The Company uses derivative financial instruments to manage risks from fluctuations in exchange and interest rates. These instruments may include cross-currency and interest rate swap agreements. All such instruments are only used for risk management purposes. 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 offset against the corresponding exchange gains or losses on the hedged item. The carrying values of derivative financial instruments that do not qualify for hedge accounting are adjusted to reflect their current market value.

Stock-based compensation and other stock-based payments

The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option pricing model and expensed over the option's vesting period. Compensation expense related to the Performance Share Units and long-term incentive plan is accrued over the term of the service period based on the expected total compensation to be paid out at the end of the restriction period. Consideration paid by the Company under its Employee Share Purchase Plan is included in direct cost of sales, general and administrative expenses.

Earnings per share

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

Impairment of long-lived assets

When events or circumstances indicate potential impairment, long-lived assets, other than broadcast licenses and goodwill, are written down to their fair value if the net carrying amount of the asset exceeds the net recoverable amount, calculated as the sum of undiscounted cash flows related to the asset.

Note 3. Business combinations

In the first quarter of fiscal 2007, the Company completed the acquisition of an additional 10% share of TELETOON, to increase its ownership interest in this television network from 40% to 50%. The total cash consideration paid was \$46.6 million. This investment will continue to be accounted for as a joint venture, and as such the net assets acquired and results of operations are proportionately consolidated from the date of acquisition.

In the fourth quarter of fiscal 2007, the Company completed the acquisition of two radio stations. The total cash consideration paid was \$18.0 million. The Company has not yet finalized the valuation of intangible assets for the purpose of allocating the purchase cost of this acquisition.

The final TELETOON purchase equation and preliminary radio stations purchase equation, which were accounted for using the purchase method, are summarized below:

	TELETOON	Radio	Total
CONSIDERATION GIVEN:			
Cash	46,645	18,047	64,692
ASSIGNED VALUE OF NET ASSETS ACQUIRED:			
Current assets	1,473	1,307	2,780
Property, plant and equipment	48	1,346	1,394
Program and film rights	6,555	-	6,555
Investments and other assets	-	2,000	2,000
Broadcast licenses	22,000	5,600	27,600
Goodwill	28,586	10,508	39,094
Accrued liabilities	(4,890)	(1,330)	(6,220)
Deferred credits	-	(1,384)	(1,384)
Future tax liability	(7,127)	-	(7,127)
	46,645	18,047	64,692

Note 4. Joint ventures

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

	2007	2006
CONSOLIDATED BALANCE SHEETS		
Current assets	32,593	29,869
Long-term assets	28,370	19,114
Current liabilities	32,179	22,440
Long-term liabilities	225	-
CONSOLIDATED STATEMENTS OF INCOME		
Revenues	52,748	40,297
Expenses	36,484	29,610
NET INCOME	16,264	10,687
CONSOLIDATED STATEMENTS OF CASH FLOWS		
Operating activities	12,769	8,129
Investing activities	1,102	1,059

Note 5. Accounts receivable

	2007	2006
Trade	143,718	137,126
Other (note 27)	10,534	8,901
	154,252	146,027
Less allowance for doubtful accounts	2,872	3,093
	151,380	142,934

Note 6. Investments and other assets

	2007	2006
Astral Media Inc. (a)	-	13,861
Investments at equity	10,057	9,768
Other (b)	7,435	6,013
	17,492	29,642

(a) Astral Media Inc.

In fiscal 2007, the Company disposed of its shares in Astral Media Inc. for proceeds of \$14,568. The Company recorded a gain of \$707 on this disposal, which was recorded in other expense, net.

(b) Other investments

Other investments consist primarily of financing provided to the Company's digital channels, long-term portion of loans to executive officers (note 27) and other investments accounted for on a cost basis.

Note 7. Property, plant and equipment, net

2007	Cost	Accumulated depreciation	Net book value
Broadcasting equipment	38,135	26,575	11,560
Production equipment	95,009	80,402	14,607
Leasehold improvements	38,856	23,657	15,199
Buildings	23,262	9,992	13,270
Computer equipment	56,867	45,812	11,055
Furniture and fixtures	22,456	19,380	3,076
Land	6,814	-	6,814
Other	4,539	1,778	2,761
	285,938	207,596	78,342

2006	Cost	Accumulated depreciation	Net book value
Broadcasting equipment	35,005	24,121	10,884
Production equipment	89,660	75,779	13,881
Leasehold improvements	38,580	22,787	15,793
Buildings	23,094	9,143	13,951
Computer equipment	49,666	37,917	11,749
Furniture and fixtures	21,752	18,112	3,640
Land	6,814	-	6,814
Other	4,216	2,511	1,705
	268,787	190,370	78,417

Note 8. Film investments	2007	2006
Projects in development and in process, net of advances	22,772	21,654
Completed projects and distribution rights	28,874	28,721
Investments in third-party-produced film projects	14,947	10,404
	66,593	60,779

During fiscal 2007, the Company reduced its investments in film and television programs by anticipated federal and Ontario production tax credits amounting to \$16,213 (2006 - \$11,292).

The Company expects that 29% and 68% of the net book value of completed projects and distribution rights will be amortized during the year ending August 31, 2008 and three years ending August 31, 2010, respectively. It is estimated that at least 80% will be amortized within four years.

The Company expects that \$2,837 of accrued participation liabilities will be paid during the year ending August 31, 2008.

Note 9. Deferred charges

2007	Cost	Accumulated amortization	Net book value
Financing costs and credit facility arrangement fees	6,000	1,900	4,100

2006	Cost	Accumulated amortization	Net book value
Financing costs and credit facility arrangement fees	6,000	700	5,300
Start-up costs of new specialty programming networks	5,264	4,909	355
	11,264	5,609	5,655

Note 10. Broadcast licenses and goodwill

At August 31, 2007, 2006 and 2005, the Company performed its annual impairment test of broadcast licenses and goodwill and determined that there was no impairment for the years ended August 31, 2007 and 2006. For the year ended August 31, 2005, the Company determined that there was an impairment of \$4,108 in the broadcast licenses related to three radio stations. This impairment charge is included in other expense, net.

To determine the amount of impairment, management uses a fair value methodology based on market transaction multiples for comparable businesses applied to forecasted operating income used to evaluate the reporting units' performance. Estimates of forecasted operating income involve measurement uncertainty and it is therefore possible that reductions in the carrying value of broadcast licenses and goodwill may be required as a result of changes in management's future revenue estimates. Actual results may differ from estimates and as a consequence a material impairment charge may be recorded.

During fiscal 2007, the Company completed the acquisition of an additional 10% share of TELETOON and the acquisition of two radio stations. The impact of these transactions was to increase broadcast licenses by \$27,600 and increase goodwill by \$39,094.

Note 11. Accounts payable and accrued liabilities

	2007	2006
Trade accounts payable and accrued liabilities (a)	82,270	81,315
Program rights payable	75,081	68,250
Film investment accruals	1,696	1,866
Dividends payable	7,036	9,039
	166,083	160,470

(a) Restructuring provision

In fiscal 2006, the Company recorded restructuring expenses of \$11,433 in the Radio and Content segments related primarily to severance and other restructuring activities. In fiscal 2007, the Company recorded an additional \$10,393 in restructuring expenses, related primarily to severance and other restructuring activities in the Television segment in the first quarter, and severances in the Montréal radio cluster in the fourth quarter. These costs are included in other expense, net. To date, \$18,075 has been paid in respect of these provisions, and as at August 31, 2007, \$3,751 remains unpaid. The Company anticipates that these provisions will be substantially paid in fiscal 2008.

Note 12. Long-term debt

	2007	2006
Senior Subordinated Notes translated at the current rate (a)	-	601
Bank loans (b)	610,697	595,761
	610,697	596,362

(a) Senior Subordinated Notes

On March 7, 2002, Corus issued U.S.\$375,000 aggregate principal amount of 8.75% Senior Subordinated Notes (the "Notes") due in 2012 at a price of 99.186% of their aggregate principal amount. The Company entered into cross-currency agreements to fix the liability for interest and principal payments on the Notes. The agreements 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, translating to approximately Cdn.\$604,000.

On December 15, 2005, the Company commenced a cash tender offer and consent solicitation for its Notes. On January 23, 2006, the Company completed its tender offer for the Notes, and as a result U.S.\$373,646 of the Notes were acquired by the Company and cancelled, leaving U.S.\$1,354 outstanding. Concurrently, the cross-currency agreements were effectively terminated. The remaining Notes were acquired through the remainder of fiscal 2006 and fiscal 2007, and as at August 31, 2007, no Notes remain outstanding.

(b) Bank loans

In order to fund the purchase of the Notes, the Company's credit facility with a syndicate of banks was amended and its operating loan facility was terminated. The amendment resulted in an extension of the maturity of the credit facility to January 24, 2011. The amount committed is \$800,000, of which \$300,000 is available on a revolving basis (the "Revolving Facility") and \$500,000 on a non-revolving basis (the "Term Facility"), and is repayable at maturity. Funds are available to the Company in both Canadian and U.S. dollars and charge interest on a fluctuating basis plus a margin. Other terms of the amended credit facility are substantially similar to the prior credit facility. As at August 31, 2007, \$115,000 of the Revolving Facility and all of the Term Facility were utilized in Canadian dollars.

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and LIBOR. As at August 31, 2007, the weighted average interest rate on the outstanding bank loans was 5.9%. The Company has entered into Canadian interest rate swap agreements to fix the interest rate at 4.13% plus a margin on \$400,000 of the Term Facility for the full term of the facility. Interest on the bank loans averaged 5.4% for the year ended August 31, 2007 (2006 - 5.2%).

The above transactions resulted in the Company recording a \$131,951 debt refinancing loss in fiscal 2006. The components of this loss include mark-to-market payments on the cross-currency agreement termination, consent and tender premiums, the write-off of deferred financing charges and underwriting and other fees.

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 as at August 31, 2007.

Note 13. Other long-term liabilities

	2007	2006
Public benefits associated with acquisitions	7,200	11,615
Unearned revenue from distribution and licensing of film rights	9,403	11,415
Program rights payable	32,079	31,389
Stock-based compensation obligation	4,947	6,212
Other	11,144	10,839
	64,773	71,470

Note 14. Share capital

Authorized

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

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

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

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

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

Issued and outstanding

The changes in the Class A Voting Shares and Class B Non-Voting Shares since August 31, 2005 are summarized as follows:

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	\$	#	\$	\$
BALANCE, AUGUST 31, 2005	1,724,929	26,715	41,078,119	859,196	885,911
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(1,000)	(15)	1,000	15	-
Issuance of shares under Stock Option Plan	-	-	237,110	6,109	6,109
Shares repurchased	-	-	(1,034,700)	(21,687)	(21,687)
Repayment of executive stock purchase loans	-	-	-	230	230
BALANCE, AUGUST 31, 2006	1,723,929	26,700	40,281,529	843,863	870,563
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(1,000)	(16)	1,000	16	-
Issuance of shares under Stock Option Plan	-	-	998,868	27,676	27,676
Shares repurchased	-	-	(769,100)	(16,229)	(16,229)
Repayment of executive stock purchase loans	-	-	-	234	234
BALANCE, AUGUST 31, 2007	1,722,929	26,684	40,512,297	855,560	882,244

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 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 as at August 31, 2007, and the changes since August 31, 2005, is presented as follows:

	Number of options (#)	Weighted average exercise price (\$)
OUTSTANDING, AUGUST 31, 2005	3,438,489	27.49
Granted	272,000	32.39
Forfeited	(43,737)	30.62
Exercised	(237,110)	25.23
OUTSTANDING, AUGUST 31, 2006	3,429,642	28.00
Forfeited	(44,023)	32.60
Exercised	(998,868)	26.95
OUTSTANDING, AUGUST 31, 2007	2,386,751	28.36

The fair value of each option granted since September 1, 2003 was estimated on the date of grant using the Black-Scholes option pricing model. No options were granted during fiscal 2007. The weighted average fair value of the stock options granted during fiscal 2006 was \$11.16 per option (2005 - \$9.02). The estimated value of the options is amortized to income over the options' vesting period on a straight-line basis. The Company has recorded stock-based compensation expense for the year ended August 31, 2007 of \$3,003 (2006 - \$2,915; 2005 - \$2,271). This charge has been credited to contributed surplus.

As at August 31, 2007, the options outstanding and exercisable consist of the following:

Range of exercise prices (\$)	Options outstanding			Options exercisable	
	Number outstanding (#)	Weighted average remaining contractual life (years)	Weighted average exercise price (\$)	Number outstanding (#)	Weighted average exercise price (\$)
19.05-24.95	1,228,089	3.6	22.93	891,714	22.58
27.00-37.90	866,477	2.7	31.94	660,327	31.82
39.00-44.00	292,185	0.6	40.56	292,185	40.56
19.05-44.00	2,386,751	2.9	28.36	1,844,226	28.73

Dividends

The holders of Class A Voting Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors determines to declare on a share-for-share basis, as and when any such dividends are declared or paid. The holders of Class B Non-Voting Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Voting Shares, 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 Shares and Class B Non-Voting Shares participate equally, on a share-for-share basis, on all subsequent dividends declared.

On December 9, 2003, the Board of Directors of Corus approved a semi-annual dividend for holders of Class A Voting Shares and Class B Non-Voting Shares of \$0.02 and \$0.025, respectively. On April 14, 2005, the Board of Directors approved an increase in its semi-annual dividend to holders of Class A Voting Shares and Class B Non-Voting Shares to \$0.045 and \$0.05, respectively. On January 12, 2006, the Board of Directors approved an increase in its dividend, to be paid quarterly, to holders of Class A Voting Shares and Class B Non-Voting Shares to \$0.0975 and \$0.010, respectively. On July 13, 2006, the Board of Directors approved an increase in its quarterly dividend to holders of Class A Voting Shares and Class B Non-Voting Shares to \$0.2125 and \$0.215, respectively. On April 3, 2007, the Board of Directors approved an increase of \$0.14 to the annual dividend rate and the commencement of monthly instead of quarterly dividend payments.

In fiscal 2007, the Company paid quarterly dividends on September 30, 2006, December 31, 2006 and March 31, 2007, and monthly dividends each month thereafter. The total amount of dividends declared in fiscal 2007 was \$42,842 (2006 - \$19,586).

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. As at August 31, 2007, the Company had loans receivable of \$946 (2006 - \$1,180) from certain qualifying executive officers. As at August 31, 2007, the market value of the shares held as collateral for the loans was \$2,669 (2006 - \$2,111).

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 ("TSX") at the end of the restrictions period, multiplied by the number of vested units determined by achievement of specific performance-based criteria. The restriction period for PSUs granted in fiscal 2005 ended August 31, 2007; the restriction period for PSUs granted in fiscal 2006 ends August 31, 2008; and the restriction period for PSUs granted in fiscal 2007 ends August 31, 2009. The employee must be actively employed by Corus as of the end of the restriction period 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 stock-based compensation expense recorded for the year ended August 31, 2007, in respect of this plan, was \$6,059 (2006 - \$8,689). The current year's expense includes a credit of \$2,874 generated by a total return swap entered into in fiscal 2007 in order to limit the Company's exposure to changes in the fair value of certain obligations under the PSU plan.

Long-term incentive plan

In fiscal 2006, the Company implemented a new long-term plan for senior management based on shareholder appreciation targets of 13.5%, 16% and 20% over a cumulative five-year period and peer group performance. The plan is intended to encourage and reward outstanding performance by plan participants if certain performance measures are met. The plan is also designed to act as a retention tool. The plan has two performance measures. The first measure is absolute annualized shareholder return and represents 80% of the potential award. The annual volume weighted return is based on three target levels of 13.5%, 16% and 20%. The second measure is relative performance against relevant peer companies and represents 20% of the potential award. The participant is not eligible to receive an award until two years after achieving the target and the award will vest at the rate of one-third on the third anniversary, one-third on the fourth anniversary and one-third on the fifth anniversary. The obligation will be funded by the purchase of Corus shares in the open market. The Company has recorded stock-based compensation expense for the year of \$1,130 (2006 - \$533). This charge has been credited to contributed surplus.

Normal Course Issuer Bid

On February 12, 2007, the Company announced that the TSX had accepted the notice filed by the Company of its intention to renew its normal course issuer bid for its Class B Non-Voting Shares through the facilities of the TSX. The Company intends to purchase for cancellation a maximum of 1,500,000 Class B Non-Voting Shares.

During the year ended August 31, 2007, the Company repurchased and cancelled 769,100 Class B Non-Voting Shares at an average price of \$47.36 per share, for a total cash consideration of \$36,422. This cash consideration exceeded the carrying value of the shares repurchased by \$20,193, which amount was charged to retained earnings.

Pro forma impact of stock-based compensation

For options granted to employees up to August 31, 2003, had compensation costs 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:

	2007	2006	2005
Net income	107,018	35,471	71,114
Pro forma net income	106,951	34,284	69,598
Pro forma basic earnings per share	\$ 2.53	\$ 0.81	\$ 1.63
Pro forma diluted earnings per share	\$ 2.47	\$ 0.79	\$ 1.62

Note 15. Contributed surplus

BALANCE, AUGUST 31, 2005			3,558
Stock-based compensation			3,448
Exercise of stock options			(128)
BALANCE, AUGUST 31, 2006			6,878
Stock-based compensation			4,133
Exercise of stock options			(761)
BALANCE, AUGUST 31, 2007			10,250

Note 16. Interest expense

	2007	2006	2005
Interest on long-term debt	33,553	41,383	54,859
Other interest	2,285	1,722	702
	35,838	43,105	55,561

Note 17. Other expense, net

	2007	2006	2005
Interest income	(841)	(2,643)	(2,995)
Foreign exchange gains and losses	109	487	(3,338)
Earnings from equity investments	857	(1,004)	(1,607)
Restructuring charges	10,393	11,433	-
Asset disposal gains and losses	(1,448)	2,801	(1,046)
Mark-to-market on derivative	-	-	(4,377)
Broadcast license impairment	-	-	4,108
Retroactive tariff adjustment	-	-	3,826
Other	730	593	(65)
	9,800	11,667	(5,494)

Note 18. 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:

	2007	2006
FUTURE TAX LIABILITY		
Deferred charges deducted for tax purposes capitalized for accounting purposes	846	840
Capital cost allowance in excess of book depreciation, net	(95)	131
Deferred partnership income	4,611	4,206
Differences in tax and accounting cost bases for investments	14,909	14,526
Broadcast licenses and other intangible assets	144,804	136,507
Other, net	2,787	2,620
TOTAL FUTURE TAX LIABILITY	167,862	158,830
FUTURE TAX ASSET		
Book depreciation in excess of capital cost allowance	27,356	26,640
Loss carryforwards, net of valuation allowances	28,760	43,033
Amortization deducted for accounting purposes in excess of tax purposes	1,442	17,706
Differences in tax and accounting cost bases for investments	17,660	1,747
Revenue recognition differences between tax and accounting purposes	993	1,058
Purchase price equation differences	56	57
Other, net	2,262	2,677
TOTAL FUTURE TAX ASSET	78,529	92,918
NET FUTURE TAX LIABILITY	89,333	65,912
Less current portion of future tax asset	13,518	14,535
FUTURE TAX LIABILITY	102,851	80,447

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

	2007	2006	2005
Current tax expense	43,518	38,227	34,209
Future tax expense (recovery) relating to origination and reversal of temporary differences	3,189	(12,978)	2,559
Future tax expense (recovery) resulting from utilization (recognition) of losses	14,293	(24,552)	9,035
Future tax expense (recovery) resulting from tax rate changes	(1,631)	(11,835)	254
Recovery of various future tax liabilities	-	(25,187)	-
Other	444	320	(3,247)
INCOME TAX EXPENSE (RECOVERY)	59,813	(36,005)	42,810

Included in income tax recovery for fiscal 2006 is a change in long-term future tax rates resulting in a recovery of \$11,835 and a recovery of \$25,187 relating to future tax liabilities that are deemed in the current period to be no longer required as the result of various tax planning strategies.

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

	2007		2006		2005	
	\$	%	\$	%	\$	%
Tax at combined federal and provincial rate	61,055	35.5	1,133	35.2	41,356	35.4
Differences from statutory rates relating to amortization of intangible assets	(122)	(0.1)	243	7.5	166	0.1
Non-taxable portion of net capital gains on sale of investments	(1,319)	(0.8)	(4,221)	(131.0)	(19)	-
Increase (reduction) in future taxes resulting from statutory rate change	(1,631)	(0.9)	(11,835)	(367.3)	254	0.2
Reversal in current year of temporary differences originally recorded using long-term tax rates	(382)	(0.2)	2,368	73.5	-	-
Large Corporations Tax and foreign withholding tax	401	0.2	600	18.6	1,617	1.4
Recovery of various future tax liabilities	1,016	0.6	(25,187)	(781.7)	-	-
Other	795	0.4	894	27.7	(564)	(0.5)
	59,813	34.7	(36,005)	(1,117.5)	42,810	36.6

(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. As at August 31, 2007, the Company had available loss carryforwards of approximately \$109,400. A future tax asset of \$37,600 (2006 - \$49,600) has been recognized in respect of these carryforwards, net of a valuation allowance of \$8,800 (2006 - \$7,300).

The available loss carryforwards will expire as follows:

2008	1,900
2009	7,400
2010	2,800
2011	5,400
2015	3,600
2026	69,700
2027	1,400
No expiration - capital losses	17,200
	109,400

Note 19. Business segment information

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

Radio

The Radio segment consists of 52 radio 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, conventional television stations, a digital music service and cable advertising services, and the Nelvana production studio. Revenues are generated from subscriber fees and advertising.

Content

The Content segment includes the production and distribution of television programs and the sale and licensing of related products. Revenues are generated from licensing of proprietary films and television programs, merchandise licensing and publishing.

The Content segment derives programs for distribution through two means: (1) production by the Nelvana studio; and (2) acquisition from third-party producers. Prior to fiscal 2007, the studio was considered to be part of the Content segment. As a result of changes made to Corus' management structure in early fiscal 2007, the production studio is now considered part of the Television segment and the activities of the studio are included in Television's results. The segment results of Television and Content for the prior year have been restated to reflect certain aspects of this change. The impact of the items restated on fiscal 2006 is to increase Television's revenues and segment profit by \$8,507 and \$1,053 for the year, with a corresponding decrease in Content. For other aspects of the new business relationship between the Content and Television segments, it is impracticable to restate prior years.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Management evaluates each business segment's performance based on revenues less direct cost of sales, general and administrative expenses. Transactions between reporting segments are recorded at fair value.

(a) Revenues and segment profit

Year ended August 31, 2007

	Radio	Television	Content	Corporate	Eliminations	Consolidated
Revenues	275,736	436,270	61,325	-	(4,588)	768,743
Direct cost of sales, general and administrative expenses	198,201	253,822	55,883	24,844	(4,928)	527,822
Segment profit	77,535	182,448	5,442	(24,844)	340	240,921
Depreciation	6,195	10,908	256	4,197	-	21,556
Amortization	-	355	-	1,200	-	1,555
Interest expense	-	-	-	35,838	-	35,838
Other expense, net	3,911	6,156	2,876	(3,143)	-	9,800
INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	67,429	165,029	2,310	(62,936)	340	172,172

Year ended August 31, 2006

	Radio	Television	Content	Corporate	Eliminations	Consolidated
Revenues	268,367	401,856	63,618	-	(7,571)	726,270
Direct cost of sales, general and administrative expenses	200,015	236,563	59,118	23,998	(7,543)	512,151
Segment profit	68,352	165,293	4,500	(23,998)	(28)	214,119
Depreciation	6,899	10,493	149	3,761	-	21,302
Amortization	-	1,065	-	1,807	-	2,872
Interest expense	-	-	-	43,105	-	43,105
Debt refinancing loss	-	-	-	131,951	-	131,951
Other expense, net	4,000	901	6,468	298	-	11,667
INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	57,453	152,834	(2,117)	(204,920)	(28)	3,222

Year ended August 31, 2005

	Radio	Television	Content	Corporate	Eliminations	Consolidated
Revenues	252,685	354,201	82,318	-	(6,135)	683,069
Direct cost of sales, general and administrative expenses	183,680	213,419	78,750	18,611	(6,702)	487,758
Segment profit	69,005	140,782	3,568	(18,611)	567	195,311
Depreciation	6,979	9,060	3,926	3,745	-	23,710
Amortization	-	1,859	-	2,718	-	4,577
Interest expense	-	-	-	55,561	-	55,561
Other expense, net	7,982	312	(3,641)	(10,147)	-	(5,494)
INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	54,044	129,551	3,283	(70,488)	567	116,957

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

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

	2007	2006	2005
Canada	718,053	675,199	624,130
United States	26,708	28,798	25,754
International	23,982	22,273	33,185
	768,743	726,270	683,069

Corus' revenue streams for fiscal 2007 are derived primarily from three areas: advertising (57%), subscriber fees (29%) and license fees (6%) (2006 - 58%, 28% and 5%, respectively).

(b) Segment assets

	2007	2006
Radio	725,410	706,007
Television	1,065,585	945,129
Content	80,723	98,935
Corporate	68,519	94,836
Eliminations	(3,270)	(2,698)
	1,936,967	1,842,209

Assets are located primarily within Canada.

(c) Capital expenditures by segment

	2007	2006	2005
Radio	7,745	11,253	4,733
Television	7,522	5,254	7,052
Content	290	3,289	2,622
Corporate	4,730	3,802	4,810
	20,287	23,598	19,217

Property, plant and equipment are located primarily within Canada.

(d) Goodwill

	2007	2006
Radio	417,961	407,453
Television	370,425	341,839
Content	7,446	7,446
	795,832	756,738

Goodwill is located primarily within Canada.

Note 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.

(iv) Other long-term liabilities

The fair values of other long-term liabilities approximate their carrying values as they are recorded at the net present values of future cash flows, using a discount rate that approximates the Company's weighted average cost of capital.

(v) Derivative financial instruments

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

The estimated fair values of these agreements are as follows:

	2007		2006	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Interest rate swap agreements	-	8,767	-	2,012
Total return swap agreements	(497)	(497)	-	-

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 interest rate swap 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.

Note 21. Earnings per share

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

	2007	2006	2005
Net income for the year (numerator)	107,018	35,471	71,114
Weighted average number of shares outstanding (denominator)			
Weighted average number of shares outstanding - basic	42,281	42,461	42,761
Effect of dilutive securities	1,047	786	334
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED	43,328	43,247	43,095

Note 22. Consolidated statements of cash flows

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

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

	2007	2006	2005
Accounts receivable	(10,275)	14,509	(13,055)
Prepaid expenses and other	(2,586)	3,435	(1,794)
Accounts payable and accrued liabilities	(9,939)	(28,160)	6,040
Income taxes payable	(3,240)	1,546	(1,497)
Deferred credits	(1,662)	1,223	12,354
Other	(108)	(2,451)	187
	(27,810)	(9,898)	2,235

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

	2007	2006	2005
Interest paid	33,928	61,025	53,855
Interest received	841	2,643	2,995
Income taxes paid	47,646	38,218	36,279

Note 23. Foreign exchange gains and losses

The Company has reflected certain gains and losses in its consolidated statements of income and retained earnings as a result of exposure to foreign currency exchange rate fluctuations. A portion of these gains and losses relate to

operating activities while other portions are of a financing nature. Foreign exchange gains and losses are reflected in the consolidated financial statements as follows:

	2007	2006	2005
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS			
Direct cost of sales, general and administrative expenses	(363)	(511)	(825)
Other expense, net	109	487	(3,338)
TOTAL FOREIGN EXCHANGE GAIN	(254)	(24)	(4,163)

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

BALANCE, AUGUST 31, 2005	(10,009)
Effect of exchange rate fluctuation on translation of net assets of self-sustaining foreign operations	(1,519)
BALANCE, AUGUST 31, 2006	(11,528)
Effect of exchange rate fluctuation on translation of net assets of self-sustaining foreign operations	(641)
BALANCE, AUGUST 31, 2007	(12,169)

Note 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

	2007	2006	2005
NET INCOME USING CANADIAN GAAP	107,018	35,471	71,114
Add (deduct) adjustments for			
Deferred charges (i)	251	752	1,858
Other	-	447	-
Income tax effect of adjustments	(90)	(291)	(764)
NET INCOME USING U.S. GAAP	107,179	36,379	72,208
Add (deduct) adjustments for changes in			
Unrealized gains on investments classified as available for sale, net of tax (ii)	129	1,235	1,864
Unrealized gain (loss) on derivative contracts (iii)	5,540	69,847	(41,634)
Unrealized foreign exchange loss on translation of self-sustaining foreign operations	(641)	(1,519)	(3,418)
COMPREHENSIVE INCOME USING U.S. GAAP	112,207	105,942	29,020
NET INCOME PER SHARE USING U.S. GAAP			
Basic	\$ 2.53	\$ 0.86	\$ 1.69
Diluted	\$ 2.47	\$ 0.84	\$ 1.68
COMPREHENSIVE INCOME PER SHARE USING U.S. GAAP			
Basic	\$ 2.65	\$ 2.50	\$ 0.68
Diluted	\$ 2.59	\$ 2.45	\$ 0.67

Balance sheet items using U.S. GAAP

	2007		2006	
	Canadian GAAP	U.S. GAAP	Canadian GAAP	U.S. GAAP
Investments and other assets (ii)	17,492	25,974	29,642	31,166
Deferred charges (i)	4,100	4,100	5,655	5,300
Broadcast licenses and goodwill (iv)	1,328,644	1,336,929	1,261,950	1,270,235
Future tax liability	102,851	107,853	80,447	84,070
Non-controlling interest	15,196	15,196	11,379	11,275
Accumulated other comprehensive loss	-	(5,162)	-	(10,190)
Other components of shareholders' equity	975,893	992,820	917,498	933,623

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

	2007	2006
Accumulated other comprehensive loss		
Unrealized losses on investments (ii)	(183)	(312)
Unrealized gain on derivative contracts (iii)	7,190	1,650
Unrealized foreign exchange loss on translation of self-sustaining foreign operations	(12,169)	(11,528)
Other components of shareholders' equity		
Deferred charges (i)	-	(161)
Equity in earnings of investees (iv)	4,758	4,758
Cumulative translation adjustment	12,169	11,528
TOTAL CUMULATIVE EFFECT OF ADJUSTMENTS ON SHAREHOLDERS' EQUITY	11,765	5,935

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

(i) **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.

(ii) **Unrealized gains 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. The Company has determined that the decline in fair value is not other-than-temporary, based on the financial condition of the issuer and the fact that the Company has the intent and ability to retain its investment in the issuer for a period of time sufficient to allow for an anticipated recovery in market value. The Company has considered evidence, such as industry analyst reports, that supports this conclusion.

(iii) **Derivative instruments and hedging activities**

Under U.S. GAAP, all derivative instruments are to be recorded on the consolidated balance sheets 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.

(iv) **Equity in earnings of investees**

Under Canadian GAAP, the investments 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 is used from the date the Company first acquired shares in Nelvana and WIC.

(b) Stock-based compensation

For stock options granted to employees after August 31, 2003, the Company has adopted the fair value method of accounting. The Company applies Accounting Principles Board Opinion No. 25 in accounting for stock options granted to employees and officers prior to September 1, 2003. Had compensation expense been determined on the basis of the estimated fair values of the options granted prior to September 1, 2003, net income for the year ended August 31, 2007 would have decreased by \$67 to \$107,112, or \$2.53 per share (2006 - net income would have decreased by \$1,270 to \$35,109, or \$0.83 per share; 2005 - net income would have decreased by \$4,198 to \$68,010, or \$1.59 per share).

Note 25. Government financing and assistance

Revenues include \$1,708 (2006 - \$2,845; 2005 - \$2,053) 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 \$804 (2006 - \$939; 2005 - \$1,011) of government grants relating to the marketing of books in both Canada and international markets. The majority of the grants are repayable if the average profit margin for the three-year period following receipt of the funds equals or is greater than 10%.

Note 26. Commitments, contingencies and guarantees

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 facilities and equipment in each of the next five years and thereafter as follows:

2008	25,880
2009	19,471
2010	20,763
2011	18,735
2012	13,057
Thereafter	198,501
	<u>296,407</u>

Rental expenses recognized in direct cost of sales, general and administrative expenses totaled approximately \$13,180 (2006 - \$13,070; 2005 - \$13,411).

The Company has entered into various agreements for the right to broadcast or distribute certain film and television programs in the future. These agreements, which range in term from one to five years, generally commit the Company to acquire specific films and television programs or certain levels of future productions. The acquisition of these broadcast and distribution rights is contingent on the actual delivery of the productions. Management estimates that these agreements will result in future program and film expenditures of approximately \$250,153.

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

Many of the Company's agreements, specifically those related to acquisitions and dispositions of business assets, included indemnification provisions where the Company may be required to make payments to a vendor or purchaser for breach of fundamental representation and warranty terms in the agreements with respect to matters such as corporate status, title of assets, environmental issues, consents to transfer, employment matters, litigation, taxes payable and other potential material liabilities. The maximum potential amount of future payments that the Company could be required to make under these indemnification provisions is not reasonably quantifiable as certain indemnifications are not subject to a monetary limitation. As at August 31, 2007, management believed there was only a remote possibility that the indemnification provisions would require any material cash payment.

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

In fiscal 2005, Corus and a related party entered into a contra agreement for the exchange of \$2,500 in media time annually for a five-year period. The Company's obligation will be settled with a combination of radio and television spots. In addition, the Company will provide a total of \$1,000 annually in direct response promotions for the related party.

On December 14, 2006, the Federal Court of Canada ruled that the Part II license fees paid by CRTC licensees are an unlawful tax. Corus has paid these fees since the Company's inception in 1999, and in fiscal 2006 the Company remitted approximately \$5.0 million in Part II license fees to the CRTC. The Company has concluded that it is not appropriate to accrue for these fees in its results for fiscal 2007. The decision is subject to appeal, and the outcome of any appeal may have a detrimental impact on the future financial results of the Company.

Note 27. Related party transactions

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

During the year, the Company received cable service subscriber, programming and advertising fees of \$104,402 (2006 - \$92,837; 2005 - \$94,633), production and distribution revenue of \$3,487 (2006 - \$2,853; 2005 - \$2,463) and administrative and other fees of \$5,006 (2006 - \$5,968; 2005 - \$6,561) from related parties. In addition, the Company paid cable and satellite system distribution access fees of \$4,493 (2006 - \$4,441; 2005 - \$4,800) and administrative and other fees of \$2,604 (2006 - \$2,106; 2005 - \$2,007) to related parties. As at August 31, 2007, the Company had \$19,328 (2006 - \$17,446) receivable from related parties.

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

Included in accounts receivable (note 5), other investments (note 6(b)) and share capital (note 14) are loans of \$1,706 (2006 - \$6,074) made to certain executive officers of the Company for housing or investment purposes. The loans are collateralized by charges on the officers' personal residences and/or by related investment. The loans are non-interest bearing and are due between December 1, 2011 and October 31, 2022.

Note 28. Employee future benefits

The Company has a defined contribution plan for qualifying full-time employees. Under the plan, the Company contributes 5% of an employee's earnings, not exceeding the limits set by the *Income Tax Act* (Canada). The amount contributed in 2007 related to the defined contribution plan was \$5,836 (2006 - \$6,016; 2005 - \$5,527). The amount contributed is approximately the same as the expense included in the consolidated statements of income and retained earnings.

Note 29. Subsequent events

On September 12, 2007, the Company announced organizational changes in its Corporate and Television divisions. These changes will result in severance and other restructuring expenses of approximately \$2,000 to be recorded in the first quarter of fiscal 2008.

On October 25, 2007, the Company announced that it plans to implement a two-for-one stock split for its issued and outstanding Class A Voting and Class B Non-Voting Shares. The stock split, which has been approved by the Company's Board of Directors, must be approved by shareholders at a special meeting of shareholders scheduled to be held in Calgary, Alberta on January 9, 2008 and is subject to regulatory approval and the filing of articles of amendment. Following approval by shareholders, the effective date of the stock split is expected to be February 1, 2008.

Note 30. Comparative consolidated financial statements

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2007 consolidated financial statements.

Management's discussion and analysis of the financial position and results of operations for the fiscal year ended August 31, 2007 is prepared at October 31, 2007. This should be read in conjunction with the Company's August 31, 2007 annual report and audited consolidated financial statements and notes therein.

The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). Please refer to note 24 of the consolidated financial statements of the Company for a summary of differences between Canadian and United States ("U.S.") GAAP.

All dollar amounts are in Canadian dollars unless otherwise indicated.

Cautionary statement regarding forward-looking statements

To the extent any statements made in this report contain information that is not historical, these statements are forward-looking statements within the meaning of applicable securities laws. These forward-looking statements are related to, among other things, our objectives, goals, strategies, intentions, plans, estimates and outlook and can generally be identified by the use of words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Although Corus believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things: our ability to attract and retain advertising revenues; audience acceptance of our television programs and cable networks; our ability to recoup production costs, the availability of tax credits and the existence of co-production treaties; our ability to compete in any of the industries in which we do business; the opportunities (or lack thereof) that may be presented to and pursued by us; conditions in the entertainment, information and communications industries and technological developments therein; changes in laws or regulations or the interpretation or application of those laws and regulations; our ability to integrate and realize anticipated benefits from our acquisitions and to effectively manage our growth; our ability to successfully defend ourselves against litigation matters arising out of the ordinary course of business; and changes in accounting standards. Additional information about these factors and about the material assumptions underlying such forward-looking statements may be found in our Annual Information Form. Corus cautions that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Corus, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise required by applicable securities laws, we disclaim any intention or obligation to publicly update or revise any forward-looking statements whether as a result of new information, events or circumstances that arise after the date thereof or otherwise.

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 segments: 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 segment comprises 52 radio stations situated primarily in nine of the 10 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 audience reach and tune-in.

(b) Television

The Television division comprises the following: specialty television networks YTV, W Network, Treehouse TV, Corus' 80% interest in Country Music Television Limited ("CMT"), a 50.5% interest in Telematino, a 50% interest in TELETOON and a 20% interest in Food Network; Corus' premium television services Movie Central and Encore; interests in two digital television channels: SCREAM and Discovery Kids Canada; Corus Custom Networks, a cable advertising service; three local television stations; Max Trax, a residential digital music service; and the Nelvana production studio. Revenues for premium television and digital music services are generated from affiliate subscriber fees. Revenues for the conventional television stations and cable advertising services are derived from advertising.

The increase of Television's interest in TELETOON from 40% to 50% and the absorption of the Nelvana production studio occurred at the start of fiscal 2007. The segment results of Television for the prior year have been restated to reflect certain aspects of the change related to the Nelvana production studio. The impact of this restatement on fiscal 2006 is to increase Television's revenues and segment profit by \$8.5 million and \$1.1 million, respectively. For other aspects of the new business relationship between the Content and Television segments it is impracticable to restate the prior year.

(c) Content

The Content division participates in the distribution of television programs and the sale and licensing of related products and rights. Revenues are generated from licensing of television programs, merchandise licensing and publishing. For fiscal 2007, the production studio has been integrated into the Television segment.

The absorption of the Nelvana production studio into Television occurred at the start of fiscal 2007. The segment results of Content for the prior year have been restated to reflect certain aspects of this change. The impact of this restatement on fiscal 2006 is to decrease Content's revenues and segment profit by \$8.5 million and \$1.1 million, respectively. For other aspects of the new business relationship between the Content and Television segments it is impracticable to restate the prior year.

ANNUAL SELECTED FINANCIAL INFORMATION

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

[millions of Canadian dollars except percentages and per share amounts]

	2007	2006	2005	% Increase [Decrease]	
				2007 over 2006	2006 over 2005
Revenues	768.7	726.3	683.1	5.8	6.3
Segment profit ^[1]	240.9	214.1	195.3	12.5	9.6
Net income	107.0	35.5	71.1		
Earnings per share					
Basic	\$ 2.53	\$ 0.84	\$ 1.66		
Diluted	\$ 2.47	\$ 0.82	\$ 1.65		
Total assets	1,937.0	1,842.2	1,928.4		
Total long-term financial liabilities	673.8	666.4	660.4		
Cash dividends declared per share					
Class A Voting	\$ 1.00250	\$ 0.4525	\$ 0.065		
Class B Non-Voting	\$ 1.01331	\$ 0.4650	\$ 0.075		

Notes:

[1] As defined in "Key Performance Indicators - Segment profit and segment profit margin".

RESULTS OF OPERATIONS

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

[millions of Canadian dollars except percentages]

	2007	% ^[1]	2006	% ^[1]	2005	% ^[1]	% Increase [Decrease]	
							2007 over 2006	2006 over 2005
Revenues								
Radio	275.7	35.9	268.4	37.0	252.7	37.0	2.7	6.2
Television	436.3	56.8	401.9	55.3	354.2	51.9	8.6	13.5
Content	61.3	8.0	63.6	8.8	82.3	12.0	(3.6)	(22.7)
Eliminations	(4.6)	(0.6)	(7.6)	(1.0)	(6.1)	(0.9)		
	768.7	100.0	726.3	100.0	683.1	100.0	5.8	6.3
Direct cost of sales, general and administrative expenses								
Radio	198.2	71.9	200.0	74.5	183.7	72.7	(0.9)	8.9
Television	253.8	58.2	236.6	58.9	213.4	60.2	7.3	10.9
Content	55.9	91.2	59.1	92.9	78.7	95.6	(5.4)	(24.9)
Corporate	24.8	3.2	24.0	3.3	18.6	2.7	3.3	29.0
Eliminations	(4.9)	(0.6)	(7.5)	(1.0)	(6.6)	(1.0)		
	527.8	68.7	512.2	70.5	487.8	71.4	3.0	5.0
Segment profit ^[2]								
Radio	77.5	28.1	68.4	25.5	69.0	27.3	13.3	(0.9)
Television	182.4	41.8	165.3	41.1	140.8	39.8	10.3	17.4
Content	5.4	8.8	4.5	7.1	3.6	4.4	20.0	25.0
Corporate	(24.8)	(3.2)	(24.0)	(3.3)	(18.6)	(2.7)	3.3	29.0
Eliminations	0.4	—	(0.1)	—	0.5	0.1		
	240.9	31.3	214.1	29.5	195.3	28.6	12.5	9.6
Depreciation	21.6	2.8	21.3	2.9	23.7	3.5	1.4	(10.1)
Amortization	1.6	0.2	2.9	0.4	4.6	0.7	(44.8)	(37.0)
Interest expense	35.8	4.7	43.1	5.9	55.6	8.1	(16.9)	(22.5)
Debt refinancing loss	—	—	132.0	—	—	—		
Other expense, net	9.8	—	11.6	—	(5.5)	—		
Income before income taxes and non-controlling interest	172.1	—	3.2	—	116.9	—		
Income tax expense [recovery]	59.8	—	(36.0)	—	42.8	—		
Non-controlling interest	5.3	—	3.7	—	3.0	—		
Net income for the year	107.0	—	35.5	—	71.1	—		

Notes:

[1] Direct cost of sales, general and administrative expenses and segment profit for each business segment are expressed as a percentage of revenues for the segment. Other items are expressed as a percentage of total revenues.

[2] As defined in "Key Performance Indicators - Segment profit and segment profit margin".

FISCAL 2007 COMPARED TO FISCAL 2006

Revenues for fiscal 2007 of \$768.7 million represented a 6% increase over \$726.3 million last year. Radio and Television experienced increases of 3% and 9%, respectively, while Content decreased by 4%. Please refer to the discussion of segmented results for additional analysis of revenues.

Direct cost of sales, general and administrative expenses for fiscal 2007 were \$527.8 million, up 3% from the prior year. Expense increases in Television were the result of higher program rights and film amortization, while expenses at Content decreased as the result of lower revenues. Please refer to the discussion of segmented results for additional analysis of expenses.

Segment profit for fiscal 2007 was \$240.9 million, up 13% from \$214.1 million last year. The Radio segment profit of \$77.5 million was up 13% from the prior year. The Television division's segment profit of \$182.4 million represented a segment profit growth of 10%. The Content division generated segment profit of \$5.4 million, an increase of 21% over the prior year. Segment profit as a percentage of revenues for the year ended August 31, 2007, was 31% compared to 30% in fiscal 2006.

Radio

Radio revenues for the year were \$275.7 million, up 3% from the prior year. Local airtime revenues increased by 1%, while national airtime sales were up 7% from the prior year. Revenue growth for the year was experienced in all regions, with Edmonton and Toronto contributing above market average growth in the period, as indicated by the Trans-Canada Radio Advertising by Market ("TRAM") Report for the year ended August 31, 2007. The Company has taken measures to address its challenges in the Quebec market, where Corus' growth is now beginning to keep pace with the market average growth. Corus Radio believes that its assets continue to be competitively positioned to take advantage of the strong ad market in Western and Central Canada.

Direct cost of sales, general and administrative expenses for the year were \$198.2 million, down 1% from \$200.0 million last year. In fiscal 2007, the Company has not accrued for certain regulatory fees that are now deemed not to be payable. The expense related to these fees included in the results for fiscal 2006 is \$2.9 million. If not for this adjustment, expenses for Radio would have been up 1% for the year. This increase over the prior year was due largely to a modest increase in employee-related costs. Radio incurred \$3.6 million in restructuring expenses, primarily in the fourth quarter, related to the Montréal cluster. These costs are reflected in other expense, net and are excluded from segment profit.

Segment profit for the year was \$77.5 million, an increase of 13% from last year. If not for the adjustment noted above, segment profit would have increased by 9% for the year. This segment profit increase represents a slight margin improvement for the Radio segment.

Television

Revenues for the year were \$436.3 million, up 9% from the prior year. Revenue growth was driven by advertising revenue growth of 10% for the year and subscriber revenue growth of 8% for the year. Other ancillary revenues, primarily derived through service work in the studio, were also up in the year. Subscriber revenues in the prior year included subscriber fee adjustments of \$4.7 million in the full fiscal year. The strong advertising results for fiscal 2007 were driven by double-digit revenue growth in CMT and W Network. Specialty advertising growth was 12% for the year, while total revenues from local and other television properties were down slightly from the prior year. Excluding the impact of the TELETOON acquisition, specialty advertising revenues grew by 8% for the year. Subscriber revenue growth was driven by increases across all networks. Movie Central finished the year with 883,000 subscribers, up 7% from the same time last year.

Direct cost of sales, general and administrative expenses were \$253.8 million for the year, up 7% from the prior year. In fiscal 2007, the Company has not accrued for certain regulatory fees that are now deemed not to be payable. The expense related to these fees included in the results for fiscal 2006 is \$1.8 million. If not for this adjustment, expenses for Television would have been up 8% for the year. The increase was primarily due to higher programming costs, as amortization of program rights and film investments and other cost of sales increased by 13% over the prior year. These costs fluctuate in proportion to changes in subscriber levels, as a result of program supply agreements and Canadian content requirements based on the prior year's revenues, as a result of conditions of license. These increased costs were offset by effective cost containment in other general and administrative overhead. These costs were up 2% over the prior year. This increase is due to the additional 10% of TELETOON. Excluding the impact of the TELETOON acquisition, other general and administrative expenses decreased by 1% in the year. Television incurred \$6.1 million in restructuring expenses, primarily in the first quarter, related to the consolidation of the Edmonton facility into the Toronto operations. These costs are reflected in other expense, net and are excluded from segment profit.

Segment profit for the year of \$182.4 million represented a 10% increase over the prior year. If not for the regulatory fee adjustment noted above, segment profit would have increased 9% for the year. Of this growth for the year, 3% is due to the acquisition of an additional 10% share in TELETOON in the first quarter. Segment profit margin was 42%, up from 41% in the prior year.

Content

Revenues for the year were \$61.3 million, representing a 4% decrease from the prior year. This decrease is due to the fact that under the new studio structure, first Canadian windows on studio deliveries are not made available to Content for distribution. Included in Content's revenues for the year are inter-company revenues of \$4.3 million. These revenues are eliminated upon consolidation.

Direct cost of sales, general and administrative expenses for the year were \$55.9 million, down 5% from the prior year. Direct cost of sales were lower than the prior year due to lower revenues, while general and administrative expenses were down due to a restructuring undertaken in the fourth quarter of fiscal 2006. During the first quarter of fiscal 2007, Content incurred an additional \$0.7 million in expenses related to a restructuring of the publishing business. These costs are reflected in other expense, net and are excluded from segment profit.

Segment profit for the year was \$5.4 million, up from \$4.5 million last year. The Content division continues to perform in line with the Company's expectations of modest segment profit.

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 2007 was \$24.8 million, up from \$24.0 million in 2006. Stock-based compensation includes the expenses related to the Company's Performance Share Units ("PSUs"), stock options and other long-term incentive plans. Stock-based compensation expenses decreased to \$10.2 million in fiscal 2007 from \$11.6 million last year. An increase in the Company's share price in the fourth quarter last year resulted in certain incentive plan thresholds being met that had not been accrued in earlier periods. The current year reflects the impact of Corus' higher average share price since the corresponding periods of fiscal 2006. This impact has been reduced by income generated by a derivative instrument entered into in fiscal 2007 in order to offset the Company's exposure to changes in the fair value of certain obligations under the Company's PSU plan. Other general and administrative costs increased to \$14.7 million in fiscal 2007 from \$12.4 million last year. This increase is the result of continued investment in information technology. In addition, the prior year includes the impact of a refund in the fourth quarter related to employee benefits.

Depreciation

Depreciation expense for the year was \$21.6 million, an increase of \$0.3 million from last year. This fluctuation reflects the timing of capital expenditures, and the fact that depreciation and capital expenditures have remained fairly constant over the past several fiscal years.

Amortization

Amortization expense for the year was \$1.6 million, down from \$2.9 million last year. The decrease is a result of deferred start-up and reformatting costs becoming fully amortized. The remaining \$4.1 million in deferred financing charges relating to the Company's bank facility is being amortized over the remaining life of the facility.

Interest expense

Interest expense for the year was \$35.8 million, down from \$43.1 million last year. The Company refinanced its debt at the end of January 2006, with the result that the Senior Subordinated Notes ("Notes"), which paid interest at an effective rate of 9.33%, were replaced with bank debt paying interest on a floating rate plus a margin. Interest rate swap agreements fix the interest rate at 4.13% plus a margin on \$400.0 million of the bank debt for the full term of the facility. The effective interest rate for fiscal 2007 was 5.4% on bank loans.

Debt refinancing loss

In the second quarter of fiscal 2006, the Company purchased and cancelled U.S.\$373.6 million of the Notes. Concurrently, the cross-currency agreements which fixed the exchange rate on the principal and interest on the Notes were effectively terminated. In order to fund the purchase of the Notes, the Company amended its credit facility with a syndicate of banks. These transactions resulted in the Company recording a pre-tax debt refinancing loss of \$132.0 million in the second quarter. The components of this loss include mark-to-market payments on the cross-currency agreement terminations, consent and tender premiums, the non-cash write-off of deferred financing charges related to the Notes and other fees. The after-tax impact of these transactions was approximately \$1.95 per share.

Other expense, net

Other expense, net for the year was \$9.8 million, compared to other expense, net of \$11.7 million in the prior year. The current year includes restructuring charges of \$10.4 million, incurred primarily in the Television segment in the first quarter and Radio segment in the fourth quarter, while the prior year includes \$11.4 million in restructuring charges, incurred primarily in the Radio segment in the third quarter and Content segment in the fourth quarter. Interest income declined from \$2.6 million in the prior year to \$0.8 million in the current year, resulting from lower cash and cash equivalents balances.

Income taxes

The effective tax rate for 2007 was 34.7%, consistent with the Company's 35.5% statutory rate. The effective tax rate for the year reflects a benefit of \$1.6 million related to a change in the long-term future tax rate. Income tax expense for the prior year was reduced by approximately \$37.0 million in long-term future tax rate changes and other items in the fourth quarter.

Net income

Net income for the year was \$107.0 million, as compared to \$35.5 million last year. Earnings per share for the year were \$2.53 basic and \$2.47 diluted, compared with \$0.84 basic and \$0.82 diluted last year.

FISCAL 2006 COMPARED TO FISCAL 2005

Revenues for fiscal 2006 were \$726.3 million, up 6% from \$683.1 million in fiscal 2005. Radio and Television experienced increases of 6% and 14%, respectively, while Content was down 23% compared to fiscal 2005.

Direct cost of sales, general and administrative expenses were \$512.2 million, up 5% from \$487.8 million in fiscal 2005. Expense increases in Television were a result of higher revenues, while increases in Radio were a result of the integration of the new stations in Québec. Expenses at Content decreased as a result of lower revenues, while Corporate expenses increased as a result of stock-based compensation and costs incurred in the process of continually improving its infrastructure and controls.

Segment profit for fiscal 2006 was \$214.1 million, up 10% from \$195.3 million in fiscal 2005. The Radio segment profit of \$68.4 million was down 1% from fiscal 2005, reflecting disappointing results in Québec. The Television division's segment profit of \$165.3 million represented a segment profit growth of 17%. The Content division generated segment profit of \$4.5 million, an increase of 25% over fiscal 2005. Segment profit as a percentage of revenues for the year ended August 31, 2006 was 30% compared to 29% in fiscal 2005.

Radio

Radio revenues for fiscal 2006 were \$268.4 million, up 6% from fiscal 2005. Local and national airtime sales each increased by 5% while interactive and other revenues also increased. According to the TRAM Report for the year ended August 31, 2006, Corus stations generated advertising growth of 5.5%, compared to total market growth of 6.5%. Above average growth was experienced in the western markets of Vancouver, Calgary and Winnipeg. Although fiscal 2006 was a challenging year in major markets like Toronto and Montréal, where Corus' growth did not keep pace with the market average growth, Corus Radio believes that its assets continue to be competitively positioned to take advantage of the strong advertising market.

Direct cost of sales, general and administrative expenses for fiscal 2006 were \$200.0 million, up 9% from fiscal 2005, mainly due to increased investments in new media and programming content, principally related to professional hockey which was unavailable the previous year and contributed approximately \$2.6 million in costs in fiscal 2006. In addition, expenses related to the integration of the recently acquired Québec stations were higher than management's expectations and this combined with lower than anticipated revenue growth had a negative impact on results for fiscal 2006.

Segment profit for fiscal 2006 was \$68.4 million, 1% lower than in fiscal 2005. Segment profit margin for fiscal 2006 was 25%, down from 27% in fiscal 2005. During fiscal 2006 Corus Radio incurred \$4.2 million in expenses related to restructuring costs primarily in Western Canada. These costs are reflected in other expense, net.

Television

Television revenues for fiscal 2006 were \$401.9 million, up 14% over fiscal 2005. Revenue growth was driven by advertising growth of 13% and subscriber growth of 10% for the year. Subscriber revenues for fiscal 2006 include subscriber fee adjustments of \$4.7 million. Excluding these items, subscriber revenue growth for fiscal 2006 was 7%. The strong advertising results were driven by double-digit growth in YTV, CMT, W Network, TELETOON and Telelatino. Specialty advertising growth for fiscal 2006 was 14%, while total revenues from local and other television properties grew by 5% over fiscal 2005. Subscriber revenue growth was driven by Movie Central, which finished fiscal 2006 with 822,000 subscribers, up 10% from 748,000 at August 31, 2005. The Company attributes this increase to successful marketing campaigns surrounding high-profile HBO programming, including *Rome* and the sixth season of *The Sopranos*, which launched in March 2006.

Direct cost of sales, general and administrative expenses were \$236.6 million for fiscal 2006, up 11% from fiscal 2005. The increase was primarily due to higher programming costs, as amortization of program rights increased by 10% over fiscal 2005. These costs fluctuate in proportion to changes in subscriber levels, as a result of program supply agreements, and Canadian content requirements based on the prior year's revenues, as a result of conditions of license. These increased costs were offset by effective cost containment in other general and administrative overhead, which increased by 2% over fiscal 2005, due to higher marketing costs as well as bad debt expense incurred in fiscal 2006.

Segment profit for fiscal 2006 of \$165.3 million represented a 17% increase over fiscal 2005. Segment profit margin was 41%, up from 40% in fiscal 2005.

Content

Content revenues for fiscal 2006 were \$63.6 million, a decrease of 23% from fiscal 2005. During fiscal 2006, Content delivered 107 completed episodes, compared to 111 episodes in the prior year. The decrease in revenues from the prior year was due to the decline in *Beyblade* revenues towards the end of fiscal 2005. The *Beyblade* decline is not likely to reverse and merchandising revenues will not return to the levels of the past few fiscal years until new brands come on line. Included in Content's revenues for fiscal 2006 are intercompany revenues of \$7.1 million. These revenues are eliminated upon consolidation.

Direct cost of sales, general and administrative expenses for fiscal 2006 were \$59.1 million, down 25% from the prior year. The decrease reflects ongoing diligence in expense control, as well as lower film amortization and third-party participation costs that fluctuate in proportion to revenues. In fiscal 2006, Content incurred \$6.7 million in expenses related to the restructuring of the Toronto studio and the closure of foreign offices. These costs are reflected in other expense, net.

Segment profit for fiscal 2006 was \$4.5 million, up from \$3.6 million in fiscal 2005. The Content division continues to perform in line with the Company's expectations.

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 2006 was \$24.0 million, up from \$18.6 million in fiscal 2005. Stock-based compensation expenses increased to \$11.6 million in fiscal 2006 from \$6.8 million in fiscal 2005. This increase reflects the impact of Corus' higher average share price in fiscal 2006 on expenses related to the PSUs, as well as an additional year of expensing stock options. Other general and administrative costs increased to \$12.4 million in fiscal 2006 from \$11.8 million in fiscal 2005. This increase relates primarily to the increased cost of information technology and costs associated with implementing the requirements of the *Sarbanes-Oxley Act* and new Canadian securities standards.

Depreciation

Depreciation expense for fiscal 2006 was \$21.3 million, a decrease of \$2.4 million from fiscal 2005. This decrease reflects a lower capital cost base, particularly in the Television division, and continues a trend reflecting lower capital expenditures in that division in recent years.

Amortization

Amortization expense for fiscal 2006 was \$2.9 million, down from \$4.6 million in fiscal 2005. The decrease is a result of certain deferred start-up and reformatting costs becoming fully amortized, as well as the write-off in the second quarter of deferred financing costs associated with the Notes. The write-off of these costs has been recorded as a component of the debt restructuring loss. The remaining deferred start-up costs of \$0.4 million will be fully amortized in fiscal 2007, while \$5.3 million in deferred financing charges relating to the new bank facility is being amortized over the remaining life of the facility.

Interest expense

Interest expense for fiscal 2006 was \$43.1 million, down from \$55.6 million in fiscal 2005. The Company refinanced its debt at the end of January 2006, with the result that the Notes, which paid interest at an effective rate of 9.33%, were replaced with bank debt paying interest on a floating rate plus a margin. Interest rate swap agreements fix the interest rate at 4.13% plus a margin on \$400.0 million of the bank debt for the full term of the facility. The effective interest rate for fiscal 2006 since the refinancing was 5.2% on bank debt, compared to 9.1%, primarily on the Notes, in fiscal 2005.

Debt refinancing loss

In the second quarter of fiscal 2006, the Company purchased and cancelled U.S.\$373.6 million of the Notes. Concurrently, the cross-currency agreements which fixed the exchange rate on the principal and interest on the Notes were effectively terminated. In order to fund the purchase of the Notes, the Company amended its credit facility with a syndicate of banks. These transactions resulted in the Company recording a pre-tax debt refinancing loss of \$132.0 million in the second quarter. The components of this loss include mark-to-market payments on the cross-currency agreement terminations, consent and tender premiums, the non-cash write-off of deferred financing charges related to the Notes and other fees. The after-tax impact of these transactions in fiscal 2006 was approximately \$1.95 per share.

Other expense, net

Other expense, net for fiscal 2006 was \$11.7 million, representing a decrease of \$17.2 million from income of \$5.5 million in fiscal 2005. Fiscal 2006 includes severance-related restructuring charges of \$4.2 million incurred in the Radio segment and \$6.7 million incurred in the Content segment. Fiscal 2005 included foreign exchange and derivative gains of \$3.3 million and \$4.4 million, respectively. The financial instruments which gave rise to these gains were terminated in fiscal 2005 so there is no corresponding impact in fiscal 2006. In addition, fiscal 2005 includes a realized contingent consideration gain of \$4.1 million, a broadcast license impairment of \$4.1 million and the retroactive portion of a performing rights tariff increase in the amount of \$3.8 million.

Income taxes

Income tax recovery for fiscal 2006 was \$36.0 million on income before taxes of \$3.2 million. Fiscal 2006 was positively impacted by approximately \$37.0 million in long-term future tax rate changes and other items as described in note 18 to the audited consolidated financial statements.

Net income

Net income for fiscal 2006 was \$35.5 million, down \$35.6 million from \$71.1 million in fiscal 2005. Earnings per share for fiscal 2006 were \$0.84 basic and \$0.82 diluted, compared with basic and diluted earnings per share of \$1.66 and \$1.65, respectively, in fiscal 2005. The after-tax impact of the debt refinancing transaction in fiscal 2006 was a loss of approximately \$1.95 per share.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

The following tables set forth certain unaudited data derived from the unaudited consolidated financial statements for each of the eight most recent quarters ended August 31, 2007. In management's opinion, these unaudited consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements contained elsewhere in this report.

[thousands of Canadian dollars except per share amounts]

	Revenues	Segment profit ⁽¹⁾	Net income [loss]	Earnings [loss] per share	
				Basic	Diluted
2007					
4 th quarter	187,204	50,184	21,219	\$ 0.50	\$ 0.49
3 rd quarter	197,612	63,500	29,587	0.70	0.68
2 nd quarter	174,729	47,320	19,543	0.46	0.45
1 st quarter	209,198	79,917	36,669	0.87	0.85
2006					
4 th quarter	184,979	44,515	46,642	\$ 1.11	\$ 1.09
3 rd quarter	181,562	57,702	23,154	0.55	0.54
2 nd quarter	164,388	42,151	(65,732)	(1.54)	(1.54)
1 st quarter	195,341	69,751	31,407	0.73	0.72

Notes:

[1] As defined in "Key Performance Indicators - Segment profit and segment profit margin".

Seasonal fluctuations

Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. Accordingly, one quarter's operating results are not necessarily indicative of what a subsequent quarter's operating results will be. The broadcasting businesses (Radio and Television) and the Content business each have unique seasonal aspects.

For the broadcasting businesses, operating results are dependent on general advertising and retail cycles associated with consumer spending activity. Accordingly, operating results for the first quarter tend to be the strongest, reflecting pre-Christmas advertising activity, and for the second quarter tend to be the weakest, consistent with lower consumer spending in winter months.

For the Content business, operating results are dependent on the timing and number of television programs made available for delivery in the period, as well as timing of merchandising royalties received, none of which can be predicted with certainty. Consequently, Content's operating results may fluctuate significantly from quarter to quarter. Cash flows may also fluctuate and are not necessarily closely related to revenue recognition.

Significant items causing variations in quarterly results

- Net income in the fourth quarter of fiscal 2006 was positively impacted by approximately \$37.0 million in income tax rate changes and other income tax items.
- The second quarter of fiscal 2006 was impacted by the purchase and cancellation of the Company's Notes, as well as the termination of the cross-currency agreements associated with the Notes. The after-tax impact of these transactions was approximately \$82.6 million or \$1.95 per share.

FOURTH QUARTER

Revenues for the fourth quarter were \$187.2 million, an increase of 1% over \$185.0 million last year. Radio revenues for the fourth quarter were \$66.5 million, essentially unchanged from the corresponding period last year. Revenue growth for the quarter was experienced in the west. Both local and national airtime sales for the fourth quarter increased by 2% over the prior, while other ancillary revenues were down. Television revenues for the fourth quarter were \$104.2 million, up 8% over the corresponding period last year. Revenue growth for the quarter was driven by advertising growth of 5% and subscriber growth of 5%. Other ancillary revenues, primarily derived through service work in the studio, were also up in the quarter. Subscriber revenues for the prior year include subscriber fee adjustments of \$2.3 million. Content revenues for the fourth quarter were \$17.7 million, a decrease of 28% from the prior year. This decrease largely reflects timing differences, as for the full year revenues decreased by only 4%. This decrease reflects the fact that under the new studio structure, first Canadian windows on studios are not made available to Content for distribution.

Direct cost of sales, general and administrative expenses for the fourth quarter were \$137.0 million, down 2% from \$140.5 million in the prior year. Expense increases in Television were the result of higher program rights and film amortization, while expenses at Content decreased as the result of lower revenues. Included as a reduction of expenses in the fourth quarter is a reversal of \$4.9 million in regulatory fees accrued through the fiscal year that are now deemed not to be payable. Had this accrual not been reversed in the fourth quarter, expenses would have increased by 1% for the quarter. Corporate overhead for the fourth quarter decreased to \$7.4 million from \$7.9 million in the prior year, reflecting lower expenses for stock-based compensation.

Depreciation expense for the fourth quarter was \$5.8 million, an increase of \$0.2 million from last year. This fluctuation reflects the timing of capital expenditures, and the fact that depreciation and capital expenditures have remained fairly constant over the past several fiscal years. Amortization expense for the fourth quarter was \$0.3 million, down from \$0.6 million last year. The decrease is a result of deferred start-up and reformatting costs becoming fully amortized. Interest expense for the fourth quarter was \$8.8 million, up from \$8.5 million last year. The effective interest rate for the fourth quarter was 5.5% on bank debt, compared to 5.3% in the prior year. Other expense for the fourth quarter was \$2.6 million, compared to \$8.3 million in the prior year. The current year's quarter includes \$3.0 million in restructuring charges incurred primarily in the Radio segment, while the prior year's quarter includes \$7.3 million in restructuring charges incurred primarily in the Content division. The effective tax rate for the fourth quarter was 31.2%, compared with the Company's 35.5% statutory rate. This difference reflects a benefit of \$1.6 million related to a change in the long-term future tax rate.

Net income for the fourth quarter was \$21.2 million, compared to \$46.6 million last year. Earnings per share for the fourth quarter were \$0.50 basic and \$0.49 diluted, compared with \$1.11 basic and \$1.09 diluted last year.

KEY PERFORMANCE INDICATORS

The Company measures the success of its strategies using a number of key performance indicators. These have been outlined below, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions. With the exception of revenues, direct cost of sales, general and administrative expenses and segment profit, the following key performance indicators are not measurements in accordance with Canadian or U.S. GAAP and should not be considered as an alternative to net income or any other measure of performance under Canadian or U.S. GAAP.

Revenue

Revenue is a measurement defined by Canadian and U.S. GAAP. Revenue is the inflow of cash, receivables or other consideration arising from the sale of product and services and is net of items such as trade or volume discounts and certain excise and sales taxes. It is the base on which free cash flow, a key performance indicator defined below, is determined; therefore, it measures the potential to deliver free cash flow as well as indicates the level of growth in a competitive marketplace.

The primary sources of revenues for the Company are outlined in the "Overview" section on page 1.

Corus is well diversified by revenue source with revenue streams for the year ended August 31, 2007, derived primarily from three areas: advertising (57%), subscriber fees (29%) and license fees (6%) (2006 - 58%, 28% and 5%, respectively).

Direct cost of sales, general and administrative expenses

Consolidated direct cost of sales, general and administrative expenses include amortization of program and film rights (costs of programming intended for broadcast, from which advertising and subscriber fee revenues are derived), amortization of film investments (costs associated with internally produced and acquired television and film programming, from which distribution and licensing revenues are derived), 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 includes the material cost of the product, printing, freight, customs and duties and royalties to authors and illustrators based upon sales and is included in direct cost of sales, general and administrative expenses. Approximately 35% and 32% of consolidated direct cost of sales, general and administrative expenses in fiscal 2007 (2006 - 36% and 29%, respectively) were composed of employee remuneration and programming and film costs, respectively.

Segment profit and segment profit margin

Segment profit is calculated as revenues less direct cost of sales, general and administrative expenses as reported in the Company's consolidated statements of income and retained earnings. The Company believes this is an important measure as it allows the Company to evaluate the operating performance of its business segments and its ability to service and/or incur debt; therefore, it is calculated before (i) interest expense; (ii) non-cash expenses such as depreciation and amortization; and (iii) items not indicative of the Company's core operating results, and not used in management's evaluation of the business segment's performance, such as debt refinancing loss and other expense, net. Segment profit is also one of the measures used by the investing community to value the Company and is included in note 19 to the consolidated financial statements. Segment profit margin is calculated by dividing segment profit by revenues.

Free cash flow

Free cash flow is calculated as cash provided by operating activities less cash used in investing activities as reported in the consolidated statements of cash flows. Free cash flow measures the Company's ability to repay debt, finance the business and pay dividends.

[thousands of Canadian dollars]	2007	2006	2005
Cash provided by [used in]:			
Operating activities	103,073	111,018	102,416
Investing activities	(70,798)	(17,249)	(21,623)
Free cash flow	32,275	93,769	80,793

Net debt

Net debt is calculated as long-term debt less cash and cash equivalents as reported in the consolidated balance sheets. Net debt is an important measure as it reflects the principal amount of debt owing by the Company as at a particular date.

[thousands of Canadian dollars]	2007	2006
Long-term debt	610,697	596,362
Cash and cash equivalents	(33,347)	(43,636)
Net debt	577,350	552,726

Net debt to segment profit

Net debt to segment profit is calculated as net debt divided by segment profit. It is one of the key metrics used by the investing community to measure the Company's ability to repay debt through ongoing operations.

[thousands of Canadian dollars except ratios]	2007	2006	2005
Net debt [numerator]	577,350	552,726	465,914
Segment profit [denominator]	240,921	214,119	195,311
Net debt to segment profit	2.4	2.6	2.4

RISKS AND UNCERTAINTIES

Impact of regulation on Corus' results of operations

Radio and Television

Corus' Radio and Television business activities are regulated by the Canadian Radio-television and Telecommunications Commission ("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. In fiscal 2006, the CRTC granted a pay television license to an entity allowing it to compete with our premium television services. Corus' radio stations must also meet technical operating requirements under the *Radiocommunications 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 *Radiocommunications Act*, there are limitations on the ownership by non-Canadians of Corus Class A Voting Shares. Under certain circumstances, Corus' Board of Directors may refuse to issue or register the transfer of Corus Class A Voting Shares to any person that is a non-Canadian or may sell the Corus Class A Voting Shares of a non-Canadian as if they were the owner of such Corus Class A Voting Shares.

Corus' radio, conventional television, specialty television, 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 that represent the copyright owners in such music components. 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.

On October 19, 2006, the Federal Court of Appeal set aside the 2005 decision of the Copyright Board, dealing with the Society of Composers, Authors and Music Publishers of Canada's ("SOCAN") commercial radio tariff. The original Board decision modified the rates radio stations pay to SOCAN, introducing a two-tier payment system based on each station's annual revenues. The Court ordered that the matter be referred back to the Copyright Board for its reconsideration. It is uncertain what impact this decision will have on Corus' financial results and position.

On December 14, 2006, the Federal Court of Canada ruled that the Part II license fees paid by CRTC licensees are an unlawful tax. Corus has paid these fees since the Company's inception in 1999, and in fiscal 2006 the Company remitted approximately \$5.0 million in Part II license fees to the CRTC. The Company has concluded that it is not appropriate to accrue for these fees in its results for fiscal 2007. The decision is subject to appeal, and the outcome of any appeal may have a detrimental impact on the future financial results of the Company.

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 Corus 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 marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, public tastes generally and other intangible factors, all of which could change rapidly and many of which are beyond Corus' control. The lack of audience acceptance for Corus' radio stations, television programs, specialty and pay television channels would have an adverse impact on Corus' businesses, results of operations, prospects and financial condition.

Radio

The financial success of each of Corus' radio stations is dependent principally upon its share of the overall advertising 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 stations 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 online 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 compete 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 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 that 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 favourably 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 Corus will continue to produce or acquire rights to additional successful programming or enter into agreements for the financing, production, distribution or licensing of programming on terms favourable to Corus. There continues to be intense competition for the most attractive time slots offered by those services. There can be no assurances that Corus will be able to increase or maintain penetration of broadcast schedules.

Risks associated with production of film and television programs and websites

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

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

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

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

Intellectual property rights

Corus' trademarks, copyrights and other proprietary rights are important to the Company's competitive position. In particular, the Content group must be able to protect its trademarks, 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 trademarks, 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 trademarks, 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 trademarks, copyrights and proprietary rights.

Moreover, there can be no assurance that others will not assert rights in, or ownership of, the Company's trademarks, 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, satellite radio, direct-to-home satellite, wireless and wired cable television, Internet programming and video programming and online publications have recently begun to compete, or may in the future compete, for programming, audiences and advertising revenues. These technologies and business models may increase audience fragmentation, reduce the Company's ratings or have an adverse effect on advertising revenues from local and national audiences. These or other technologies and business models may have a material adverse effect on Corus' business, results of operations or financial condition.

Interest rate and foreign exchange risk

The Company manages its exposure to floating interest rates through the use of interest rate agreements or "swaps." All such agreements are used for risk management purposes only. In order to minimize the risk of counterparty default under its swap agreements, Corus assesses the creditworthiness of its swap counterparties. Currently 100% of the Company's total swap portfolio is held by financial institutions with Standard & Poor's ratings (or the equivalent) ranging from A to AA-

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

Interest rates

The Company utilizes long-term financing extensively in its capital structure, which includes banking facilities, as more fully described in note 12 to the consolidated financial statements.

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and LIBOR. The Company has entered into Canadian interest rate swap agreements to fix the interest rate of a portion of the facility.

As at August 31, 2007, 65% of the Company's consolidated long-term debt was fixed with respect to interest rates.

Foreign exchange

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 7% of Corus' total revenues were in foreign currencies, the majority of which was U.S. dollars.

Contingencies

The Company and its subsidiaries are involved in litigation arising in the ordinary course and conduct of its business. The Company recognizes liabilities for contingencies when a loss is probable and capable of being estimated. As at August 31, 2007, there were no actions, suits or proceedings pending or against the Company or its subsidiaries which would, in management's estimation, likely be determined in such a manner as to have a material adverse effect on the business of the Company.

FINANCIAL POSITION

Total assets as at August 31, 2007 were \$1.94 billion, compared to \$1.84 billion as at August 31, 2006. The following discussion describes the significant changes in the consolidated balance sheet since August 31, 2006.

Current assets increased by \$21.1 million. Cash and cash equivalents decreased by \$10.3 million. The Company generated positive free cash flow, which was offset by cash used in financing activities. Accounts receivable increased by \$8.4 million from year end, however, as expected, the balance decreased from \$166.1 million at the end of the third quarter. The accounts receivable balance typically grows in the first and third quarter as a result of the broadcast revenue cycle.

Non-current assets increased by \$73.7 million. Tax credits receivable increased as a result of accruals related to film production, offset by tax credit receipts. Investments and other assets decreased by \$12.2 million, primarily due to the sale of shares in Astral Media Inc. Capital assets and deferred charges did not change significantly from their year-end balances. Program and film rights (current and non-current) increased by \$31.7 million, as additions of acquired rights of \$158.5 million and \$6.6 million acquired in the TELETOON acquisition were offset by amortization of \$138.7 million. Program rights increased due to the acquisition of programming for the fall launch and increases in condition of license requirements due to revenue growth. Film investments increased by \$5.8 million as net film spending of \$56.1 million was offset by film amortization and accruals for tax credits. Broadcast licenses increased by \$27.6 million and goodwill increased by \$39.1 million as a result of the TELETOON acquisition in the first quarter and the acquisition of two radio stations in the fourth quarter.

Current liabilities increased by \$2.5 million. Accounts payable and accrued liabilities increased by \$5.6 million and income taxes payable decreased by \$3.1 million. Accounts payable and accrued liabilities related to working capital increased by \$1.0 million, while non-working capital accruals for program rights and film investments increased by \$6.6 million, as the Company invests in television programming. Dividends payable decreased by \$2.0 million. Income taxes payable decreased due to the timing of income tax installments.

Non-current liabilities increased by \$33.9 million. Long-term debt increased by \$14.3 million, as the Company used its credit facility to finance the TELETOON acquisition in the first quarter. Other long-term liabilities decreased by \$6.7 million primarily due to the payment of public benefit liabilities. Other components of long-term liabilities, which consist primarily of the long-term portion of program rights payable, did not change significantly from the prior year. Net future tax liability (including current future tax asset) increased by \$23.4 million due to the TELETOON acquisition, as well as the utilization of tax loss carry-forwards.

Share capital increased by \$11.7 million as a result of the exercise of employee stock options, offset by the repurchase and cancellation of shares with a book value of \$16.2 million under the Company's normal course issuer bid. Contributed surplus increased by \$3.4 million as a result of expensing stock-based compensation for the period. Cumulative translation adjustment increased by \$0.6 million due to the translation of the net assets of self-sustaining foreign operations.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

Overall, the Company's cash and cash equivalents position has decreased by \$10.3 million in fiscal 2007, compared to a decrease of \$94.5 million in the prior year. Positive free cash flow, including business combinations, for fiscal 2007 is \$32.3 million compared to \$93.8 million in the prior year. This decrease is due primarily to the \$46.6 million acquisition of an additional 10% interest in TELETOON in the first quarter of fiscal 2007 and the acquisition of two radio stations for \$18.0 million in the fourth quarter. After adding back the cost of these business combinations, free cash flow in fiscal 2007 is \$97.0 million, which was within the Company's stated guidance range.

Cash provided by operating activities in fiscal 2007 is \$103.1 million, compared to \$111.0 million last year. This decrease is a result of higher payments for program rights and film investments in the current year. This has been offset by lower interest payments on the new bank facility.

Cash used in investing activities in fiscal 2007 is \$70.8 million, compared to cash used of \$17.2 million last year. The current year includes \$64.7 million in cash outflow related to the TELETOON acquisition and the acquisition of two radio stations. The current year also includes \$20.7 million in proceeds from the sale of other investments and assets, compared to \$15.9 million in the prior year. Proceeds in the current year include \$14.6 million from the sale of shares of Astral Media Inc. Capital expenditures are \$3.3 million lower than in the prior year, as the Company looks to minimize capital expenditures ahead of its move to the Toronto waterfront development.

Cash used in financing activities in fiscal 2007 is \$42.6 million compared to cash used of \$188.2 million in the prior year. The prior year included the refinancing of long-term debt and the unwinding of the associated cross-currency swap agreements. In the current year, the Company drew on its credit facility in order to finance the TELETOON acquisition in the first quarter. The Company continued purchasing its own shares under a normal course issuer bid that began in the second quarter of fiscal 2006. To the end of fiscal 2007, 769,100 shares had been purchased at an average price of \$47.36 per share for cash consideration of \$36.4 million. The exercise of employee stock options resulted in \$26.9 million in cash receipts, while \$44.8 million in dividends were paid.

Liquidity

As at August 31, 2007, the Company has available \$185.0 million under a revolving term credit facility that matures on January 24, 2011. Interest rates on the Company's facilities fluctuate with Canadian bankers' acceptances and LIBOR.

These borrowings combined with cash generated from operations have been the primary funding sources for operations over the last several years. The nature of the Company's business is such that significant expenditures are required to acquire program rights for the Television business and to produce and acquire film assets for the Content business. For the past three years, these expenditures have been financed from cash generated from operations. The Company has no significant commitments related to the acquisition of property, plant and equipment for the upcoming fiscal year. The Company will incur capital costs related to the Toronto waterfront lease signed in fiscal 2007 however, these costs will not be incurred until towards the end of fiscal 2009. Over the past three fiscal years, the Company has reduced its investment in non-cash working capital.

As at August 31, 2007, the Company has a cash balance of \$33.3 million and a working capital balance of \$94.1 million. Management believes that cash flow from operations and existing credit facilities will provide the Company with sufficient financial resources to fund its operations for fiscal 2008.

Net debt to segment profit

As at August 31, 2007, net debt was \$577.4 million, up from \$552.7 million as at August 31, 2006. This increase in net debt is a result of the cash flows incurred to acquire 10% of TELETOON in the first quarter. Net debt to segment profit as at August 31, 2007 was 2.4 times, down from 2.6 times as at August 31, 2006. This ratio remains below management's stated guidance range of 3.0 to 3.5 times.

Off-balance sheet arrangements and derivative financial instruments

The Company has guarantees and general indemnification commitments to counterparties. Historically, the Company has not made any significant payments with respect to these guarantees and indemnification provisions, and management believes that the risk of loss is low.

The Company uses derivative financial instruments to manage risks from fluctuations in interest rates. These instruments include interest rate swap agreements. All such instruments are only used for risk management purposes. 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. The carrying value of derivative financial instruments that do not qualify for hedge accounting is adjusted to reflect their current market value.

During fiscal 2006, the Company entered into Canadian interest rate swap agreements to fix the interest rate on its outstanding bank loans. The estimated fair value of these agreements at August 31, 2007 is \$8.8 million. No asset has been included in the consolidated balance sheets.

During fiscal 2007, the Company entered into a derivative instrument in order to offset its exposure to changes in the fair value of units issued under its PSU plan. As this derivative does not qualify for hedge accounting, the fair value of \$0.5 million for this derivative has been included as a liability in the consolidated balance sheet as at August 31, 2007.

As at August 31, 2005, the consolidated balance sheet included a liability of \$158.8 million related to a cross-currency agreement. Corus terminated this agreement in the second quarter of fiscal 2006 as part of the refinancing of its debt. The fair value of the liability at the date of its termination was included in the debt refinancing loss recorded in the second quarter of fiscal 2006.

Contractual commitments

Corus has the following contractual obligations:

[thousands of Canadian dollars]

	Total	Less than one year	One to three years	Four to five years	After five years
Long-term debt	615,000	-	-	615,000	-
Operating leases	296,407	25,880	40,234	31,792	198,501
Film and program rights purchase commitments	263,188	107,582	119,639	35,967	-
Other long-term obligations	17,769	3,314	6,108	5,812	2,535

TRANSACTIONS WITH RELATED PARTIES

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

During the year, the Company received cable service subscriber, programming and advertising fees of \$104.4 million (2006 - \$92.8 million), production and distribution revenue of \$3.5 million (2006 - \$2.9 million) and administrative and other fees of \$5.0 million (2006 - \$6.0 million) from related parties. In addition, the Company paid cable and satellite system distribution access fees of \$4.5 million (2006 - \$4.4 million) and administrative and other fees of \$2.6 million (2006 - \$2.1 million) to related parties. As at August 31, 2007, the Company had \$19.3 million (2006 - \$17.4 million) receivable from related parties.

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

In fiscal 2005, Corus acquired a cable advertising business for \$0.9 million in cash from Shaw, a company subject to common voting control.

Certain officers of the Company are currently indebted to the Company in connection with the purchase of Class B Non-Voting Shares and relocation housing loans. The loans granted by the Company do not bear interest. The aggregate amount of such indebtedness as of August 31, 2007 was \$1.7 million.

OUTSTANDING SHARE DATA

As at October 31, 2007, 1,722,929 Class A Voting Shares and 40,260,173 Class B Non-Voting Shares were issued and outstanding. Class A Voting Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. The Class B Non-Voting Shares are convertible into an equivalent number of Class A Voting Shares in limited circumstances.

RECENT ACCOUNTING PRONOUNCEMENTS

Financial instruments, comprehensive income and hedges

In April 2005, the CICA issued Handbook Section 1530, "Comprehensive Income," Handbook Section 3855, "Financial Instruments - Recognition and Measurement," and Handbook Section 3865, "Hedges." Section 3855 expands on CICA Handbook Section 3860, "Financial Instruments - Disclosure and Presentation," by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how instrument gains and losses are to be presented. Section 3865 is optional. It provides alternative treatments to Section 3855 for entities that choose to designate qualifying transactions as hedges for accounting purposes and specifies how hedge accounting is applied and what disclosures are necessary when it is applied. Section 1530 introduced a new requirement to present temporarily certain gains and losses outside net income in a new component of shareholders' equity entitled Comprehensive Income. These standards are substantially harmonized with U.S. GAAP and are effective for the Company beginning September 1, 2007. The Company is currently evaluating the impact of these standards on its consolidated financial position and results of operations.

Financial instruments - disclosures and presentation

In December 2006, the CICA issued Handbook Sections 3862, "Financial Instruments - Disclosures" and 3863, "Financial Instruments - Presentation". These standards enhance existing disclosures in previously issued Section 3861 "Financial Instruments - Disclosures and Presentation". Section 3862 places greater emphasis on disclosures about risks related to recognized and unrecognized financial instruments and how those risks are managed. Section 3863 carries forward the same 39 presentation standards as Section 3861. These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2007 on a prospective basis. The Company will adopt these new standards effective September 1, 2008.

Capital disclosures

In December 2006, the CICA issued Handbook Section 1535, "Capital Disclosures". This Section establishes standards for disclosing information about an entity's objectives, policies and processes for managing capital. This standard is effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2007 on a prospective basis. The Company will adopt this new standard effective September 1, 2008.

CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are described in note 2 to the consolidated financial statements. 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, plant and equipment; long-term investments; current and future income taxes; broadcast licenses and goodwill. Actual results could differ from those estimates. The policies described below are considered to be critical accounting estimates, as they require significant estimation or judgment.

Film investments

The Company accounts for its production and distribution of film and television programs in accordance with the American Institute of Certified Public Accountants ("AICPA") Statement of Position 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2"). SOP 00-2 requires that film and television costs of production and acquisitions are amortized using the individual-film-forecast-computation method. Under this method, capitalized 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 10 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, therefore impacting direct cost of sales, general and administrative expenses, and profitability.

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.

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. No assurance can be given that the Company will be able to renew its licenses, or that substantial cost or material modification of the existing terms and conditions will not be incurred.

Broadcast licenses and goodwill are tested for impairment annually or more frequently if events or changes in circumstances indicate that they are impaired. The Company has selected August 31 as the date it performs its annual impairment test. The key assumptions used in the test include forecasted segment profit and industry multiples. The fair value of the Company's intangible assets is exposed to future adverse changes if the Company experiences declines in operating results, significant negative industry or economic trends, or if future performance is below historical trends.

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. Certain assumptions are required in order to determine the provision for income taxes, including filing positions on certain items and the realization of future tax assets. In fiscal 2006, the Company recorded \$11.8 million in income tax recoveries related to the impact of income tax rate reductions on the measurement of future tax liabilities.

The Company is audited regularly by federal and provincial authorities in the areas of income taxes and the remittance of sales taxes. These audits consider the timing and amount of deductions and compliance with federal and provincial laws. To the extent that the Company's filing positions are challenged, the Company's effective tax rate in a given financial statement period could be materially affected.

The recognition of future tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. No assurance can be given that future earnings will be sufficient to realize the future benefit. In fiscal 2006, the Company recorded an income tax recovery of \$25.2 million relating to future tax liabilities that were deemed in that period to be no longer required as the result of various tax planning strategies.

Investments

The Company's consolidated balance sheets contain balances related to investments carried at historical cost. In certain cases, quoted market value has been lower than cost for several years. In each case, management believes that persuasive evidence exists to indicate that the financial condition and near-term prospects of the issuer are not impaired and that the Company has the intent and ability to retain its investment in the issuer until anticipated recovery in market value occurs. Therefore, management believes that the declines in market value are not other-than-temporary, and no writedown is required. No assurance can be given that a recovery will occur, and the prospect of a writedown some time in the future remains present.

Production tax credits

The Company's consolidated balance sheets contain balances related to production tax credits received or receivable from federal and provincial government agencies. Tax credits are claimed based on the expectation of meeting eligibility requirements and amounts may be subject to estimation and interpretation. Claims are subject to audit by federal and provincial authorities, and no assurances can be given that amounts received or receivable will not be disallowed. Such a disallowance may have an impact on the net unamortized cost of completed films, and result in higher film amortization expense.

CONTROLS AND PROCEDURES

As required by Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, Corus' Chief Executive Officer and Chief Financial Officer have made certain certifications related to the information in Corus' annual filings (as defined in Multilateral Instrument 52-109) with the provincial securities legislation.

As Corus is a foreign private issuer listed on the New York Stock Exchange, similar certifications by Corus' Chief Executive Officer and Chief Financial Officer are required by Section 302(a) of the *Sarbanes-Oxley Act of 2002* related to information in Corus' annual report on Form 40-F.

Evaluation of disclosure controls and procedures

As part of the Form 52-109 certification, the Chief Executive Officer and Chief Financial Officer must certify that they are responsible for establishing and maintaining disclosure controls and procedures and have designed such disclosure controls and procedures (or caused such disclosure controls and procedures to be designed under their supervision) to ensure that material information with respect to Corus, including its consolidated subsidiaries, is made known to them and that they have evaluated the effectiveness of Corus' disclosure controls and procedures as of the end of the period covered by these annual filings. Disclosure controls and procedures ensure that information required to be disclosed by Corus in the reports that it files or submits to the provincial securities legislation is recorded, processed, summarized and reported, within the time periods required. Corus has adopted or formalized such controls and procedures as it believes are necessary and consistent with its business and internal management and supervisory practices.

The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109 and in Rules 13a-15(e) and 15d-15(e) under the *Securities Exchange Act of 1934*, as amended (the "Exchange Act")), have concluded that, as at August 31, 2007, the Company's disclosure controls and procedures were effective.

Management's annual report on internal control over financial reporting

As part of the Form 52-109 certification, the Chief Executive Officer and Chief Financial Officer must also certify that they are responsible for establishing and maintaining internal control over financial reporting and have designed such internal control over financial reporting (or caused such internal control over financial reporting to be designed under their supervision). In addition, Corus' management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of Corus' assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the Company's financial statements.

The Company's Chief Executive Officer and Chief Financial Officer have concluded that, as at August 31, 2007, the Company has designed such internal control over financial reporting (as defined in Multilateral Instrument 52-109) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, Corus' management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting, as at August 31, 2007, based on the framework set forth in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on its evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective as of that date.

Attestation report of the registered public accounting firm

Ernst & Young LLP, an independent registered public accounting firm, who has audited, and reported on, the Company's consolidated financial statements for the year ended August 31, 2007, as included in this annual report, has also issued a report, under Auditing Standard No. 5 of the Public Company Accounting Oversight Board (United States), on the operating effectiveness of internal control over financial reporting as at August 31, 2007.

Changes in internal controls over financial reporting

There were no changes in the Company's internal control over financial reporting that occurred during fiscal 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

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

Consent of Independent Registered Public Accounting Firm

We consent to the use in this Annual Report on Form 40-F of our reports dated November 21, 2007 on the consolidated financial statements of Corus Entertainment Inc. as at August 31, 2007 and 2006 and for each of the years in the three-year period ended August 31, 2007, and the effectiveness of internal controls over financial reporting of Corus Entertainment Inc. as at August 31, 2007.

Toronto, Canada,
November 28, 2007.

/S/Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

RULE 13a - 14(a)/15d - 14(a) CERTIFICATIONS

I, John M. Cassaday, certify that:

1. I have reviewed this annual report on Form 40-F of Corus Entertainment Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15d-15(f)) for the issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: November 28, 2007

/s/ John M. Cassaday

Name: John M. Cassaday
Title: President and Chief Executive Officer

RULE 13a - 14(a)/15d - 14(a) CERTIFICATIONS

I, Thomas C. Peddie, certify that:

1. I have reviewed this annual report on Form 40-F of Corus Entertainment Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15d-15(f)) for the issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: November 28, 2007

/s/ Thomas C. Peddie

Name: Thomas C. Peddie

Title: Senior Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002

Corus Entertainment Inc. (the "Company") is filing with the U.S. Securities and Exchange Commission on the date hereof, its annual report on Form 40-F for the fiscal year ended August 31, 2007 (the "Report").

I, John M. Cassaday, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as enacted pursuant to section 906 of the U.S. Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (i) the Report fully complies with the requirements of section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 28, 2007

/s/ John M. Cassaday
Name: John M. Cassaday
Title: President and Chief Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002

Corus Entertainment Inc. (the "Company") is filing with the U.S. Securities and Exchange Commission on the date hereof, its annual report on Form 40-F for the fiscal year ended August 31, 2007 (the "Report").

I, Thomas C. Peddie, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as enacted pursuant to section 906 of the U.S. Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (i) the Report fully complies with the requirements of section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 28, 2007

/s/ Thomas C. Peddie
Name: Thomas C. Peddie
Title: Senior Vice President and Chief Financial Officer

Corus Entertainment Inc.
Code of Business Conduct



CODE OF BUSINESS CONDUCT

TO WHOM DOES THE CODE APPLY?

The Code of Business Conduct (the "Code") applies to all employees and members for the Board of Directors of Corus Entertainment Inc. or 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 member of the Board of Corus is expected to read and comply with the entire Code of Business Conduct. If you have any questions concerning the Code, please contact the Vice-President and General Counsel or the Vice-President of Human Resources. Failure to abide by this Code will lead to disciplinary measures appropriate to the violation, up to and including dismissal. Employees and directors who become aware of a breach of this policy (including any illegal activity) must immediately report that breach to his or her immediate supervisor (or if reporting to the supervisor is inappropriate or does not provide sufficient confidentiality, the breach shall be reported to Corus' General Counsel). Employees and directors who report such breaches in good faith will not suffer any retaliation by Corus or its employees as a result of such reporting.

Corus employees also have access to *AlertLine®* as an alternative to reporting internally. This service is for employees who wish to make a report confidentially and anonymously to an independent third party. While not a regulatory requirement, we are also taking the initiative to implement *AlertLine®* as an alternative to reporting internally within Corus. It is operated by GCS, formerly Pinkerton Compliance Services, which has more than 20 years of experience in this field. *AlertLine®* can be accessed 24/7 at 1-800-750-4972.

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, customers 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.



CODE OF BUSINESS CONDUCT

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 or appropriateness 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 sex, 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, teamwork 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, distribution, offering or sale of alcoholic beverages on the Company's premises (including Company vehicles) is prohibited. Senior management approval is required if alcoholic beverages are to be served at a Company-sponsored function.

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 the 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. An employee or director who learns of an opportunity available to Corus may not take advantage of that opportunity for his or her personal benefit.

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 Company 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 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 remains with and is the exclusive property of the Company and is not to be used nor disclosed in any way by the departing employee following the termination of his or her employment with the Company.

IMPROPER INFLUENCE ON THE CONDUCT OF AUDITS

Employees are prohibited from coercing, manipulating, misleading or fraudulently influencing the Corus internal or outside auditors when the employee knows or should know that his/her action, if successful, could result in rendering the Corus financial statements misleading in any way.



INSIDER TRADING

Unauthorized disclosure of internal information relating to Corus Entertainment could cause competitive harm to Corus and in some cases could result in liability under insider trading legislation for both Corus and the person disclosing the information. It is the duty of all persons to whom this statement applies to maintain the confidentiality of information belonging to or relating to Corus Entertainment. Employees should not disclose internal information about Corus to others outside of the company, except as required in the performance of regular duties for the company.

Only specifically designated representatives of Corus Entertainment may make communications on behalf of Corus with the media, securities analysts and other investors. If you receive any inquiry relating to Corus Entertainment from the media, a securities analyst or an investor, unless you have been expressly authorized to make such communication, you should refer the inquiry to Corus' Chief Financial Officer.

The Securities Act (Ontario) provides that it is an offence for directors, employees and stock option plan participants of Corus Entertainment or anyone who has received a "tip" from such persons to purchase or sell securities of Corus Entertainment with the knowledge of a "material fact" or "material change" with respect to Corus Entertainment that has not been made public by Corus Entertainment.

The terms "material fact" and "material change" refer to a fact or change relating to Corus Entertainment that significantly affects or would reasonably be expected to have a significant effect on the market price of Corus Entertainment's shares.

You should assume that information is material if an investor might consider the information to be important in deciding whether to buy, sell or hold shares of Corus Entertainment. Examples of matters which may be material are:

- earnings forecasts
- possible acquisitions or joint ventures
- signing or loss of a significant contract
- major litigation developments
- significant financing developments
- major personnel changes
- important sales developments

A "material fact" or a "material change" is often difficult to determine. When in doubt, please discuss the matter with the Chief Financial Officer prior to trading.

Corus Entertainment's share trading rule is to wait one full business day after a "material fact" or "material change" announcement (press release) has been made by Corus Entertainment, to allow the details of an announcement to become generally disclosed to the public. Accordingly, if you are aware of any material information relating to Corus Entertainment which has not been made available to the public, you must not trade in Corus Entertainment's shares (either buy or sell) or disclose such information to another person who is likely to trade in Corus Entertainment's shares until the material information is publicly announced and one business day has passed. Thus, one may not attempt to "beat the market" by trading simultaneously with, or shortly after, the official release of material information.

Financial information is particularly sensitive to insider trading rules. Therefore, Corus has special rules in place with respect to trading of securities prior to public release of financial information.



Any director, employee or stock option plan participant of Corus Entertainment who becomes aware of the details of any quarterly or annual financial reports of Corus Entertainment, prior to their release to the public, shall not trade in shares of Corus Entertainment during the time periods set forth below:

- (a) **For quarterly financial reports** - on or after the fifteenth (15th) day after the quarter end, until one (1) business day after the financial results of that quarter are released to the press or released generally to shareholders, whichever is earlier; or
- (b) **For annual financial reports** - on or after the fifteenth (15th) day, until one (1) business day after the financial results of that year are released to the press or released generally to shareholders, whichever is earlier.

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 judgment, 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 judgment required in performing those responsibilities.

GIFTS OR FAVOURS

Accepting gifts or favours, other than of nominal value (\$500 or less), 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 judgment on behalf of Corus.

Specifically, without limiting the generality for the foregoing, an employee must disclose the following investments to senior management:

- an employee owns a business in whole or part that is entering into a business transaction with Corus; or
- an employee purchases, sells or holds interests in supplier companies and their subsidiaries or direct affiliates where the Company's relations with such suppliers could be considered to have a material impact; or
- 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.

Corus has the right to discipline an employee if, while employed at Corus, the employee engages in conduct, on the part of the employee of a nature, which in the opinion of Corus, would be sufficient or likely to bring Corus or employee into disrepute. For example, posting disparaging remarks about Corus on websites, blogs and/or chatrooms, identifying oneself as a Corus employee while appearing on a distasteful website, as determined by Corus in its sole discretion etc.

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 their reasonable efforts possible 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 and General Counsel

employee information or human resources requests - directed to the Vice-President of 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.

As a member of the Canadian Association of Broadcasters (CAB) and in accordance with the standards 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 and General Counsel; the Vice-President of 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".

You can also use the [AlertLine@](#) process as noted above.

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 the Vice-President and General Counsel or the Vice-President of Human Resources or by visiting our website at www.corusent.com.

BOARD OVERSIGHT

Corus' Board of Directors monitors compliance with the code. Waivers, if any, can only be granted by the Board.

