Fourth Quarter 2011
Report to Shareholders

For the Three Months and Year Ended August 31, 2011
(Unaudited)

CORUS ENTERTAINMENT INC.
Fourth Quarter Report to Shareholders

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Financial Highlights

(These highlights are derived from the unaudited consolidated financial statements)

(in thousands of dollars except per share amounts)

	Three months ended August 31,		Year ended August 31,	
	2011	2010	**2011**	2010
Revenues				
Radio	**47,626**	47,581	**195,657**	192,433
Television	**152,567**	139,855	**629,556**	575,097
	200,193	187,436	**825,213**	767,530
Segment profit				
Radio	**14,899**	13,201	**59,085**	57,431
Television	**52,880**	46,955	**258,532**	226,679
Corporate	**(9,248)**	(8,639)	**(32,196)**	(28,141)
	58,531	51,517	**285,421**	255,969
Net income from continuing operations	**29,210**	4,164	**141,274**	119,662
Basic earnings per share				
From continuing operations	**$ 0.35**	$ 0.05	**$ 1.73**	$ 1.48
From discontinued operations	**$ —**	$ 0.03	**$ 0.06**	$ 0.09
	$ 0.35	$ 0.08	**$ 1.79**	$ 1.57

Significant Events in the Quarter

- On June 14, 2011, the Company announced that the Toronto Stock Exchange (“TSX”) accepted the notice filed by Corus of its intention to make a Normal Course Issuer Bid (“NCIB”) for its Class B Non-Voting Participating Shares through the facilities of the TSX, or any other alternative Canadian trading system. Pursuant to the terms of its NCIB, Corus may, during the 12-month period commencing June 16, 2011 and ending June 15, 2012, purchase for cancellation up to a total of 3,900,000 Class B Non-Voting Participating Shares, which represent approximately 5% of its 78,929,367 Issued and Outstanding Class B Non-Voting Participating Shares as at May 31, 2011. Since the NCIB has been in effect, the Company has acquired 377,400 shares of which 182,600 shares were acquired prior to August 31, 2011.
- On June 14, 2011, the Company’s Nelvana Enterprises in partnership with d-rights Inc., TOMY Company Ltd. and Hasbro Inc. announced that the World BEYBLADE Championship will take place on March 25, 2012 at Corus Quay.
- On June 16, 2011, Corus launched the *ExploreMusic App* for iPhone and iPod touch on the App Store.
- On June 30, 2011 and July 29, 2011, the Company paid a monthly dividend of $0.062083 and $0.0625 to holders of its Class A and Class B shares, respectively.
- On July 14, 2011, the Company announced that its Board of Directors had approved a 16% increase in its annual dividend. The Company’s monthly dividend for holders of its Class A and Class B shares was increased to $0.072083 and $0.0725, respectively or $0.865 and $0.87, respectively on an annual basis, effective with the August 31, 2011 monthly dividend payment.

- On July 27, 2011, the Canadian Radio-television and Telecommunications Commission (the Commission) renewed the broadcast, specialty and pay television licenses owned and operated by Corus. The Corus licenses were renewed for five years to August 31, 2016. *See Broadcasting Decisions 2011-441, 442, 443 and 446.*
- On August 3, 2011, the Commission gazetted the application of Corus Radio Winnipeg station CJGV-FM to change from a specialty jazz format to a Category 2 music format. *See Broadcasting Notice of Consultation 2011-469.*
- On August 4, 2011, the Company's Nelvana Enterprises new animated comedy series *Scaredy Squirrel* made its U.S. debut on Cartoon Network.
- On August 15, 2011, the Company filed Form 15F with the U.S. Securities and Exchange Commission ("SEC") with the intention of voluntarily terminating the registration of its Class B Non-Voting Shares ("Class B Shares") under the Securities Exchange Act of 1934, as amended. Corus expects that this termination of registration of its Class B Shares with the SEC will become effective 90 days after the Form 15F filing, however, Corus' obligation to file reports with the SEC was immediately suspended on the date of the filing.

Significant Events Subsequent to the Quarter

- On September 8, 2011, the Company announced that its programming received a total of 23 awards from the Academy of Canadian Cinema and Television's 26th Annual Gemini Awards. Movie Central's series received a total of 17 awards with *Call Me Fitz* picking up an impressive seven Geminis. Corus' YTV and TELETOON received six awards including two Geminis for Nelvana Studio's *Babar and the Adventures of Badou*.
- On September 19, 2011, Corus Entertainment was named one of Canada's Top Employers for Young People for 2011, which marks the second year in a row that Corus received special recognition in attracting and training younger employees through Corus U's in-house and online training opportunities.
- On September 26, 2011, the Company's Nelvana Enterprises' announced the sale of three new comedy series *Mr. Young*, *Sidekick* and *Scaredy Squirrel* to Cartoon Network Latin America.
- On September 29, 2011, the Company's Nelvana Enterprises announced an agreement with Disney Channel and Disney XD to broadcast its animated comedy series *Scaredy Squirrel* in Europe and beyond.
- On September 29, 2011, the Ministers of Industry and Canadian Heritage reintroduced the Copyright Modernization Act (the Act), which died on the order papers as Bill C-32 when the federal election was called earlier this year. Now known as Bill C-11, the legislation was tabled in the House of Commons in the exact same form as Bill C-32. The Bill contains certain exemptions that would reduce the liability for use of music on Corus radio stations and result in significant cost savings for the Company.
- On September 30, 2011, the Company paid a monthly dividend of $0.072083 and $0.0725 to holders of its Class A and Class B shares, respectively.
- On October 5, 2011, the Commission granted two Category B licenses for Italian and Spanish language children's television specialty services owned by Telelatino Network Inc., which is controlled by Corus. *See Broadcasting Decisions 2011-637 and 638.*
- On October 25, 2011, the Company and NBCUniversal Television Canada announced the renewal of their exclusive output distribution deal. This multi-year agreement, which encompasses linear and non-linear rights, provides Corus Entertainment's premium pay TV service, Movie Central with access to an extensive catalogue of new theatrical feature film titles.

CORUS ENTERTAINMENT INC.
Fourth Quarter Report to Shareholders

Management's Discussion and Analysis

Management's Discussion and Analysis of the financial position and results of operations for the three months and year ended August 31, 2011 is prepared at September 30, 2011. The following should be read in conjunction with the Company's August 31, 2011 Management's Discussion and Analysis, audited consolidated financial statements and the notes thereto. The financial highlights included in the discussion of the segmented results are derived from the unaudited consolidated financial statements. All amounts are stated in Canadian dollars unless specified otherwise.

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 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, distribution, 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, distribution, 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 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 of Consolidated Results

The major change in our consolidated results arises from the disposition of the Quebec Radio operations of our business in the second quarter fiscal 2011 and its separate presentation as discontinued operations in all periods presented. The following discussion describes the significant changes in the consolidated income statement from continuing operations.

Net income from continuing operations for the fourth quarter was $29.2 million on revenues of $200.2 million, as compared to net income from continuing operations of $4.2 million on revenues of $187.4 million in the prior year. Segment profit for both Radio and Television each increased by 13%. Further analysis is provided in the discussions of segmented results.

Net income from continuing operations for the year ended August 31, 2011 was $141.3 million on revenues of $825.2 million, as compared to net income from continuing operations of $119.7 million on revenues of $767.5 million in the prior year. Television segment profit increased by 14%, while Radio increased by 3%.

Revenues

Revenues from continuing operations for the fourth quarter were $200.2 million, an increase of 7% from $187.4 million last year. Subscriber revenues increased by 3% while advertising revenues decreased by 3% in the quarter. Merchandise, distribution and other revenues increased 42% in the quarter. Revenues increased in the fourth quarter for Television by 9%, with Radio remaining consistent with the prior year. For the fiscal year, revenues from continuing operations of $825.2 million represented an increase of 8% from $767.5 million last year. Subscriber revenues increased by 6%, advertising revenues increased by 4%, and merchandise, distribution and other revenues increased by 22% in the year. Television and Radio revenues increased by 9% and 2%, respectively, in the year. Refer to the discussion of segmented results for additional analysis of revenues.

Direct cost of sales, general and administrative expenses

Direct cost of sales, general and administrative expenses from continuing operations for the fourth quarter were $141.7 million, up 4% from $135.9 million in the prior year. This increase results from higher cost of sales in the Television division and higher general and administrative costs in Corporate, which were offset by cost reductions in the Radio division. For the fiscal year, expenses of $539.8 million represented a 6% increase over the prior year and is attributable to higher cost of sales in the Television division and higher Corporate costs. Refer to the discussion of segmented results for additional analysis of expenses.

Depreciation

Depreciation expense from continuing operations of $6.6 million for the fourth quarter is consistent with the prior year while the fiscal year at $24.9 million was higher than prior year due to the depreciation of Corus Quay assets, which commenced in the fourth quarter of fiscal 2010.

Interest expense

Interest expense for the fourth quarter was $13.8 million, consistent with prior year. Interest expense of $57.3 million for the fiscal year was higher than prior year due to a higher average cost of debt for the period. This results from a full year of interest for fiscal 2011 on the $500.0 million, 7.25% senior unsecured guaranteed notes due 2017 (the “Notes”) that were issued in February 2010. The Company used the proceeds from the Notes to pay down bank debt. The average interest rate on bank loans and Notes for fiscal 2011 was 6.9% compared to 5.5% on bank loans and Notes last year.

On March 11, 2011, the Company's $500.0 million credit facility with a syndicate of banks was amended principally to reduce interest margins applicable to floating interest rates and to extend the maturity date to February 11, 2015. The amount committed is $500.0 million, available on a revolving basis, and is repayable at maturity.

Disputed regulatory fees

In October 2009, a settlement was reached between the Government of Canada and members of the broadcasting industry in respect of disputed Part II license fees. The settlement included waiving Part II license fees that were not collected for the broadcasting years 2007, 2008 and 2009. The Company had accrued $14.0 million related to continuing operations over that period, and reversed this accrual in the first quarter of fiscal 2010.

Debt refinancing

In the second quarter of fiscal 2010, the Company issued $500.0 million in Notes. The proceeds of the Notes issue were used to pay down the existing $500.0 million term facility. Concurrently, the interest rate swap agreements that fixed the interest rate on $400.0 million of the bank debt were terminated, and the Company amended its credit facility with a syndicate of banks. These transactions resulted in the Company recording a pre-tax debt refinancing cost of $14.3 million. The components of these costs include mark-to-market payments on the termination of the interest rate swap agreements, and the non-cash write-off of deferred financing fees related to the previous credit facility.

Restructuring

Restructuring expense of $3.7 million for the fiscal year is comprised of employee-related expenses associated with the organizational restructuring that commenced in the fourth quarter of fiscal 2010, with additional costs incurred in the first and fourth quarters of fiscal 2011. Also included in this amount are redundant rents for facilities vacated subsequent to the move to the Corus Quay location.

Other expense/ (income), net

Other income from continuing operations for the fiscal year was $4.1 million, as compared to an expense of $19.5 million last year. The difference relates to a $3.4 million gain on the sale of property, higher foreign exchange gains and equity earnings in fiscal 2011. The prior year includes the retroactive portion of the new Radio tariffs introduced in July 2010 and pre-occupancy lease costs for Corus Quay.

Income tax expense

The effective tax rate for the fiscal year was 27.1%, compared to the Company's 29.0% statutory rate. The prior year included a future tax recovery of $14.3 million, representing a reduction in the Ontario provincial long-term tax rate.

Net income and earnings per share

Net income from continuing operations for the fourth quarter was $29.2 million, as compared to $4.2 million last year. Earnings per share from continuing operations for the fourth quarter were $0.35 basic and diluted, compared to $0.05 basic and $0.05 diluted last year.

Net income from continuing operations for the fiscal year was $141.3 million, as compared to $119.7 million last year. Earnings per share from continuing operations for the fiscal year were $1.73 basic and $1.72 diluted, compared with $1.48 basic and $1.47 diluted in the prior year. Net income from continuing operations for the prior year includes a reversal of the disputed regulatory fee accrual, a reduction in the income tax rate and debt refinancing costs. Removing the impact of these items results in adjusted prior year earnings per share of $1.31 basic and $1.30 diluted. The weighted average number of shares outstanding is relatively unchanged from the prior year.

Other comprehensive income (loss), net of tax

A significant item in other comprehensive income in the prior year was the change in the unrealized fair value of the Company's interest rate swap agreements of $3.4 million. In the second quarter of fiscal 2010, the Company terminated the agreements. As a result, the unrealized change of $9.2 million in the fair value of the agreements that were previously recorded in other comprehensive income were reversed through other comprehensive income and recorded in net income as a component of the debt refinancing.

Radio

The Radio division is comprised of 37 radio stations situated primarily in seven of the ten largest Canadian markets by population and in the densely populated area of southern Ontario. Corus is one of Canada's leading radio operators in terms of revenues and audience reach.

Financial Highlights

(thousands of Canadian dollars)	Three months ended August 31,		Year ended August 31,	
	2011	2010	**2011**	2010
Revenues				
West	**22,324**	22,251	**91,625**	93,470
Ontario	**25,302**	25,330	**104,032**	98,963
	47,626	47,581	**195,657**	192,433
Segment profit				
West	**7,217**	6,333	**28,743**	30,295
Ontario	**7,682**	6,868	**30,342**	27,136
	14,899	13,201	**59,085**	57,431

Revenues for the fourth quarter were consistent with the prior year, while the full year increased 2%. Fourth quarter revenues in the West were flat and decreased 2% for the year due to ongoing ratings challenges in Vancouver and Edmonton. Although revenues in Ontario were flat for the quarter, the region increased 5% for the year, driven by strong growth in Toronto and London.

Direct cost of sales, general and administrative expenses for the fourth quarter decreased 5%, and increased 1% for the year. Variable expenses decreased 14% for the quarter, mainly as a result of new copyright tariffs announced in July 2010. The portion related to fiscal 2010 revenues was $2.1 million and was included in operating expenses in the fourth quarter fiscal 2010. The portion related to pre-fiscal 2010 revenues was $3.9 million and was included in other expenses in the fourth quarter 2010. On a full year basis, variable expenses for fiscal 2011 were consistent with the prior year. Fixed costs, which represent a much higher proportion of the cost structure, were flat for the quarter and increased 2% for the current fiscal year. The year over year increase was primarily due to the reinstatement of pension contributions for non-sales employees.

Segment profit increased 13% in the fourth quarter and 3% for the year. Both West and Ontario margins improved in the fourth quarter compared to the prior year's fourth quarter as a result of lower variable costs as described above. Overall, a segment profit margin of 30% was achieved for the fiscal year.

On February 1, 2011, the Company's Quebec radio operations were sold to Cogeco Inc. Subsequently, Corus Radio's Quebec segment was retroactively restated as a discontinued operation.

Television

Kids is comprised of: YTV; Treehouse TV; Nickelodeon (Canada); a 50% interest in TELETOON and TELETOON Retro; and the Nelvana content business. Specialty and Pay is comprised of: W Network; OWN: Oprah Winfrey Network (rebranded from VIVA March 1, 2011); W Movies; Sundance Channel (Canada); Corus' western Canadian pay television services Movie Central (including HBO Canada) and Encore Avenue; three conventional television stations; and the Company's interests in CMT Canada, Telelatino, DUSK and Cosmopolitan TV.

Financial Highlights

(thousands of Canadian dollars)	Three months ended August 31,		Year ended August 31,	
	2011	2010	**2011**	2010
Revenues				
Kids	**70,146**	58,497	**278,958**	240,568
Specialty and Pay	**82,421**	81,358	**350,598**	334,529
	152,567	139,855	**629,556**	575,097
Segment profit				
Kids	**23,032**	18,327	**115,355**	97,126
Specialty and Pay	**29,848**	28,628	**143,177**	129,553
	52,880	46,955	**258,532**	226,679

Revenues increased by 9% in the fourth quarter primarily as a result of a 50% increase in merchandise, distribution and other revenue, a 3% increase in subscriber revenues, offset by a 5% decrease in advertising revenues. Total specialty advertising revenues were down 6% in the quarter as a result of general market softness. Subscriber revenue growth for the quarter reflects strong paid subscriber growth at CosmoTV, Sundance and OWN. Beyblade contributed to the growth in merchandise, distribution and other revenues for the quarter. For the year specialty advertising revenues increased 11%, subscriber revenues increased 6% and merchandise, distribution and other revenues increased 26%. Non-specialty advertising revenues were down 1% in the fourth quarter and 31% for the year as a result of the closure of our former cable advertising service in August 2010. Movie Central (including HBO Canada) finished the year with 984,000 subscribers, up 2% from the prior year.

Direct cost of sales, general and administrative expenses increased by 7% in the fourth quarter and 6% for the year. Amortization of program rights and film investments, and other cost of sales increased by 15% for the quarter and 12% for the year. Program rights amortization has increased as a result of variable costs associated with higher subscriber levels, increased output from program supply agreements, investments in programming, particularly for our Women's and Pay networks, and increased Canadian programming as a result of conditions of license. Amortization of film investments has increased in part due to higher cost of sales associated with increased revenues from third party service work at our studios. Other cost of sales associated with the merchandising business has also increased in line with higher merchandising revenues in the quarter and year. General and administrative expenses decreased by 6% in the quarter and 2% for the year due to the savings from our organizational restructuring in 2010 offsetting higher variable costs.

Segment profit increased by 13% in the fourth quarter and 14% for the year. Kids was up 26% for the quarter and 19% for the year, benefitting from increased co-view advertising and merchandising revenues. Paid subscriber growth from CosmoTV, Sundance, W Movies and Movie Central drove segment profit for the Specialty and Pay group up 4% for the quarter and 11% for the year.

Corporate

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

Financial Highlights

(thousands of Canadian dollars)	Three months ended **August 31,**		Year ended **August 31,**	
	2011	2010	**2011**	2010
Stock-based compensation	**5,834**	1,944	**12,556**	7,770
Other general and administrative costs	**3,414**	6,695	**19,640**	20,371
	9,248	8,639	**32,196**	28,141

Stock-based compensation includes the expenses related to the Company's Performance Share Units ("PSUs"), Restricted Share Units ("RSUs"), stock options and other long-term incentive plans. The expense fluctuates with changes in assumptions, primarily the Company's share price and number of units outstanding. The increase in stock-based compensation in the current year reflects a higher share price compared to the prior year, which resulted in amounts becoming due in the current year. In fiscal 2010, no payments became due with respect to these plans because performance targets were not met.

Other general and administrative costs have decreased in the fourth quarter as a result of lower accruals in the current year's quarter compared to the prior year for short-term compensation plans, a higher recovery of facilities costs through Corus Quay space rentals and an overall focus on cost controls. The prior year fourth quarter included additional costs related to buildings that were vacated during the quarter. For the full year, other general and administrative costs were comparable to the prior year.

Quarterly Consolidated Financial Information

Seasonal fluctuations

As discussed in Management's Discussion and Analysis for the year ended August 31, 2011, Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. In particular, as the Company's broadcasting businesses are dependent on general advertising and retail cycles associated with consumer spending activity, the first quarter results tend to be the strongest and second quarter results tend to be the weakest in a fiscal year.

The following table sets forth certain unaudited data derived from the unaudited consolidated financial statements for each of the eight most recent quarters ended August 31, 2011. In management's opinion, these unaudited consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements in the Company's Annual Report for the year ended August 31, 2011.

[thousands of Canadian dollars, except per share amounts]

	Revenues [1]	Segment [1] profit	Net income [1]	Earnings per share [1] Basic	Diluted
2011					
4th quarter	200,193	58,531	29,210	$ 0.35	$ 0.35
3rd quarter	211,788	77,277	39,229	$ 0.48	$ 0.47
2nd quarter	191,076	60,959	28,137 [2]	$ 0.35 [2]	$ 0.34 [2]
1st quarter	222,156	88,654	44,698 [2]	$ 0.55 [2]	$ 0.54 [2]
2010					
4th quarter	187,436	51,517	4,164 [2]	$ 0.05 [2]	$ 0.05 [2]
3rd quarter	198,387	69,447	29,272 [2]	$ 0.36 [2]	$ 0.36 [2]
2nd quarter	177,500	55,050	15,231 [2]	$ 0.19 [2]	$ 0.19 [2]
1st quarter	204,207	79,955	70,995 [2]	$ 0.88 [2]	$ 0.87 [2]

[1] Reflects results for continuing operations

[2] Net income from continuing operations, net income from discontinued operations and related earnings per share amounts have been adjusted to reflect the elimination of intersegment expenses, net of tax. The impact of this is an approximate $1.0 million per quarter increase in net income from continuing operations with a corresponding decrease in net income from discontinued operations for each adjusted quarter.

Significant items causing variations in quarterly results

- Net income for the fourth quarter of fiscal 2010 was negatively impacted by a charge of $12.9 million related to the Company's organizational restructuring to streamline operating processes.
- Net income in the fourth quarter of fiscal 2010 was negatively impacted by an accrual of $6.0 million related to the new Radio tariffs introduced in July 2010.
- Net income in the second quarter of fiscal 2010 was negatively impacted by $14.3 million in expenses related to the refinancing of the Company's debt.
- Net income in the first quarter of fiscal 2010 was positively impacted by $14.3 million in income tax rate changes and the reversal of a $14.0 million disputed regulatory fee accrual.

Risks and Uncertainties

There have been no material changes in any risks or uncertainties facing the Company since the year ended August 31, 2010.

Outlook

At its annual Investor Day which is planned to be held at the end of the first quarter, the Company will update investors on the Company's fiscal 2012 priorities and strategies and provide near term financial guidance for the 2012 fiscal year.

Financial Position

Total assets at August 31, 2011 and August 31, 2010 were $2.1 billion. The major change in the Company's financial position resulted from the disposition of the Quebec Radio operations of the business and the separate presentation as discontinued operations in all periods presented. The following discussion describes the significant changes in the consolidated balance sheet since August 31, 2010.

Current assets increased by $47.7 million. Cash and cash equivalents increased by $48.0 million. Refer to the discussion of cash flows in the next section. Accounts receivable increased by $16.9 million, but has decreased from the prior quarter by $11.4 million. The accounts receivable balance typically grows in the first quarter and decreases in the second quarter as a result of the broadcast revenue cycle. The Company carefully monitors the aging of its accounts receivable.

Tax credits receivable increased by $3.5 million as a result of accruals related to film production. Intangibles, investments and other assets increased by $17.4 million primarily as a result of an increase in intangibles related to the launch of OWN. Capital assets increased by $21.7 million, as spending on Corus Quay continued in fiscal 2011 and was offset by increased depreciation. Broadcast licenses and goodwill balances remained consistent with August 31, 2010. Program and film rights (current and non-current) increased by $12.1 million, as additions of acquired rights of $185.9 million were offset by amortization of $173.8 million during the period. Film investments increased by $2.1 million, as film spending (net of tax credit accruals) of $44.7 million was offset by film amortization of $42.6 million during the period.

Accounts payable and accrued liabilities increased by $19.3 million as a result of increased dividends payable, capital leases payable and current program rights payable.

Long-term debt decreased by $91.1 million. The Company utilized cash received from the disposition of the Quebec Radio operations to pay down bank loans. Other long-term liabilities increased by $9.3 million due to increases in unearned revenue, long-term program rights payable, long-term employee obligations and deferred leasehold inducements which were partially offset by reductions in capital lease accruals, merchandising and trademark intangibles.

Share capital increased $26.0 million. The exercise of employee stock options added $13.2 million to share capital and the issuance of shares from treasury under the Company's dividend reinvestment plan added $14.7 million to share capital, which was offset by $2.0 million in costs related to shares repurchased under the normal course issuers bid. Contributed surplus decreased by $2.4 million of which $3.5 million relates to the exercise of employee stock options offset by $1.1 million of stock-based compensation expense.

Liquidity and Capital Resources

Cash flows

Overall, the Company's cash and cash equivalents position increased by $48.0 million in fiscal 2011, compared to a decrease of $3.0 million in the prior year. Free cash flow from continuing operations for fiscal 2011 was $133.3 million, compared to free cash flow of $21.0 million in the prior year. After adding back the impact of business combinations in 2010 and investments in strategic initiatives in 2011, adjusted free cash flow was $61.0 million and $134.9 million respectively. This increase in free cash flow reflects higher cash from operating activities and reduced investment activities, specifically in the area of capital additions. Refer to Key Performance Indicators for a reconciliation of free cash flow to consolidated statements of cash flows.

Cash provided by operating activities from continuing operations in fiscal 2011 was $175.1 million, compared to $140.9 million last year. Net income from continuing operations before non-cash items increased $38.7 million and lower film investments spend of $2.4 million both contributed to the increase in the operating cash flow. In addition, there was an increase in cash from working capital changes of $3.1 million. All of this was offset by a higher spend on program and film rights of $10.0 million.

Cash used in investing activities from continuing operations in the fiscal 2011 was $41.7 million, compared to cash used of $119.9 million last year. Additions to capital assets decreased $35.8 million in the current year as the Company completed its build-out of Corus Quay. In the first quarter of fiscal 2010, the Company completed the acquisition of two specialty television services for cash of $40.0 million.

Cash generated from investing activities from discontinued operations in the second quarter fiscal 2011 includes proceeds from the sale of the Quebec Radio operations for cash of $84.0 million, less $9.0 million to be paid in February 2012.

Cash used in financing activities in fiscal 2011 was $147.1 million, compared to cash used of $25.9 million in the prior year. In the current year, the Company used the proceeds from the sale of the Quebec Radio operations to repay a portion of bank debt. In the prior year, the Company issued $500.0 million in senior unsecured guaranteed notes, and used the proceeds to repay a portion of the bank debt balance. These transactions resulted in the payment of financing and swap termination fees of $31.0 million.

Liquidity

As at August 31, 2011, the Company had available approximately $385.0 million under a revolving term credit facility. On March 11, 2011, the Company's $500.0 million credit facility with a syndicate of banks was amended. The principal amendments were to reduce interest margins applicable to floating interest rates and to extend the maturity date to February 11, 2015. Interest rates on the Company's facility fluctuate with Canadian bankers' acceptances and/or LIBOR.

As at August 31, 2011, the Company had a cash balance of $55.9 million and a positive working capital balance. Management believes that cash flow from operations and its existing credit facility will provide the Company with sufficient financial resources to fund its operations for the next 12 months.

Net debt to segment profit

As at August 31, 2011, net debt was $544.9 million, down from $683.9 million at August 31, 2010. Net debt to segment profit at August 31, 2011 was 1.9 times compared to 2.7 times at August 31, 2010.

Off-balance sheet arrangements and derivative financial instruments

In the second quarter of fiscal 2010, the Company terminated its interest rate swap agreements that had fixed a portion of the interest rate on its bank debt. As a result, the Company has no derivative instruments outstanding as at August 31, 2011.

Contractual commitments

The Company has added no significant unfulfilled contractual obligations in the fourth quarter of fiscal 2011.

(thousands of Canadian dollars)	**Total**	**Less than one year**	**One to three years**	**Four to five years**	**Beyond five years**
Long-term debt	600,796	—	—	100,796	500,000
Interest on notes	197,438	36,250	72,500	72,500	16,188
Program rights payable	415,894	105,967	151,216	77,031	81,680
Accounts payable and other accrued liabilities	121,111	121,111	—	—	—
Capital leases	17,577	8,497	8,623	457	—
Other liabilities	12,234	1,770	3,656	3,813	2,995

Outstanding Share Data

As at September 30, 2011, 3,436,746 Class A Voting Shares and 78,949,623 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. Refer to the Company's most recent Annual Information Filing for description of these circumstances.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred in the year ended August 31, 2011 that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

Key Performance Indicators

The Company measures the success of its strategies using a number of key performance indicators. These have been outlined in the Management's Discussion and Analysis contained in the Annual Report for the year ended August 31, 2011, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions.

In particular, 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. Segment profit may be calculated and presented for an individual operating segment, a line of business, or for the consolidated Company. 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) non-cash expenses such as depreciation and amortization; (ii) interest expense; and (iii) items not indicative of the Company's core operating results, and not used in management's evaluation of the business segment's performance, such as: goodwill and broadcast license impairment; disputed regulatory fees; debt refinancing, restructuring and certain other income and expenses (note 10 to the interim consolidated financial statements). Segment profit is also one of the measures used by the investing community to value the Company and is included in note 12 to the interim consolidated financial statements. Segment profit margin is calculated by dividing segment profit by revenues.

Certain key performance indicators are not measurements in accordance with Canadian generally accepted accounting principles ("GAAP") and should not be considered as an alternative to net income or any other measure of performance under Canadian GAAP. The following tables reconcile those key performance indicators that are not in accordance with GAAP measures:

Free cash flow [(1)]

	Three months ended August 31,		Year ended August 31,	
(thousands of Canadian dollars)	**2011**	2010	**2011**	2010
Cash provided by (used in):				
Operating activities	**36,045**	5,365	**175,077**	140,873
Investing activities	**(4,158)**	(33,767)	**(41,749)**	(119,914)
Free cash flow	**31,887**	(28,402)	**133,328**	20,959

(1) Reflects results from continuing operations

Net debt

(thousands of Canadian dollars)	**As at August 31, 2011**	As at August 31, 2010
Long-term debt	**600,796**	691,891
Cash and cash equivalents	**(55,922)**	(7,969)
Net debt	**544,874**	683,922

Net debt to segment profit

(thousands of Canadian dollars)	**As at August 31, 2011**	As at August 31, 2010
Net debt (numerator)	**544,874**	683,922
Segment profit (denominator)(1)	**285,421**	255,969
Net debt to segment profit	**1.9**	2.7

(1) Reflects aggregate amounts for the most recent four quarters, as detailed in the table in the "Quarterly Consolidated Financial Information" section of Management's Discussion and Analysis.

Impact of New Accounting Policies

There are no pending accounting changes under Canadian GAAP that will be adopted prior to conversion to IFRS.

Recent Accounting Pronouncements

Discussion will be available in the Annual Management's Discussion and Analysis for the year ended August 31, 2011.

CORUS ENTERTAINMENT INC.
CONSOLIDATED BALANCE SHEETS

(unaudited) (in thousands of Canadian dollars)	**As at August 31, 2011**	As at August 31, 2010
ASSETS (note 6)		(note 16)
Current		
Cash and cash equivalents	**55,922**	7,969
Accounts receivable	**178,531**	161,645
Income taxes recoverable	**603**	1,445
Prepaid expenses and other	**13,497**	17,040
Program and film rights	**160,590**	159,526
Future tax asset	**7,615**	6,129
Current assets of discontinued operations (note 16)	—	15,287
Total current assets	**416,758**	369,041
Tax credits receivable	**43,108**	39,597
Intangibles, investments and other assets (note 3)	**39,980**	22,595
Property, plant and equipment	**169,600**	147,905
Program and film rights	**99,543**	88,484
Film investments (note 4)	**102,540**	100,454
Broadcast licenses	**541,248**	541,248
Goodwill	**671,827**	671,827
Long-term assets of discontinued operations (note 16)	**—**	78,104
	2,084,604	2,059,255
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (note 5)	**212,607**	193,342
Current liabilities of discontinued operations (note 16)	**—**	10,080
Total current liabilities	**212,607**	203,422
Long-term debt (note 6)	**600,796**	691,891
Other long-term liabilities (notes 5, 7 and 8)	**97,314**	88,003
Future tax liability	**96,013**	90,641
Long -term liabilities of discontinued operations (note 16)	**—**	11,295
Total liabilities	**1,006,730**	1,085,252
Non-controlling interest	**19,200**	18,055
SHAREHOLDERS' EQUITY		
Share capital (note 8)	**882,679**	856,655
Contributed surplus (note 8)	**9,361**	11,780
Retained earnings	**179,207**	98,669
Accumulated other comprehensive loss (note 15)	**(12,573)**	(11,156)
Total shareholders' equity	**1,058,674**	955,948
	2,084,604	2,059,255

See accompanying notes

On behalf of the Board:

John M. Cassaday
Director

Heather A. Shaw
Director

October 26, 2011

CORUS ENTERTAINMENT INC.

CONSOLIDATED STATEMENTS OF INCOME

(unaudited) (in thousands of Canadian dollars except per share amounts)	Three months ended August 31,		Year ended August 31,	
	2011	2010	**2011**	2010
		(note 16)		(note 16)
Revenues	**200,193**	187,436	**825,213**	767,530
Direct cost of sales, general and administrative expenses (note 14)	**141,662**	135,919	**539,792**	511,561
Depreciation	**6,558**	6,757	**24,922**	20,122
Interest expense (notes 6 and 9)	**13,793**	13,987	**57,276**	44,222
Disputed regulatory fees	**—**	—	**—**	(14,015)
Debt refinancing (note 6)	**—**	—	**—**	14,256
Restructuring (note 5)	**1,352**	12,924	**3,694**	12,924
Other expense (income), net (notes 10 and 14)	**(1,849)**	11,689	**(4,060)**	19,477
Income from continuing operations before income taxes and non-controlling interest	**38,677**	6,160	**203,589**	158,983
Income tax expense (note 11)	**9,214**	580	**55,106**	33,437
Non-controlling interest	**253**	1,416	**7,209**	5,884
Net income for the period from continuing operations	**29,210**	4,164	**141,274**	119,662
Net income for the period from discontinued operations (note 16)	**—**	2,648	**5,023**	7,072
Net income for the period	**29,210**	6,812	**146,297**	126,734
Basic earnings per share (note 8)				
From continuing operations	**$ 0.35**	$ 0.05	**$ 1.73**	$ 1.48
From discontinued operations	**$ —**	$ 0.03	**$ 0.06**	$ 0.09
	$ 0.35	$ 0.08	**$ 1.79**	$ 1.57
Diluted earnings per share (note 8)				
From continuing operations	**$ 0.35**	$ 0.05	**$ 1.72**	$ 1.47
From discontinued operations	**$ —**	$ 0.03	**$ 0.06**	$ 0.09
	$ 0.35	$ 0.08	**$ 1.78**	$ 1.56

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited) (in thousands of Canadian dollars)	Three months ended August 31,		Year ended August 31,	
	2011	2010	**2011**	2010
Net income for the period	**29,210**	6,812	**146,297**	126,734
Other comprehensive income (loss), net of tax				
Unrealized foreign currency translation adjustment	**306**	516	**(1,551)**	(24)
Unrealized change in fair value of available-for-sale investments, net of tax	**135**	(89)	**134**	200
Unrealized change in fair value of cash flow hedges, net of tax	**—**	—	**—**	3,431
Recognition of change in fair value of cash flow hedge in net income, net of tax	**—**	—	**—**	9,244
	441	427	**(1,417)**	12,851
Comprehensive income for the period	**29,651**	7,239	**144,880**	139,585

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited) (in thousands of Canadian dollars)	Three months ended August 31, 2011	2010	Year ended August 31, 2011	2010
Share capital				
Balance, beginning of period	**879,058**	853,833	**856,655**	840,602
Issuance of shares under stock option plan	**278**	1,517	**13,232**	12,027
Shares repurchased	**(1,976)**	—	**(1,976)**	—
Issuance of shares under dividend reinvestment plan	**5,319**	1,275	**14,657**	3,731
Other	**—**	30	**111**	295
Balance, end of period	**882,679**	856,655	**882,679**	856,655
Contributed surplus				
Balance, beginning of period	**9,142**	11,901	**11,780**	17,303
Stock-based compensation (note 8)	**292**	235	**1,102**	907
Settlement and modification of long-term incentive plan (note 8)	**—**	—	**—**	(4,659)
Exercise of stock options	**(73)**	(356)	**(3,521)**	(1,771)
Balance, end of period	**9,361**	11,780	**9,361**	11,780
Retained earnings				
Balance, beginning of period	**169,663**	104,027	**98,669**	20,380
Net income for the period	**29,210**	6,812	**146,297**	126,734
Dividends declared	**(17,937)**	(12,170)	**(64,030)**	(48,445)
Shares repurchased excess	**(1,729)**	—	**(1,729)**	—
Balance, end of period	**179,207**	98,669	**179,207**	98,669
Accumulated other comprehensive loss				
Balance, beginning of period	**(13,014)**	(11,583)	**(11,156)**	(24,007)
Other comprehensive income (loss), net of tax	**441**	427	**(1,417)**	12,851
Balance, end of period	**(12,573)**	(11,156)	**(12,573)**	(11,156)

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (in thousands of Canadian dollars)	Three months ended August 31, 2011	2010	Year ended August 31, 2011	2010
OPERATING ACTIVITIES		(note 16)		(note 16)
Net income for the period	**29,210**	6,812	**146,297**	126,734
Earnings from discontinued operations	**—**	(2,648)	**(5,023)**	(7,072)
Add (deduct) non-cash items:				
Depreciation	**6,558**	6,757	**24,922**	20,122
Amortization of program rights	**44,277**	41,976	**173,805**	165,950
Amortization of film investments	**11,679**	12,330	**42,620**	38,456
Future income taxes	**521**	(598)	**3,886**	(15,227)
Non-controlling interest	**253**	1,416	**7,209**	5,884
Stock option expense	**292**	235	**1,102**	907
Imputed interest	**2,859**	2,709	**10,770**	8,635
Debt refinancing	**—**	—	**—**	14,256
Gain on property disposal	**(3,422)**	—	**(3,422)**	—
Other	**(457)**	2,393	**(2,860)**	1,945
Net change in non-cash working capital balances related to operations	**12,205**	(7,044)	**14,766**	11,644
Payment of program and film rights	**(62,511)**	(41,765)	**(177,325)**	(167,310)
Net additions to film investments	**(5,419)**	(17,208)	**(61,670)**	(64,051)
Cash provided by operating activities from continuing operations	**36,045**	5,365	**175,077**	140,873
Cash provided by (used in) operating activities from discontinued operations	**—**	5,490	**(13,262)**	3,193
Cash provided by operating activities	**36,045**	10,855	**161,815**	144,066
INVESTING ACTIVITIES				
Additions to property, plant and equipment	**(13,389)**	(30,487)	**(45,991)**	(81,839)
Business combinations	**—**	(4,000)	**—**	(40,000)
Proceeds from property disposal	**7,971**	—	**7,971**	—
Net cash flows for intangibles, investments and other assets	**1,601**	461	**(2,456)**	2,745
Increase (decrease) in public benefits associated with acquisitions	**(341)**	259	**(1,273)**	(820)
Cash used in investing activities from continuing operations	**(4,158)**	(33,767)	**(41,749)**	(119,914)
Cash provided by (used in) investing activities from discontinued operations	**—**	(495)	**74,996**	(1,210)
Cash provided by (used in) investing activities	**(4,158)**	(34,262)	**33,247**	(121,124)
FINANCING ACTIVITIES				
Increase (decrease) in bank loans	**(19,616)**	9,638	**(92,838)**	(444,938)
Issuance of senior unsecured guaranteed notes	**—**	—	**—**	500,000
Financing and swap termination fees	**(32)**	—	**(750)**	(30,997)
Issuance of shares under stock option plan	**205**	1,161	**9,711**	10,256
Shares repurchased	**(3,705)**	—	**(3,705)**	—
Dividend paid	**(10,956)**	(10,880)	**(45,528)**	(44,605)
Dividend paid to non-controlling interest	**—**	(960)	**(5,107)**	(10,220)
Capital lease payments and other	**(2,286)**	(2,212)	**(8,892)**	(5,391)
Cash used in financing activities from continuing operations	**(36,390)**	(3,253)	**(147,109)**	(25,895)
Net change during the period in cash and cash equivalents from continuing operations	**(4,503)**	(31,655)	**(13,781)**	(4,936)
Net change during the period in cash and cash equivalents from discontinued operations	**—**	4,995	**61,734**	1,983
Net change in cash and cash equivalents during the period	**(4,503)**	(26,660)	**47,953**	(2,953)
Cash and cash equivalents, beginning of period	**60,425**	34,629	**7,969**	10,922
Cash and cash equivalents, end of period	**55,922**	7,969	**55,922**	7,969

Supplemental cash flow disclosures (note 13)

See accompanying notes

(in thousands of Canadian dollars, except share information)

1. BASIS OF PRESENTATION

These interim consolidated financial statements include the accounts of Corus Entertainment Inc. and its subsidiaries ("Corus" or the "Company"). The notes presented in these interim consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year and are not fully inclusive of all matters normally disclosed in the Company's annual audited financial statements. As a result, these interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended August 31, 2011.

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 a subsequent quarter's operating results. Each of the broadcasting businesses (Radio and Television) has 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.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements follow the same accounting policies and methods of application as the fiscal 2011 annual audited consolidated financial statements.

3. INTANGIBLES, INVESTMENTS AND OTHER ASSETS

	As at August 31, 2011	As at August 31, 2010
Equity investments	**9,023**	7,914
Intangible assets	**25,914**	11,744
Other	**5,043**	2,937
	39,980	22,595

4. FILM INVESTMENTS

	2011	2010
Balance at beginning of the period	**100,454**	92,180
Additions	**78,753**	66,943
Tax credit accrual	**(19,768)**	(15,998)
Amortization	**(42,620)**	(38,456)
Transfer to program rights	**(14,279)**	(4,215)
Balance at end of the period	**102,540**	100,454

(in thousands of Canadian dollars, except share information)

The film investments balance is comprised of the following:

	As at August 31, 2011	As at August 31, 2010
Projects in development and in process, net of advances	**26,280**	27,712
Completed projects and distribution rights	**49,170**	47,205
Investments in third-party-produced film projects	**27,090**	25,537
	102,540	100,454

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at August 31, 2011, the Company had $5,330 (August 31, 2010 - $13,756) in accrued restructuring expenses in accounts payable and accrued liabilities and other long-term liabilities that remains unpaid. In fiscal 2011, $12,120 has been paid in respect of these provisions. The Company has paid and expensed additional restructuring costs in fiscal 2011 of $3,694 relating to employee costs and redundant rent. An additional expense of $1,352 was recorded in the fourth quarter fiscal 2011 for further restructuring. The Company anticipates that the remaining provisions will be substantially paid in fiscal 2012.

6. LONG-TERM DEBT

	As at August 31, 2011	As at August 31, 2010
Bank loans	**114,806**	208,015
Senior unsecured guaranteed notes	**500,000**	500,000
Unamortized financing fees	**(14,010)**	(16,124)
	600,796	691,891

In the second quarter of fiscal 2010, the Company closed an offering of $500,000 principal amount of 7.25% senior unsecured guaranteed notes due February 10, 2017 (the "Notes"). Concurrent with the closing of the offering of the Notes, the Company entered into an amended credit facility with a syndicate of banks that was set to mature on February 11, 2014. Financing fees of $17,977 were capitalized in relation to these transactions and are being amortized on an effective rate basis.

On March 11, 2011, the Company's $500,000 credit facility was amended principally to reduce interest margins applicable to floating interest rates and to extend the maturity date to February 11, 2015. The amount committed is $500,000, available on a revolving basis, and is repayable at maturity. In addition, the Company may at any time cancel the credit facility. Funds are available to the Company in both Canadian and U.S. dollars and incur interest on a floating basis plus a margin.

The transactions noted above resulted in the Company recording a $14,256 debt refinancing cost in the second quarter of fiscal 2010. The components of this cost include mark-to-market payments on the interest rate swap agreement termination and the write-off of unamortized financing fees related to the bank loans that were settled.

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at August 31, 2011, the weighted average interest rate on the outstanding bank loans and

(in thousands of Canadian dollars, except share information)

Notes was 6.7% (2010 – 6.6%). Interest on the bank loans and Notes for fiscal 2011 averaged 6.9% (2010 – 5.5%).

The banks hold as collateral a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the credit agreement. 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, 2011.

7. OTHER LONG-TERM LIABILITIES

	As at August 31, 2011	As at August 31, 2010
Public benefits associated with acquisitions	**2,774**	3,980
Unearned revenue	**12,808**	8,942
Program rights payable	**37,559**	31,959
Long-term employee obligations	**11,774**	9,830
Deferred leasehold inducements	**11,762**	3,698
Merchandising and trademark liabilities	**11,556**	13,745
Capital lease accrual	**9,081**	15,849
	97,314	88,003

8. 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.

Issued and outstanding

The changes in the Class A Voting Shares and Class B Non-Voting Shares since August 31, 2010 are summarized as follows:

	Class A Voting Shares		**Class B Non-Voting Shares**		**Total**
	#	**$**	**#**	**$**	**$**
Balance as at August 31, 2010	3,444,128	26,671	77,695,238	829,984	856,655
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(4,916)	(38)	4,916	38	—
Issuance of shares under Stock Option Plan	—	—	794,840	13,232	13,232
Issuance of shares under dividend reinvestment plan	—	—	716,867	14,657	14,657
Share repurchased	—	—	(182,600)	(1,976)	(1,976)
Repayment of executive stock purchase loans				111	111
Balance as at August 31, 2011	**3,439,212**	**26,633**	**79,029,261**	**856,046**	**882,679**

Earnings per share

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

	Three months ended **August 31,**		Year ended **August 31,**	
	2011	2010	**2011**	2010
Net income for the period (numerator)				
From continuing operations	**29,210**	4,164	**141,274**	119,662
From discontinued operations	**—**	2,648	**5,023**	7,072
Net income for the period	**29,210**	6,812	**146,297**	126,734
Weighted average number of shares outstanding (denominator)				
Weighted average number of shares outstanding - basic	**82,415**	81,067	**81,870**	80,747
Effect of dilutive securities	**357**	569	**519**	608
Weighted average number of shares outstanding - diluted	**82,772**	81,636	**82,389**	81,355

The calculation of diluted earnings per share for the fourth quarter and fiscal year of fiscal 2011 excluded 208,200 and 433,801 (2010 – 237,430 and 251,854) weighted average Class B Non-Voting Shares issuable under the Company's Stock Option Plan because these options were not "in-the-money".

Stock option plan

Under the Company's Stock Option Plan (the "Plan"), the Company may grant options to purchase Class B Non-Voting Shares to eligible officers, directors and employees of or consultants to the Company. The number of Class B Non-Voting Shares which the Company is authorized to issue under the Plan is 10% of the issued and outstanding Class B Non-Voting Shares. All options granted are for terms not to exceed 10 years from the grant date. The exercise price of each option equals the market price of the Company's stock on the date of the grant. Options vest 25% on each of the first, second, third and fourth anniversary dates of the date of grant.

A summary of the changes to the stock options outstanding since August 31, 2010 is presented as follows:

	Number of options (#)	Weighted average exercise price ($)
Outstanding as at August 31, 2010	2,811,588	14.95
Granted	261,900	22.31
Forfeited or expired	(33,875)	21.33
Exercised	(794,840)	12.21
Outstanding as at August 31, 2011	2,244,773	16.68

As at August 31, 2011, the Company has outstanding stock options for 2,244,773 Class B Non-Voting Shares, of which 1,452,668 are exercisable.

(in thousands of Canadian dollars, except share information)

The fair value of each option granted since September 1, 2003 was estimated on the date of the grant using the Black-Scholes option pricing model. The estimated fair value of the options is amortized to income over the option's vesting period on a straight-line basis. In fiscal 2011, the Company has recorded stock-based compensation expense for the fourth quarter and year-to-date of $292 and $1,102 (2010 – $235 and $907). This charge has been credited to contributed surplus. Unrecognized stock-based compensation expense at August 31, 2011 related to the Plan was $2,033 (2010 - $2,101).

The fair value of each option granted in fiscal 2011 and 2010 was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	Fiscal 2011	Fiscal 2010
Fair value	$ 4.26	$ 3.65
Expected life	5.8 years	5.6 years
Risk-free interest rate	2.06%	2.77%
Dividend yield	3.8%	3.4%
Volatility	29.0%	28.7%

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 at the end of the restriction period, multiplied by the number of vested units determined by achievement of specific performance-based criteria. The stock-based compensation expense recorded for the fourth quarter and year-to-date in respect of the PSU plan was $168 and $855 (2010 – $386 and $1,448) respectively.

Long-term incentive plan

In the first quarter of fiscal 2011, 227,100 units were granted under this plan (2010 – 570,341 units), with vesting periods between three and five years. The stock-based compensation expense recorded for the fourth quarter and year-to-date in respect of this plan was $5,315 and $10,316 (2010 – $1,323 and $5,415), respectively. This charge has been credited to other long-term liabilities.

In the third quarter of fiscal 2010, the plan text was modified to remove the option of settling the plan in shares. As a result, the amounts previously credited to contributed surplus were transferred to other long-term liabilities. This resulted in a reduction of $4,659 to contributed surplus in the first quarter of fiscal 2010.

Dividend reinvestment plan

In September 2009, the Company announced that its Board of Directors had approved a discount for Class B Non-Voting Shares issued from treasury pursuant to the terms of its dividend reinvestment plan. In fiscal 2011, the Company issued 716,867 (2010 – 198,354) Class B Non-Voting Shares, resulting in an increase in share capital of $14,657 (2010 - $3,731).

(in thousands of Canadian dollars, except share information)

Other

The Company allows directors and senior management to receive their director's fees or short-term incentive compensation, respectively, in the form of deferred share units. Each deferred share unit has the same value as a Class B Non-Voting Share at each period end. These deferred share units are fully vested upon grant, and the value is paid in cash to the holder following termination of service or employment. At August 31, 2011, there were 185,230 deferred share units outstanding.

9. INTEREST EXPENSE

	Three months ended August 31,		Year ended August 31,	
	2011	2010	**2011**	2010
Interest on long-term debt	**10,299**	11,327	**44,503**	36,550
Imputed interest on long-term liabilities	**2,859**	2,709	**10,770**	8,635
Other	**635**	(49)	**2,003**	(963)
	13,793	13,987	**57,276**	44,222

10. OTHER EXPENSE (INCOME), NET

	Three months ended August 31,		Year ended August 31,	
	2011	2010	**2011**	2010
Foreign exchange losses (gains)	**(12)**	645	**(2,302)**	446
Loss (income) from equity investments	**84**	40	**(1,026)**	(530)
Retroactive tariff adjustment	**—**	3,952	**—**	3,952
Loss (gain) on property disposal	**(3,422)**	2,575	**(3,422)**	2,575
Pre-occupancy Corus Quay rent	—	—	—	8,396
Other	**1,501**	4,477	**2,690**	4,638
	(1,849)	11,689	**(4,060)**	19,477

11. INCOME TAXES

The reconciliation of income taxes attributable to operations computed at the statutory rates to income tax expense for year-to-date fiscal 2011 and 2010 is as follows:

	Fiscal 2011		Fiscal 2010	
	$	**%**	$	%
Tax at combined federal and provincial rate	**58,939**	**29.0%**	50,557	31.8%
Future tax recovery resulting from tax rate change	**—**	**—**	(14,259)	(9.0%)
Recovery of various tax liabilities	**(1,221)**	**(0.6%)**	(2,029)	(1.3%)
Other	**(2,612)**	**(1.3%)**	(832)	(0.5%)
	55,106	**27.1%**	33,437	21.0%

(in thousands of Canadian dollars, except share information)

12. BUSINESS SEGMENT INFORMATION

The Company's business activities are conducted through two operating segments. Historically, the Company disclosed five segments. As a result of the relocation to Corus Quay and subsequent changes to the Company's organizational structure and internal reporting, the Company has two operating segments: Radio and Television. The Company is required to present only the two operating segments; however, the Company opted to present a more detailed presentation of results consistent with earlier periods.

Radio

The Radio division is comprised of 37 radio stations, situated primarily in urban centres in Canada. Revenues are derived from advertising aired over these stations.

Television

The Television division includes interests in several specialty television networks, pay television services, conventional television stations, and the Nelvana content business. Revenues are generated from subscriber fees, advertising and the licensing of proprietary films and television programs, merchandise licensing and publishing.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies of the most recent audited consolidated financial statements. Management evaluates each business segment's performance based on revenues less direct cost of sales, general and administrative expenses. Segment profit excludes depreciation, interest expense, broadcast license and goodwill impairment charges, disputed regulatory fees, debt refinancing costs, restructuring and certain other income and expenses (note 10).

All figures presented exclude discontinued operations as highlighted in note 16.

Divisional results

Three months ended August 31, 2011

	Radio	Television	Corporate	Consolidated
Revenues	47,626	152,567	—	**200,193**
Direct costs of sales, general and administrative expenses	32,727	99,687	9,248	**141,662**
Segment profit (loss)	14,899	52,880	(9,248)	**58,531**
Depreciation	757	758	5,043	**6,558**
Interest expense	154	6,729	6,910	**13,793**
Restructuring	1,226	496	(370)	**1,352**
Other expense (income), net	243	(2,937)	845	**(1,849)**
Income (loss) before income taxes and non-controlling interest	12,519	47,834	(21,676)	**38,677**

(in thousands of Canadian dollars, except share information)

Three months ended August 31, 2010

	Radio	Television	Corporate	Consolidated
Revenues	47,581	139,855	—	187,436
Direct costs of sales, general and administrative expenses	34,380	92,900	8,639	135,919
Segment profit (loss)	13,201	46,955	(8,639)	51,517
Depreciation	980	4,404	1,373	6,757
Interest expense (income)	739	(14)	13,262	13,987
Restructuring	5,506	5,055	2,363	12,924
Other expense (income), net	6,481	1,585	3,623	11,689
Income (loss) before income taxes and non-controlling interest	(505)	35,925	(29,260)	6,160

Year ended August 31, 2011

	Radio	Television	Corporate	Consolidated
Revenues	195,657	629,556	—	**825,213**
Direct costs of sales, general and administrative expenses	136,572	371,024	32,196	**539,792**
Segment profit (loss)	59,085	258,532	(32,196)	**285,421**
Depreciation	3,070	4,013	17,839	**24,922**
Interest expense	2,552	22,788	31,936	**57,276**
Restructuring	1,976	505	1,213	**3,694**
Other expense (income), net	(766)	(4,759)	1,465	**(4,060)**
Income (loss) before income taxes and non-controlling interest	52,253	235,985	(84,649)	**203,589**

Year ended August 31, 2010

	Radio	Television	Corporate	Consolidated
Revenues	192,433	575,097	—	767,530
Direct costs of sales, general and administrative expenses	135,002	348,418	28,141	511,561
Segment profit (loss)	57,431	226,679	(28,141)	255,969
Depreciation	4,059	10,000	6,063	20,122
Interest expense (income)	3,555	(677)	41,344	44,222
Disputed regulatory fees	(6,722)	(7,293)	—	(14,015)
Debt refinancing	—	—	14,256	14,256
Restructuring	5,506	5,055	2,363	12,924
Other expense (income), net	6,993	2,148	10,336	19,477
Income (loss) before income taxes and non-controlling interest	44,040	217,446	(102,503)	158,983

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

(in thousands of Canadian dollars, except share information)

The following tables present further details on the Radio and Television divisions:

Revenues by segment

	Three months ended August 31, 2011	Three months ended August 31, 2010	Year ended August 31, 2011	Year ended August 31, 2010
Radio				
West	**22,324**	22,251	**91,625**	93,470
Ontario	**25,302**	25,330	**104,032**	98,963
	47,626	47,581	**195,657**	192,433
Television				
Kids	**70,146**	58,497	**278,958**	240,568
Specialty and Pay	**82,421**	81,358	**350,598**	334,529
	152,567	139,855	**629,556**	575,097

Segment profit

	Three months ended August 31, 2011	Three months ended August 31, 2010	Year ended August 31, 2011	Year ended August 31, 2010
Radio				
West	**7,217**	6,333	**28,743**	30,295
Ontario	**7,682**	6,868	**30,342**	27,136
	14,899	13,201	**59,085**	57,431
Television				
Kids	**23,032**	18,327	**115,355**	97,126
Specialty and Pay	**29,848**	28,628	**143,177**	129,553
	52,880	46,955	**258,532**	226,679

Revenues by type

	Three months ended August 31, 2011	Three months ended August 31, 2010	Year ended August 31, 2011	Year ended August 31, 2010
Advertising	**83,052**	85,385	**389,925**	373,607
Subscriber fees	**74,351**	71,946	**299,888**	283,171
Merchandise, distribution and other	**42,790**	30,105	**135,400**	110,752
	200,193	187,436	**825,213**	767,530

(in thousands of Canadian dollars, except share information)

13. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three months ended **August 31,**		Year ended **August 31,**	
	2011	2010	**2011**	2010
Interest paid	**20,303**	20,749	**47,907**	37,799
Interest received	**326**	37	**956**	1,268
Income taxes paid	**22,200**	13,945	**49,243**	41,086

14. FOREIGN EXCHANGE GAINS AND LOSSES

The Company has reflected certain gains and losses in its consolidated statements of income (loss) as a result of exposure to foreign currency exchange rate fluctuations. A portion of these gains and losses relates 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:

	Three months ended **August 31,**		Year ended **August 31,**	
	2011	2010	**2011**	2010
Direct costs of sales, general and administrative expenses	**(100)**	(19)	**(1,012)**	(502)
Other income, net	**(12)**	645	**(2,302)**	446
Total foreign exchange gains	**(112)**	626	**(3,314)**	(56)

15. ACCUMULATED OTHER COMPREHENSIVE LOSS

	As at August 31, 2011	As at August 31, 2010
Foreign currency translation adjustment	**(13,049)**	(11,498)
Unrealized gain on available-for-sale investments, net of tax	**476**	342
	(12,573)	(11,156)

16. BUSINESS COMBINATIONS AND DIVESTITURES

In the second quarter of fiscal 2011, the Company completed the sale of its Quebec radio stations. The CRTC approved the disposition on December 17, 2010 and the sale closed February 1, 2011 with a purchase price of $84.0 million, of which $9.0 million is due in February 2012. As a result, certain figures for fiscal 2010 for assets and liabilities and operating results have been re-classified to assets and liabilities of discontinued operations, and net income for the period from discontinued operations in accordance with CICA Handbook Section 3475 – *Disposal of Long-Lived Assets and Discontinued Operations*. The summarized financial information for the discontinued Quebec radio operations is shown below:

CORUS ENTERTAINMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2011
(in thousands of Canadian dollars, except share information)

	As at August 31, 2011	As at August 31, 2010
Current assets of discontinued operations		
Accounts receivable	—	13,489
Prepaids and other assets	—	1,462
Income taxes receivable	—	336
Total current assets of discontinued operations	—	15,287
Intangibles, investments and other assets	—	304
Capital assets	—	13,680
Broadcast licenses and goodwill	—	64,120
Total assets of discontinued operations	—	93,391
Current liabilities of discontinued operations		
Accounts payable and accrued liabilities	—	10,080
Total current liabilities of discontinued operations	—	10,080
Other long-term liabilities	—	3,420
Future tax liability	—	7,875
Total liabilities of discontinued operations	—	21,375

	Three months ended **August 31,**		Year ended **August 31,**	
	2011	2010	**2011**	2010
Revenues	—	15,353	**28,836**	68,691
Direct cost of sales, general and administrative expenses	—	15,291	**24,738**	60,591
Segment profit	—	62	**4,098**	8,100
Other expenses (income)	—	(1,911)	**2,621**	(654)
Income from discontinued operations	—	1,973	**1,477**	8,754
Gain on disposal	—	—	**4,102**	—
Income tax expense (recovery)	—	(675)	**556**	1,682
Net income for the period from discontinued operations	—	2,648	**5,023**	7,072

Disposition equation	
Proceeds from sale	80,000
Working capital adjustment	4,000
Adjusted proceeds from sale	84,000
Net book value	(75,846)
Transaction costs	(4,052)
Gain on sale	**4,102**

(in thousands of Canadian dollars, except share information)

In the first quarter of fiscal 2010, the Company completed the acquisition of the specialty television services Drive-In Classics and SexTV. The Canadian Radio-television and Telecommunications Commission approved the acquisition on November 19, 2009 and the Company took over ownership and operation of these services, rebranded as Sundance Channel and W Movies, respectively, on November 30, 2009. The results of operations of these services, as well as their assets and liabilities, are included in the Specialty and Pay segment of the Television division effective December 1, 2009. The total cash consideration paid was $40.0 million. The purchase equation, which was accounted for using the purchase method, is summarized below:

Assigned value of net assets acquired:	
Broadcast licenses	23,000
Goodwill	21,000
Other long-term liabilities	(4,000)
	40,000