ENTERTAINMENT

Fourth Quarter 2012
Report to Shareholders

For the Three Months and Fiscal Year Ended August 31, 2012
(Unaudited)

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CORUS ENTERTAINMENT INC.
Fourth Quarter Fiscal 2012 Report to Shareholders

Highlights

Financial Highlights (from continuing operations)

(These highlights are derived from the unaudited consolidated financial statements) (in thousands of Canadian dollars except per share amounts)	Three months ended **August 31,**		Year ended **August 31,**	
	2012	2011	**2012**	2011
Revenues				
Television	**147,874**	152,567	**650,949**	629,556
Radio [2]	**47,750**	47,626	**191,327**	195,657
	195,624	200,193	**842,276**	825,213
Segment profit [1]				
Television	**54,490**	50,940	**262,138**	261,124
Radio [2]	**14,995**	14,899	**57,427**	59,085
Corporate	**(8,623)**	(9,360)	**(29,586)**	(34,323)
	60,862	56,479	**289,979**	285,886
Net income attributable to shareholders	**23,341**	27,670	**148,681**	141,511
Adjusted net income attributable to shareholders [1][3]	**30,175**	27,670	**155,515**	141,511
Basic earnings per share	**$ 0.28**	$ 0.34	**$ 1.79**	$ 1.73
Adjusted basic earnings per share[1][3]	**$ 0.36**	$ 0.34	**$ 1.87**	$ 1.73
Diluted earnings per share	**$ 0.28**	$ 0.33	**$ 1.78**	$ 1.72
Free Cash Flow [1]	**24,962**	31,887	**155,147**	134,861

[1] See definitions and discussion under Key Performance Indicators in MD&A.
[2] Reflects the disposition of the Quebec Radio operations, which occurred on February 1, 2011, as discontinued operations in all periods presented.
[3] Excludes the impact of a $6.8 million ($0.08 per share) non-cash tax expense related to an increase in the Ontario long-term tax rate which was substantively enacted in the fourth quarter 2012.

Significant Events in the Quarter

- On June 20, 2012, the Company announced that the Toronto Stock Exchange had accepted the notice filed by Corus of its intention to renew its Normal Course Issuer Bid for its Class B Non-Voting Participating Shares ("Class B Shares") through the facilities of the TSX, or any other alternative Canadian trading system. The Company may, during the 12 month period of June 22, 2012 to June 21, 2013, purchase for cancellation up to 4 million of its Class B Shares, which represent approximately 5% of the Issued and Outstanding Class B Shares as at June 14, 2012.
- On June 20, 2012, the Ontario government passed legislation cancelling planned future corporate tax rate reductions. As a result, the Company was required to remeasure certain deferred tax assets and liabilities in its fourth quarter ended August 31, 2012, which resulted in a non-cash tax expense of $6.8 million ($0.08 per share).
- On June 27, 2012, the Company's TLN Telelatino Network Inc. was awarded a broadcasting license to operate The Canadian Sportsmen Channel, a national, English-language specialty Category B service.

- On June 29, 2012, the Company paid a monthly dividend of $0.079583 and $0.08 to holders of its Class A and Class B Shares, respectively.
- On June 29, 2012, Bill C-11, the copyright reform bill, passed third reading at the Senate and received royal ascent. The new law will come into force once new regulations have been issued by the Governor in Council.
- On July 4, 2012, the Company's TELETOON Canada Inc. launched Cartoon Network (Canada), a global kids brand which broadcasts in 168 countries, offering original, acquired and classic entertainment for youth and families. TELETOON Canada is owned by Corus Entertainment (50%) and Astral Media (50%).
- On July 11, 2012, Calgary Radio operations were temporarily off-air due to a fire at the Shaw Court facility, however, service was re-established within 24 hours.
- On July 18, 2012, the Canadian Radio-television and Telecommunications Commission ("CRTC") announced that the Local Programming Improvement Fund ("LPIF") would be phased out over three years. In the 2012-2013 Broadcast Year, the fund would be reduced by one third. In 2013-2014, the LPIF would be reduced by another third and it would be discontinued as of September 1, 2014. Three Corus over-the-air television stations are recipients of payments from the LPIF.
- On July 20, 2012, the CRTC granted a specialty Category B broadcasting license to the Company's TLN Telelatino Network Inc. to operate a national, ethnic general interest programming service with an emphasis on information, entertainment and sports, devoted to Canadians with origins in Eurasia.
- On July 31, 2012 and August 31, 2012, the Company paid a monthly dividend of $0.079583 and $0.08 to holders of its Class A and Class B Shares, respectively.
- On August 24, 2012, the CRTC renewed the radio broadcasting license of CFNY-FM, 102.1 the Edge, Toronto for a term of five years.
- On August 31, 2012, Corus made an investment in Fingerprint Digital Inc. This investment will enable further growth and expansion of Fingerprint's mobile learning and entertainment platform, known as Fingerprint Play. Corus' partnership will bolster Fingerprint's position as a key contender in the growing children's app market as it adds more content and expands its product offering.

Significant Events Subsequent to the Quarter

- On September 23, 2012, the Company announced that its programming received 24 awards at the 64th Primetime Emmy® Awards. The award winning series included HBO's *Game of Thrones, Game Change, Boardwalk Empire, Curb Your Enthusiasm, Girls* and *Veep* as well as Nickelodeon's *The Penguins of Madagascar: The Return of the Revenge of Dr. Blowhole*.
- On September 24, 2012, KidsCo, an international children's television channel owned by Corus Entertainment (49%) and NBCUniversal (51%) that reaches 15 million subscribers, announced plans for a new look and new content that will roll out in the coming months. The refreshed KidsCo will feature a redesigned on-air look and graphics and be complemented by original, new content and a new website. In 2013, KidsCo playout will also transition to Corus Entertainment's state-of-the-art Toronto-based facility, Corus Quay.
- On September 28, 2012, the Company paid a monthly dividend of $0.079583 and $0.08 to holders of its Class A and Class B Shares, respectively.
- On October 9, 2012, the Company's subsidiary, Toon Boom, announced that the Academy of Television Arts and Sciences had awarded a 2012 Primetime Engineering Emmy® Award to Storyboard Pro, Toom Boom's flagship storyboarding software. These awards honour significantly improved or innovative engineering developments that materially affect the television medium.
- On October 11, 2012, the CRTC approved applications to amend the specialty broadcasting licences of Mediaset Italia, TLN en Espanol and Sky TG24 Canada to indicate that they are third-language services. This change enhances their carriage status. These networks are owned and operated by TLN Telelatino Network Inc.

- On October 11, 2012, the CRTC dismissed a complaint by Allarco Entertainment 2008 Inc. which sought to prevent the marketing of Movie Central on an on demand basis and in a linear discount package, The Movie Club.
- On October 12, 2012, the CRTC requested that the Oprah Winfrey Network (Canada) appear at a public hearing on December 11, 2012 to explain its compliance with its nature of service as a Category A specialty service.

Management's Discussion and Analysis

Management's Discussion and Analysis of the financial position and results of operations for the three months ended August 31, 2012 is prepared at September 30, 2012. The following should be read in conjunction with Management's Discussion and Analysis, consolidated financial statements and the notes thereto included in our August 31, 2011 Annual Report and the consolidated financial statements and notes of the current quarter. 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.

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

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 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 (from Continuing Operations)

The following discussion describes the significant changes in the consolidated statements of income and comprehensive income from continuing operations.

For the fourth quarter 2012, net income attributable to shareholders was $23.3 million on revenues of $195.6 million, as compared to $27.7 million on revenues of $200.2 million in the prior year. Consolidated segment profit increased 8% from the prior year. Television segment profit increased 7% from the prior year, while Radio increased 1%.

For the fiscal year 2012, net income attributable to shareholders was $148.7 million on revenues of $842.3 million, as compared to $141.5 million on revenues of $825.2 million in the prior year. Consolidated segment profit increased 1% from the prior year. Television segment profit was flat compared to prior year, while Radio was down 3%. Further analysis is provided in the discussion of segmented results.

The consolidated results for fiscal 2011 reflect the disposition of the Company's Quebec Radio operations, which occurred on February 1, 2011, as discontinued operations in all periods presented.

Revenues

For the fourth quarter 2012, revenues were $195.6 million, a decrease of 2% from $200.2 million last year. Advertising revenues increased 3% compared to the prior year while subscriber revenues decreased by 1% and merchandising, distribution and other revenues decreased by 15% compared to the prior year. Revenues decreased for Television by 3%, while Radio remained flat in the fourth quarter 2012 compared to the prior year.

For the fiscal year 2012, revenues of $842.3 million represented an increase of 2% from $825.2 million last year. Advertising and subscriber revenues were both down 1% for the fiscal year 2012, while merchandising, distribution and other revenues increased 17%. Revenues increased for Television by 3%, while Radio revenues decreased by 2% compared to the prior 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 for the fourth quarter 2012 were $134.8 million, down 6% from $143.7 million in the prior year. This decrease resulted from lower costs in both the Television and Corporate segments. For the fiscal year 2012, expenses of $552.3 million represented a 2% increase over the prior year and are attributable to higher costs in the Television segment offset by lower costs in the Corporate and Radio segments. Refer to the discussion of segmented results for additional analysis of expenses.

Depreciation

Depreciation expense for the fourth quarter 2012 was $6.4 million, down slightly from the prior year, while depreciation expense for the fiscal year 2012 of $25.6 million represented a $0.7 million increase over the prior year. Spending on the Corus Quay build-out was completed in fiscal 2011 and accordingly, depreciation expense in fiscal 2012 exceeded that of the prior year.

Interest expense

For the fourth quarter 2012, interest expense of $12.2 million was $1.6 million lower than the prior year, while interest for the fiscal year 2012 of $52.3 million was $5.0 million lower than the prior year. This was a result of lower average floating rate debt balances throughout fiscal 2012 as well as lower interest margins which were a result of amendments to the credit facility in March 2011 and March 2012. The effective interest rate on bank loans and notes for the three months and year ended August 31, 2012 were 7.3% and 7.0%, compared to 6.8% and 6.9% in the prior year, respectively. The increase in the effective interest rates primarily reflects a higher proportion of total debt comprised of fixed rate debt (the Notes at 7.25%) as floating debt has been paid down over the year.

Restructuring

Restructuring expense of $2.3 million was recognized in the third quarter 2012 and was comprised of employee-related expenses associated with organizational restructuring. The $3.7 million incurred in fiscal 2011 was comprised of employee-related expenses associated with organizational restructuring that commenced in the fourth quarter of fiscal 2010, with additional costs incurred in the first and fourth quarters of fiscal 2011. Included in this amount are redundant rents for facilities vacated subsequent to moving to the Corus Quay location.

Other expense (income), net

Other expense (income), net for the three months and year ended August 31, 2012 was $1.1 million expense and $3.6 million income, respectively, as compared to income of $1.8 million and $4.1 million, respectively, last year. Other income in fiscal year 2012 includes an accounting gain of $2.4 million resulting from the remeasurement to fair value of the Company's original interest in Toon Boom Animation Inc. which was held prior to the acquisition of the remaining interest on March 1, 2012, and equity earnings of $2.1 million, offset by transaction costs related to business combinations, strategic investments and various other items.

Income tax expense

On June 20, 2012, the Ontario government passed legislation cancelling planned future corporate tax rate reductions. Accordingly, the Company remeasured certain deferred tax assets and liabilities in the fourth quarter 2012, resulting in a non-cash tax expense of $6.8 million ($0.08 per share). The effective tax rate for fiscal 2012 was 26.8%, consistent with the Company's statutory rate.

Net income and earnings per share

Net income attributable to shareholders for the fourth quarter 2012 was $23.3 million, as compared to $27.7 million last year. Earnings per share attributable to shareholders for the fourth quarter 2012 were $0.28 basic and diluted compared with $0.34 basic and $0.33 diluted last year. Net income for the fourth quarter 2012 includes a non-cash tax expense of $6.8 million ($0.08 per share) related to an increase in the Ontario long-term tax rate which was substantively enacted in the fourth quarter 2012. Excluding the impact of this item would result in adjusted basic earnings per share of $0.36 in the fourth quarter 2012, up 6% from the prior year.

Net income attributable to shareholders for the fiscal year 2012 was $148.7 million, as compared to $141.5 million last year. Earnings per share attributable to shareholders for the fiscal year 2012 was $1.79 basic and $1.78 diluted, compared with $1.73 basic and $1.72 diluted in the prior year. Excluding the impact of the non-cash tax expense that occurred in the fourth quarter 2012, adjusted basic earnings per share was $1.87 in the current year, up 8% from the prior year.

The weighted average number of shares outstanding (basic) for the three months and fiscal year ended August 31, 2012 was 83,825,000 and 83,240,000, respectively, and has increased in the current year due to the issuance and exercise of stock options and the issuance of shares from treasury under the dividend reinvestment plan offset slightly by shares repurchased under the Company's Normal Course Issuer Bid.

Other comprehensive income (loss), net of tax

Other comprehensive loss for the fiscal year 2012 was $2.7 million, compared to $1.0 million in the prior year. This loss results primarily from actuarial losses on defined benefit plans and a change in the unrealized foreign currency translation adjustment.

Television

The Television division is comprised of: YTV; Treehouse; Nickelodeon (Canada); W Network; OWN: Oprah Winfrey Network (Canada) (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 serving Peterborough, Kingston and Durham; the Corus content business including Nelvana (production and distribution of television programs, and merchandise licensing), Kids Can Press (publishing) and Toon Boom (animation software); the Company's majority interest in CMT (Canada), Telelatino (TLN, Euro World Sport, Mediaset Italia, SkyTG 24, Teleninos, TLN En Espanol), DUSK (discontinued March 23, 2012), ABC Spark (launched March 26, 2012) and Cosmopolitan TV; and a 50% interest in TELETOON, TELETOON Retro (English and French) and Cartoon Network (Canada).

Financial Highlights

(thousands of Canadian dollars)	Three months ended August 31,		Year ended August 31,	
	2012	2011	**2012**	2011
Revenues	**147,874**	152,567	**650,949**	629,556
Expenses	**93,384**	101,627	**388,811**	368,432
Segment profit	**54,490**	50,940	**262,138**	261,124

Revenues decreased by 3% in the fourth quarter 2012, as growth of 7% in specialty advertising revenues was offset by a 1% decline in subscriber revenues and a 16% decline in merchandising, distribution and other revenues. The increase in specialty advertising revenues was driven by continued growth from the Women's networks and strong market reaction to the launch of ABC Spark. The decline in subscriber revenues in the quarter reflects fewer Movie Central subscribers; the discontinuation of DUSK; the free preview period for the launch of ABC Spark and; package and rate changes on certain channels. Merchandising, distribution and other revenues in the quarter were impacted by tough comparables from the delivery of exceptionally strong results from the Beyblade property in the prior year. For the full year, total revenues increased 3% from the prior year. Specialty advertising revenues were consistent with the prior year while subscriber revenues were down 1%. Merchandising, distribution and other revenues increased 21%, driven primarily by the strong performance of Beyblade and the international distribution business. Movie Central (including HBO Canada) ended the current year with 976,000 subscribers, up slightly from the third quarter 2012.

Total expenses decreased by 8% in the fourth quarter 2012, as both direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) and general and administrative expenses were down year-over-year. The decrease in direct cost of sales is a result of lower costs tied to the distribution and merchandising businesses and a decline of 1% in amortization of program rights. General and administrative expenses decreased 6% in the quarter, mainly due to lower employee related costs. Total expenses were up 6% for the fiscal year 2012, driven by a 5% increase in the amortization of program rights, which reflects investment across all channels but particularly OWN; increased investment in new media and other initiatives and; higher variable costs associated with increased revenues, especially for the merchandising business.

Segment profit increased 7% in the fourth quarter 2012 and was flat in the current fiscal year compared to the prior year. Segment profit margin was 37% in the fourth quarter 2012 and 40% for the year.

Radio

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

Financial Highlights

(thousands of Canadian dollars)	Three months ended **August 31,**		Year ended **August 31,**	
	2012	2011	**2012**	2011
Revenues	**47,750**	47,626	**191,327**	195,657
Expenses	**32,755**	32,727	**133,900**	136,572
Segment profit	**14,995**	14,899	**57,427**	59,085

Revenues in the fourth quarter 2012 were consistent with the prior year, while revenues for fiscal year 2012 decreased 2%. Revenue growth in British Columbia and Alberta was offset by declines in Manitoba and Ontario in the fourth quarter. Similarly, the decline in revenues for the fiscal year was driven by the Manitoba and Ontario markets.

Direct cost of sales, general and administrative expenses in the fourth quarter 2012 were consistent with the prior year, and decreased 2% on a full year basis. Variable expenses decreased 3% in the quarter and 6% in the year, primarily from lower sales commissions driven by declining revenues and fewer bad debts. Fixed costs, which represent a much higher proportion of the cost structure, increased 2% in the quarter and remained consistent on a full year basis. The increase in the quarter was due to employee related costs.

Segment profit increased 1% in the fourth quarter 2012 and decreased 3% in fiscal year 2012. The Radio segment's margins were consistent with prior year at 31% for the fourth quarter and 30% for the year.

On February 1, 2011, the Company's Quebec radio operations were sold to Cogeco Inc. Subsequently, results of Corus Radio's Quebec segment for the 2011 fiscal year were retroactively restated as discontinued operations for all periods presented.

Corporate

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

Financial Highlights

(thousands of Canadian dollars)	Three months ended **August 31,**		Year ended **August 31,**	
	2012	2011	**2012**	2011
Share-based compensation	**3,525**	5,943	**11,061**	12,940
Other general and administrative costs	**5,098**	3,417	**18,525**	21,383
	8,623	9,360	**29,586**	34,323

Share-based compensation includes expenses related to the Company's stock options and other long-term incentive plans (such as Performance Share Units - "PSUs", Deferred Share Units – "DSUs", and Restricted Share Units – "RSUs"). The expense fluctuates with changes in assumptions, primarily regarding the Company's share price and number of units estimated to vest. The reduction in share-based compensation in the current year reflects fewer units estimated to vest in fiscal 2012 as compared to the prior year, offset by a higher share price at August 31, 2012.

Other general and administrative costs have increased in the fourth quarter 2012 as a result of the timing of expenditures. On a full year basis, general and administrative costs were lower as a result of a rebate on operating costs related to Corus Quay in the current year and an additional $1.7 million expense in the prior year related to unrecognized past service costs awarded to employees under post-employment benefit plans.

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, the Company's businesses are dependent on general advertising and retail cycles associated with consumer spending activity and the first quarter results tend to be the strongest.

The following table sets forth certain unaudited data derived from the unaudited consolidated financial statements for each of the eight most recent quarters ended fourth quarter August 31, 2012. 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] [2] profit	Net income attributable to shareholders [1]	Earnings per share [1] Basic	Diluted
2012					
4th quarter	195,624	60,862	23,341	$ 0.28	$ 0.28
3rd quarter	204,078	75,656	43,221	$ 0.52	$ 0.51
2nd quarter	205,683	62,247	31,571	$ 0.38	$ 0.38
1st quarter	236,891	91,214	50,548	$ 0.61	$ 0.61
2011					
4th quarter	200,193	56,479	27,670	$ 0.34	$ 0.33
3rd quarter	211,788	78,769	40,352	$ 0.49	$ 0.49
2nd quarter	191,076	59,978	27,291	$ 0.34	$ 0.34
1st quarter	222,156	90,660	46,198	$ 0.57	$ 0.56

[1] Reflects results for continuing operations
[2] As defined in "Key performance indicators"

Significant items causing variations in quarterly results

- Net income attributable to shareholders for the fourth quarter of fiscal 2012 was negatively impacted by a non-cash expense of $6.8 million ($0.08 per share) related to an increase in the Ontario long-term tax rate which was substantively enacted in the fourth quarter 2012.

Risks and Uncertainties

There have been no material changes in any risks or uncertainties facing the Company since the year ended August 31, 2011.

Outlook

At its annual Investor Day, which is planned to be held on November 29, 2012, the Company will update investors on the Company's fiscal 2013 priorities and strategies and provide annual financial guidance for the 2013 fiscal year.

Financial Position

Total assets at August 31, 2012 and August 31, 2011 were $2.1 billion. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2011:

Current assets at August 31, 2012 were $220.2 million, down $28.3 million from August 31, 2011. Cash and cash equivalents decreased by $31.3 million. Refer to the discussion of cash flows in the next section.

Accounts receivable decreased $5.1 million. The accounts receivable balance typically grows in the first and third quarters and decreases in the second quarter as a result of the broadcast revenue cycle. The Company carefully monitors the aging of its accounts receivable.

Income taxes recoverable increased $8.9 million as a result of timing of installment payments.

Tax credits receivable increased $0.8 million as a result of accruals related to film production net of tax credit receipts.

Intangibles, investments and other assets increased $2.4 million, primarily as a result of additional intangible assets related to the acquisition of the remaining interest in Toon Boom Animation Inc. and increases in equity investments offset by dividends from associates, amortization of intangibles and a reduction in intangibles resulting from the modification of certain digital rights.

Property, plant and equipment decreased $6.0 million, as spending on the Corus Quay build-out was completed in fiscal 2011 and accordingly, depreciation expense exceeded additions in fiscal 2012.

Program and film rights increased $14.3 million, as additions of acquired rights of $200.6 million were offset by amortization of $186.3 million during fiscal 2012.

Film investments decreased $15.2 million, as film spending (net of tax credit accruals) of $16.8 million was offset by film amortization of $32.0 million during fiscal 2012.

Broadcast licenses remained consistent with the prior year while goodwill increased $2.6 million as a result of acquiring the remaining 50% interest in Toon Boom Animation Inc. in the third quarter fiscal 2012.

Accounts payable and accrued liabilities decreased $20.8 million primarily as a result of lower trade payables, lower program rights payable and lower accrued liabilities. The decrease in accrued liabilities is primarily related to lower stock-based compensation accruals and third party participation fees related to the merchandising business.

Provisions decreased $2.9 million as a result of payments made relating to work-force reduction initiatives taken in late fiscal 2010 and the third quarter of fiscal 2012.

Long-term debt at August 31, 2012 was $518.3 million, down $82.5 million from August 31, 2011 as a result of utilizing cash from operations to pay down bank debt.

Other long-term liabilities decreased by $16.7 million as a result of lower merchandising and intangible accruals, capital lease accruals and unearned revenues offset by increases in long-term employee obligations and deferred leasehold inducements.

Share capital increased $27.3 million, as the exercise of stock options and issuance of shares from treasury under the Company's dividend reinvestment plan added $13.7 million and $26.0 million, respectively, to share capital, which was offset by $12.4 million in costs related to shares repurchased under the normal course issuer bid. Contributed surplus decreased $2.5 million as a result of the exercise of stock options.

Liquidity and Capital Resources

Cash flows

Overall, the Company's cash and cash equivalents position decreased $31.3 million from August 31, 2011. Free cash flow from continuing operations for the fourth quarter fiscal 2012 was $25.0 million, compared to free cash flow of $31.9 million in the prior year. This decrease in free cash flow reflects lower cash from operating activities and higher cash usage in investment activities in the quarter.

Free cash flow for the year ended August 31, 2012 was $155.1 million, an increase of $20.3 million from the prior year. This increase in free cash flow in fiscal 2012 results primarily from lower investment in capital assets of $26.7 million, offset by an $8.0 million decrease in proceeds from asset disposition. 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 2012 was $170.3 million, compared to $175.1 million last year. The decrease of $4.8 million arises from increased net income from continuing operations, before non-cash items and discontinued operations of $24.5 million and reduced additions to film investments of $20.7 million offset by increased spending on program rights of $19.4 million, and higher working capital usage of $30.7 million.

Cash used in investing activities from continuing operations in fiscal 2012 was $35.3 million, compared to cash used of $41.7 million last year. The decrease of $6.4 million in the current year is attributable to reduced capital asset expenditures of $26.7 million offset by a business acquisition of $4.1 million, a reduction in proceeds from asset disposition of $8.0 million and an increase in net cash flows for intangibles, investments and other assets of $8.2 million.

Cash used in financing activities in fiscal 2012 was $166.4 million, compared to $147.1 million in the prior year. In the current year, the Company incurred $25.3 million relating to the repurchase of shares under the normal course issuer bid, paid $84.8 million of bank debt and $56.8 million in dividends. In the prior year, the Company used the proceeds from the sale of the Quebec Radio segment to repay $92.8 million of bank debt and paid $50.6 million in dividends.

Liquidity

As at August 31, 2012, the Company has available approximately $470.0 million under a revolving term credit facility. On March 5, 2012, 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 a one year extension of the maturity date to February 11, 2016. Interest rates on the Company's facilities fluctuate with Canadian bankers' acceptances and LIBOR.

As at August 31, 2012, the Company had a cash balance of $24.6 million and a positive working capital balance. Management believes that cash flow from operations and existing credit facilities will provide the Company with sufficient financial resources to fund its operations for the next 12 months.

Net debt to segment profit

As at August 31, 2012, net debt was $493.7 million, down from $544.9 million at August 31, 2011. Net debt to segment profit at August 31, 2012 was 1.7 times compared to 1.9 times at August 31, 2011.

Contractual commitments

The Company has added no significant unfulfilled contractual obligations in the first four quarters of fiscal 2012.

Outstanding Share Data

As at September 30, 2012, 3,434,292 Class A Voting Shares and 79,963,354 Class B Non-Voting Shares were issued and outstanding.

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, 2012 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; debt refinancing; restructuring and certain other income and expenses (note 12 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 15 to the condensed interim consolidated financial statements.

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

Free cash flow

	Three months ended **August 31,**		Year ended **August 31,**	
(thousands of Canadian dollars)	**2012**	2011	**2012**	2011
Cash provided by (used in):				
Operating activities[1]	**29,694**	36,045	**170,310**	175,077
Investing activities[1]	**(13,164)**	(4,158)	**(35,272)**	(41,749)
	16,530	31,887	**135,038**	133,328
Add back: cash used for business combinations and strategic investments	**8,432**	—	**20,109**	1,533
Free cash flow [1]	**24,962**	31,887	**155,147**	134,861

[1] Reflects results from continuing operations

Adjusted net income and adjusted basic earnings per share reconciliation

	Three months ended August 31,		Year ended August 31,	
(thousands of Canadian dollars, except per share amounts)	**2012**	2011	**2012**	2011
Net income attributable to shareholders[(1)]	**23,341**	27,670	**148,681**	141,511
Add back: impact of charge related to an increase in the Ontario long-term tax rate substantively enacted in the fourth quarter 2012	**6,834**	—	**6,834**	—
Adjusted net income attributable to shareholders[(1)]	**30,175**	27,670	**155,515**	141,511
Basic earnings per share[(1)]	**$ 0.28**	$ 0.34	**$ 1.79**	$ 1.73
Add back: impact of charge related to an increase in the Ontario long-term tax rate substantively enacted in the fourth quarter 2012	**$ 0.08**	—	**$ 0.08**	—
Adjusted basic earnings per share[(1)]	**$ 0.36**	$ 0.34	**$ 1.87**	$ 1.73

[(1)] Reflects results from continuing operations

Net debt

(thousands of Canadian dollars)	**As at August 31, 2012**	As at August 31, 2011
Long-term debt	**518,258**	600,796
Cash and cash equivalents	**(24,588)**	(55,922)
Net debt	**493,670**	544,874

Net debt to segment profit

(thousands of Canadian dollars)	**As at August 31, 2012**	As at August 31, 2011
Net debt (numerator)	**493,670**	544,874
Segment profit (denominator)[(1)]	**289,979**	285,886
Net debt to segment profit	**1.7**	1.9

[(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

Adoption of IFRS

Corus was required to prepare financial statements in accordance with IFRS starting with the interim financial statements for the quarter ended November 30, 2011. These statements require the fiscal 2011 results to be restated in accordance with IFRS.

Detailed notes on the changes to the previously reported amounts are included in the notes to the condensed consolidated financial statements for the period ended November 30, 2011, that have been filed on SEDAR and are also available on Corus' website www.Corusent.com.

Recent Accounting Pronouncements

IAS 12 *Income Taxes*

In December 2010, the IASB amended IAS 12 for the recovery of underlying assets measured at fair value and the impact on deferred taxes. The amendments provide a solution to the problem of assessing whether recovery would be through use or through sale when the asset is measured at fair value under IAS 40 *Investment Property*, by adding the presumption that the recovery would normally be through sale. The amendment also incorporates the remaining guidance in SIC-21 *Income Taxes – Recovery of Revalued Non-depreciable Assets*, as SIC-21 has been withdrawn. The effective date of the amendment is for annual periods beginning on or after January 1, 2012. The Company will apply this amendment beginning in the first quarter of fiscal 2013. The Company currently has no investment property as defined by IAS 40 and, as such, does not expect the implementation of the amendment to have an impact on its consolidated financial statements.

IFRS 9 *Financial Instruments*

In November 2009, the IASB issued IFRS 9, which covers classification and measurement as the first part of its project to replace IAS 39. In October 2010, the IASB also incorporated new accounting requirements for liabilities. The standard introduces new requirements for measurement and eliminates the current classification of loans and receivables, available-for-sale and held-to-maturity, currently in IAS 39. There are new requirements for the accounting of financial liabilities as well as a carryover of requirements from IAS 39. The Company does not anticipate early adoption and will adopt the standard when it is mandated by the IASB, which is in fiscal 2016. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 10 *Consolidated Financial Statements*

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 supersedes SIC-12 *Consolidations – Special Purpose Entities* and replaces parts of IAS 27 *Consolidated and Separate Financial Statements*. The effective date of this amendment is for annual periods beginning on or after January 1, 2013. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

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Interim Condensed Consolidated Financial Statements

Corus Entertainment Inc.

August 31, 2012

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited – in thousands of Canadian dollars)	**August 31, 2012**	August 31, 2011	September 1, 2010
ASSETS			
Current			
Cash and cash equivalents	**24,588**	55,922	7,969
Accounts receivable	**173,421**	178,531	175,134
Income taxes recoverable	**9,542**	603	1,781
Prepaid expenses and other	**12,664**	13,497	18,008
Total current assets	**220,215**	248,553	202,892
Tax credits receivable	**43,865**	43,108	39,597
Intangibles, investments and other assets (note 4)	**42,390**	39,980	22,699
Property, plant and equipment	**163,563**	169,600	161,585
Program and film rights (note 5)	**271,244**	256,970	244,963
Film investments (note 6)	**67,983**	83,133	80,611
Broadcast licenses	**569,505**	569,505	610,423
Goodwill (note 14)	**674,393**	671,827	695,029
Deferred tax assets	**28,327**	30,915	32,130
	2,081,485	2,113,591	2,089,929
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	**185,991**	206,773	192,839
Provisions (note 7)	**2,322**	5,267	13,048
Total current liabilities	**188,313**	212,040	205,887
Long-term debt (note 8)	**518,258**	600,796	691,891
Other long-term liabilities	**87,853**	104,574	95,840
Deferred tax liabilities	**150,971**	141,361	146,044
Total liabilities	**945,395**	1,058,771	1,139,662
SHAREHOLDERS' EQUITY			
Share capital (note 9)	**910,005**	882,679	856,655
Contributed surplus (note 9)	**7,835**	10,299	12,706
Retained earnings	**198,445**	143,717	62,509
Accumulated other comprehensive income (loss)	**(812)**	(1,075)	342
Total equity attributable to shareholders	**1,115,473**	1,035,620	932,212
Equity attributable to non-controlling interest	**20,617**	19,200	18,055
Total shareholders' equity	**1,136,090**	1,054,820	950,267
	2,081,485	2,113,591	2,089,929

See accompanying notes

CORUS ENTERTAINMENT INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(unaudited – in thousands of Canadian dollars except per share amounts)	Three months ended **August 31,** **2012**	2011	Year ended **August 31,** **2012**	2011
Revenues	**195,624**	200,193	**842,276**	825,213
Direct cost of sales, general and administrative expenses (note 10)	**134,762**	143,714	**552,297**	539,327
Depreciation	**6,408**	6,558	**25,639**	24,922
Interest expense (note 11)	**12,242**	13,793	**52,269**	57,276
Restructuring	—	1,352	**2,325**	3,694
Other expense (income), net (note 12)	**1,056**	(1,849)	**(3,646)**	(4,060)
Income before income taxes	**41,156**	36,625	**213,392**	204,054
Income tax expense (note 13)	**16,171**	8,702	**57,241**	55,334
Net income for the period from continuing operations	**24,985**	27,923	**156,151**	148,720
Net Income for the period from discontinued operations (note 14)	—	—	—	5,023
Net income for the period	**24,985**	27,923	**156,151**	153,743
Net income attributable to:				
Shareholders from continuing operations	**23,341**	27,670	**148,681**	141,511
Shareholders from discontinued operations	—	—	—	5,023
Non-controlling interest	**1,644**	253	**7,470**	7,209
	24,985	27,923	**156,151**	153,743
Basic earnings per share:				
From continuing operations	**$0.28**	$0.34	**$1.79**	$1.73
From discontinued operations	—	—	—	$0.06
	$0.28	$0.34	**$1.79**	$1.79
Diluted earnings per share:				
From continuing operations	**$0.28**	$0.33	**$1.78**	$1.72
From discontinued operations	—	—	—	$0.06
	$0.28	$0.33	**$1.78**	$1.78
Net income for the period	**24,985**	27,923	**156,151**	153,743
Other comprehensive income (loss), net of tax				
Unrealized foreign currency translation adjustment	**(1,485)**	306	**486**	(1,551)
Unrealized change in fair value of available-for-sale investments	**31**	135	**(223)**	134
Actuarial (loss) gain on employee future benefits	**(2,950)**	—	**(2,950)**	433
	(4,404)	441	**(2,687)**	(984)
Comprehensive income for the period	**20,581**	28,364	**153,464**	152,759
Comprehensive income attributable to:				
Shareholders	**18,937**	28,111	**145,994**	145,550
Non-controlling interest	**1,644**	253	**7,470**	7,209
	20,581	28,364	**153,464**	152,759

See accompanying notes

CORUS ENTERTAINMENT INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited – in thousands of Canadian dollars)

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total attributable to shareholders	Non-controlling interest	Total equity
At August 31, 2011	**882,679**	**10,299**	**143,717**	**(1,075)**	**1,035,620**	**19,200**	**1,054,820**
Comprehensive income	—	—	148,681	(2,687)	145,994	7,470	153,464
Actuarial loss transfer	—	—	(2,950)	2,950	—	—	—
Dividends declared	—	—	(78,143)	—	(78,143)	(6,053)	(84,196)
Issuance of shares under stock option plan	13,668	(3,622)	—	—	10,046	—	10,046
Issuance of shares under dividend reinvestment plan	25,982	—	—	—	25,982	—	25,982
Shares repurchased	(12,435)	—	(12,860)	—	(25,295)	—	(25,295)
Share-based compensation expense	—	1,158	—	—	1,158	—	1,158
Repayment of executive stock purchase loans	111	—	—	—	111	—	111
At August 31, 2012	**910,005**	**7,835**	**198,445**	**(812)**	**1,115,473**	**20,617**	**1,136,090**
At September 1, 2010	**856,655**	**12,706**	**62,509**	**342**	**932,212**	**18,055**	**950,267**
Comprehensive income (loss)	—	—	146,534	(984)	145,550	7,209	152,759
Actuarial gain transfer	—	—	433	(433)	—	—	—
Dividends declared	—	—	(64,030)	—	(64,030)	(5,107)	(69,137)
Issuance of shares under stock option plan	13,232	(3,521)	—	—	9,711	—	9,711
Issuance of shares under dividend reinvestment plan	14,657	—	—	—	14,657	—	14,657
Shares repurchased	(1,976)	—	(1,729)	—	(3,705)	—	(3,705)
Share-based compensation expense	—	1,114	—	—	1,114	—	1,114
Repayment of executive stock purchase loans	111	—	—	—	111	—	111
Other	—	—	—	—	—	(957)	(957)
At August 31, 2011	**882,679**	**10,299**	**143,717**	**(1,075)**	**1,035,620**	**19,200**	**1,054,820**

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited – in thousands of Canadian dollars)	Three months ended August 31, 2012	Three months ended August 31, 2011	Year ended August 31, 2012	Year ended August 31, 2011
OPERATING ACTIVITIES				
Net income for the period	**24,985**	27,923	**156,151**	153,743
Deduct earnings from discontinued operations	**—**	—	**—**	(5,023)
Add (deduct) non-cash items:				
Depreciation	**6,408**	6,558	**25,639**	24,922
Amortization of program rights (note 10)	**46,543**	43,958	**186,348**	173,521
Amortization of film investments (note 10)	**10,052**	13,938	**32,001**	40,316
Deferred income taxes	**8,186**	521	**12,921**	4,110
Share-based compensation expense	**268**	292	**1,158**	1,114
Imputed interest	**2,444**	2,859	**11,348**	10,770
Gain from asset disposition	**—**	(3,422)	**—**	(3,422)
Gain on acquisition	**—**	—	**(2,383)**	—
Other	**738**	(457)	**(2,052)**	(2,860)
Net change in non-cash working capital balances related to operations	**(3,939)**	11,805	**(13,199)**	16,881
Payment of program and film rights	**(65,422)**	(62,511)	**(196,689)**	(177,325)
Net additions to film investments	**(569)**	(5,419)	**(40,933)**	(61,670)
Cash provided by operating activities from continuing operations	**29,694**	36,045	**170,310**	175,077
Cash used in operating activities from discontinued operations	**—**	—	**—**	(13,262)
Cash provided by operating activities	**29,694**	36,045	**170,310**	161,815
INVESTING ACTIVITIES				
Additions to property, plant and equipment	**(5,658)**	(13,389)	**(19,243)**	(45,991)
Business combination	**—**	—	**(4,104)**	—
Proceeds from asset disposition	**—**	7,971	**—**	7,971
Net cash flows for intangibles, investments and other assets	**(7,431)**	1,601	**(11,290)**	(2,456)
Other	**(75)**	(341)	**(635)**	(1,273)
Cash used in investing activities from continuing operations	**(13,164)**	(4,158)	**(35,272)**	(41,749)
Cash provided by investing activities from discontinued operations	**—**	—	**—**	74,996
Cash provided by (used in) investing activities	**(13,164)**	(4,158)	**(35,272)**	33,247
FINANCING ACTIVITIES				
Decrease in bank loans	**(9,973)**	(19,616)	**(84,750)**	(92,838)
Issuance of shares under stock option plan	**—**	205	**10,046**	9,711
Shares repurchased	**(21,407)**	(3,705)	**(25,295)**	(3,705)
Dividends paid	**(13,258)**	(10,956)	**(50,783)**	(45,528)
Dividends paid to non-controlling interest	**(1,630)**	—	**(6,053)**	(5,107)
Other	**(2,310)**	(2,318)	**(9,537)**	(9,642)
Cash used in financing activities from continuing operations	**(48,578)**	(36,390)	**(166,372)**	(147,109)
Net change during the period in cash and cash equivalents from continuing operations	**(32,048)**	(4,503)	**(31,334)**	(13,781)
Net change during the period in cash and cash equivalents from discontinued operations	**—**	—	**—**	61,734
Net change in cash and cash equivalents during the period	**(32,048)**	(4,503)	**(31,334)**	47,953
Cash and cash equivalents, beginning of period	**56,636**	60,425	**55,922**	7,969
Cash and cash equivalents, end of period	**24,588**	55,922	**24,588**	55,922

Supplemental cash flow disclosures (note 16)
See accompanying notes

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited – in thousands of Canadian dollars, except share information)

1. CORPORATE INFORMATION

Corus Entertainment Inc. (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 Stock Exchange (the "TSX").

The Company's registered office is at 1500, 850 – 2nd Street SW, Calgary, Alberta, T2P OR8. The Company's executive office is at Corus Quay, 25 Dockside Drive, Toronto, Ontario, M5A 0B5.

These interim condensed consolidated financial statements include the accounts of the Company and all its subsidiaries and joint ventures. The Company's principal business activities are: the operation of radio stations; the operation of specialty, pay and conventional television networks; and the Nelvana content business which consists of the production and distribution of television programs, merchandise licensing, publishing and animation software.

2. STATEMENT OF COMPLIANCE

Pursuant to the decision made by the Canadian Accounting Standards Board ("AcSB"), the Company has adopted International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as its basis of financial reporting commencing with the interim condensed consolidated financial statements for the three months ended November 30, 2011. The Company's date of transition to IFRS is September 1, 2010 (the "Transition Date").

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, ("IAS 34") *Interim Financial Reporting* issued by the IASB, using the accounting policies the Company expects to adopt in its annual consolidated financial statements as at and for the year ended August 31, 2012 which have been disclosed in Note 3 to the Company's condensed consolidated financial statements for the three months ended November 30, 2011. These interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements and, accordingly, should be read in conjunction with the Company's annual consolidated financial statements for the year ended August 31, 2011 prepared in accordance with previous Canadian Generally Accepted Accounting Principles ("GAAP") and with the condensed consolidated financial statements for the three months ended November 30, 2011, which are available at www.sedar.com and on the Company's website at www.corusent.com. These statements include a Transition section which describes differences in certain accounting policies and methods between previously applied Canadian GAAP and IFRS and the changes from previously reported to restated results for the three and twelve months ended August 31, 2011.

These interim condensed consolidated financial statements of the Company for the three months and year ended August 31, 2012 were authorized for issue in accordance with a resolution of the Board of Directors on October 25, 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The interim condensed consolidated financial statements have been prepared on a cost basis, except for derivative financial instruments and available-for-sale financial assets, which have been measured at fair value. The interim condensed consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency, and all values are rounded to the nearest thousand ($000), except where otherwise noted. Each entity consolidated by the Company determines its own functional currency based on the primary economic environment in which the entity operates.

These interim condensed consolidated financial statements have been prepared using accounting policies consistent with those disclosures in Note 3 to the interim condensed consolidated financial statements for the period ended November 30, 2011.

Pending accounting changes

IAS 12 *Income Taxes*

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IAS 32 *Financial Instruments: Presentation* and IFRS 7 *Financial Instruments: Disclosure*

In December 2011, the IASB published *Offsetting Financial Assets and Financial Liabilities* and issued new disclosure requirement in IFRS 7, *Financial Instruments: Disclosures*. The effective date for the amendments to IAS 32, *Financial Instruments: Presentation* is for annual periods beginning on or after January 1, 2014. The effective date for the amendments to IFRS 7 is for annual periods beginning on or after January 1, 2013. The Company does not expect implementation of these amendments to have a significant impact on its disclosures or presentation.

4. INTANGIBLES, INVESTMENTS AND OTHER ASSETS

	Intangibles	Investments in associates	Other assets	Total
Balance, August 31, 2011	25,914	9,023	5,043	39,980
Increase (decrease)	(8,953)	11,415	3,721	6,183
Amortization of intangible assets	(3,509)	—	—	(3,509)
Fair value adjustment	—	—	(264)	(264)
Balance, August 31, 2012	**13,452**	**20,438**	**8,500**	**42,390**

(unaudited – in thousands of Canadian dollars, except share information)

5. PROGRAM AND FILM RIGHTS

Balance, August 31, 2011	256,970
Net additions	200,622
Amortization	(186,348)
Balance, August 31, 2012	**271,244**

6. FILM INVESTMENTS

Balance, August 31, 2011	83,133
Net additions	16,851
Amortization	(32,001)
Balance, August 31, 2012	**67,983**

7. PROVISIONS

In the fourth quarter fiscal 2010 and during fiscal 2011, the Company undertook a significant restructuring to streamline processes in the new Corus Quay facility. This resulted in the Company recording a charge of $12,924 in fiscal 2010 and a charge of $3,694 in fiscal 2011, mainly related to severance and employee related costs.

In the third quarter of fiscal 2012, the Company undertook further restructuring as a continuation of its efforts to streamline processes. This resulted in the Company recording a charge of $2,325 in the third quarter. The Company anticipates that these provisions will be substantially paid by fiscal 2014.

The changes in the book value of provisions for the periods ended were as follows:

	August 31, 2012	August 31, 2011	September 1, 2010
Restructuring			
Balance, beginning of period	**5,330**	13,756	8,329
Workforce reduction initiatives	**2,325**	1,319	11,264
Lease termination costs and other	**—**	2,375	1,660
Payments	**(5,203)**	(12,120)	(7,497)
Balance, end of period	**2,452**	5,330	13,756
Long-term portion	**(405)**	(338)	(1,195)
Total current restructuring provision	**2,047**	4,992	12,561
Legal claims	**275**	275	487
Total current provision balance, end of period	**2,322**	5,267	13,048

(unaudited – in thousands of Canadian dollars, except share information)

8. LONG-TERM DEBT

	August 31, 2012	August 31, 2011	September 1, 2010
Bank loans	**29,965**	114,806	208,015
Senior unsecured guaranteed notes	**500,000**	500,000	500,000
Unamortized financing fees	**(11,707)**	(14,010)	(16,124)
	518,258	600,796	691,891

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and LIBOR. As at August 31, 2012, the weighted average interest rate on the outstanding bank loans and notes was 7.2% (2011 – 6.7%). Interest on the bank loans and notes averaged 7.3% for the fourth quarter and 7.0% for fiscal 2012.

The banks hold as collateral a first ranking charge on all assets and undertakings of the Company and certain of the Company's subsidiaries as designated under the credit agreements. 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, 2012.

On March 5, 2012, the Company's $500,000 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, 2016.

9. 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, 2011 are summarized as follows:

	Class A Voting Shares		**Class B Non-Voting Shares**		**Total**
	#	**$**	**#**	**$**	**$**
Balance, August 31, 2011	3,439,212	26,633	79,029,261	856,046	882,679
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(4,920)	(38)	4,920	38	—
Issuance of shares under stock option plan	—	—	794,750	13,668	13,668
Issuance of shares under dividend reinvestment plan	—	—	1,226,149	25,982	25,982
Shares repurchased	—	—	(1,130,696)	(12,435)	(12,435)
Repayment of executive stock purchase loans	—	—	—	111	111
Balance, August 31, 2012	**3,434,292**	**26,595**	**79,924,384**	**883,410**	**910,005**

Earnings per share

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

	Three months ended August 31		Year ended August 31	
	2012	2011	**2012**	2011
Net income attributable to shareholders (numerator)				
Net income attributable to shareholders from continuing operations	**23,341**	27,670	**148,681**	141,511
Net income attributable to shareholders from discontinued operations	—	—	—	5,023
Net income attributable to shareholders	**23,341**	27,670	**148,681**	146,534
Weighted average number of shares outstanding (denominator)				
Weighted average number of shares outstanding – basic	**83,825**	82,415	**83,240**	81,870
Effect of dilutive securities	**263**	357	**328**	519
Weighted average number of shares outstanding – diluted	**84,088**	82,772	**83,568**	82,389

The calculation of diluted earnings per share for both the fourth quarter and fiscal year 2012 excluded nil and 467,701 (2011 – 208,200 and 433,801) weighted average Class B Non-Voting Shares issuable under the Company's Stock Option Plan (the "Plan") because these options were not "in-the-money".

Share-based compensation

The following table provides additional information on the employee stock options, PSUs, DSUs and RSUs as at:

	August 31, 2012	August 31, 2011	September 1, 2010
Outstanding employee stock options	**1,826,723**	2,244,773	2,811,588
Exercisable employee stock options	**970,437**	1,452,668	2,010,065
Outstanding PSUs	**885,067**	876,708	776,401
Outstanding DSUs	**633,703**	493,732	368,575
Outstanding RSUs	**89,874**	246,887	198,644

Share-based compensation expense recorded for the fourth quarter and fiscal year 2012 in respect of these plans was $3,525 and $11,061 (2011 - $5,943 and $12,940). As at August 31, 2012, the value of the PSU, DSU and RSU units was $37,240 (August 31, 2011 - $32,929; September 1, 2010 - $25,837).

Dividend reinvestment plan

In fiscal 2012, the Company issued 1,226,149 Class B Non-Voting Shares, resulting in an increase in share capital of $25,982.

Normal course issuer bid

On June 20, 2012, 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 Participating Shares through the facilities of the TSX, or other alternative Canadian trading systems. The Company may purchase for cancellation a maximum of 4,000,000 Class B Non-Voting Participating Shares during the period from June 22, 2012 through June 21, 2013.

(unaudited – in thousands of Canadian dollars, except share information)

On June 14, 2011, the Company announced that the TSX had accepted the notice filed by the Company of its intention to make a Normal Course Issuer Bid for its Class B Non-Voting Participating Shares through the facilities of the TSX, or other alternative Canadian trading systems. The Company was authorized to purchase for cancellation a maximum of 3,900,000 Class B Non-Voting Participating Shares during the period from June 16, 2011 through June 15, 2012.

The shares purchased for cancellation since June 16, 2011 are as follows:

	#	$	Average $
July 2011	27,800	605	21.76
August 2011	154,800	3,100	20.03
Fiscal 2011	**182,600**	**3,705**	**20.29**
September 2011	194,800	3,888	19.96
July 2012	418,696	9,607	22.95
August 2012	517,200	11,800	22.81
Fiscal 2012	**1,130,696**	**25,295**	**22.37**
	1,313,296	**29,000**	**22.08**

During the fourth quarter and fiscal year 2012, the total cash consideration paid exceeded the carrying value of the shares repurchased by $11,082 and $12,860 (2011 – $1,729 and $1,729), which was charged to retained earnings.

10. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended **August 31**,		Year ended **August 31,**	
	2012	2011	**2012**	2011
Amortization of program rights	**46,543**	43,958	**186,348**	173,521
Amortization of film investments	**10,052**	13,938	**32,001**	40,316
Other cost of sales	**7,688**	12,457	**47,305**	35,099
Employee costs	**39,375**	43,667	**151,361**	155,105
Other general and administrative	**31,104**	29,694	**135,282**	135,286
	134,762	143,714	**552,297**	539,327

11. INTEREST EXPENSE

	Three months ended **August 31,**		Year ended **August 31,**	
	2012	2011	**2012**	2011
Interest on long-term debt	**9,373**	10,299	**38,844**	44,503
Imputed interest on long-term liabilities	**2,444**	2,859	**11,348**	10,770
Other	**425**	635	**2,077**	2,003
	12,242	13,793	**52,269**	57,276

(unaudited – in thousands of Canadian dollars, except share information)

12. OTHER EXPENSE (INCOME), NET

	Three months ended **August 31,**		Year ended **August 31,**	
	2012	2011	**2012**	2011
Interest income	**(235)**	499	**(692)**	(131)
Foreign exchange losses (gains)	**(557)**	(12)	**553**	(2,302)
Share of earnings of associates	**(460)**	84	**(2,111)**	(1,026)
Gain on property disposal	—	(3,422)	—	(3,422)
Other	**2,308**	1,002	**(1,396)**	2,821
	1,056	(1,849)	**(3,646)**	(4,060)

13. INCOME TAXES

The reconciliation of income taxes attributable to operations computed at the statutory rates to income tax expense for fiscal 2012 and 2011 is as follows:

	Fiscal 2012		Fiscal 2011	
	$	**%**	$	%
Tax at combined federal and provincial rate	**57,277**	**26.8**	59,074	29.0
Impact of change in long term tax rate	**6,834**	**3.2**	112	0.0
Income subject to tax at less than statutory rates	**(3,500)**	**(1.6)**	(2,668)	(1.3)
Recovery of various tax reserves	**(1,811)**	**(0.9)**	(1,221)	(0.6)
Miscellaneous differences	**(1,559)**	**(0.7)**	37	0.0
	57,241	**26.8**	55,334	27.1

14. BUSINESS COMBINATION AND DISPOSITION

On March 1, 2012, the Company acquired the remaining 50 percent of the outstanding ordinary shares of Toon Boom Animation Inc. ("Toon Boom"), a digital content and animation creation software company that delivers its products and services online to its global community. Previous to this, the Company held 50 percent equity ownership and proportionately consolidated Toon Boom. The fair value of the Company's equity interest in Toon Boom before the business combination amounted to $4.1 million. The Company recorded a pre-tax accounting gain of $2.4 million as a result of remeasuring at fair value its 50 percent previously owned equity ownership of Toon Boom, which is recorded in other expense (income), net.

The results of operations of this company, as well as their assets and liabilities, are now included in the Television segment effective March 1, 2012 at 100 percent. The total cash consideration paid was $4.1 million. The preliminary purchase equation, which was accounted for using the purchase method, is summarized below:

Fair value recognized on acquisition	
Net assets	5,642
Goodwill	2,566
Fair value of 100% of Toon Boom	8,208
Fair value of initial equity investment in Toon Boom	(4,104)
Cash consideration given	**4,104**

The Company identified intangible assets of $2.3 million and goodwill of $2.6 million, which primarily relates to the workforce and is expected to not be deductible for income tax purposes.

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In the second quarter of fiscal 2011, the Company completed the sale of its Quebec radio stations. The Canadian Radio-television and Telecommunications Commission ("CRTC") approved the disposition on December 17, 2010 and the sale closed February 1, 2011 with a purchase price of $84.0 million (including a working capital adjustment of $4.0 million). Cash of $75.0 million was paid on the $84.0 million in adjusted proceeds at the time of closing, with the remaining $9.0 million paid on February 1, 2012. As a result, operating results have been reclassified to net income after tax for the period from discontinued operations in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. The assets and liabilities of the Quebec radio stations have not been reclassified to assets and liabilities held for sale at September 1, 2010 as they did not qualify to be presented as such at that date. The summarized financial information for the discontinued Quebec radio operations is shown below:

	Three Months Ended **August 31,**		Year Ended **August 31,**	
	2012	**2011**	**2012**	**2011**
Revenues	—	—	—	28,836
Direct cost of sales, general and administrative expenses	—	—	—	24,738
Segment profit	—	—	—	4,098
Other expenses	—	—	—	2,621
Income from discontinued operations	—	—	—	1,477
Gain on disposal	—	—	—	4,102
Income tax expense	—	—	—	556
Net income for the period from discontinued operations	—	—	—	5,023

15. BUSINESS SEGMENT INFORMATION

The Company reports its operations in two segments: Radio and Television.

Radio

The Radio division is comprised of 37 radio stations, situated primarily in high-growth urban centres in English Canada. Revenues are derived from advertising aired over these stations and related websites.

Television

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

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

Management evaluates each division's performance based on revenues less direct cost of sales, general and administrative expenses. Segment profit excludes depreciation, interest expense, restructuring charges and certain other income and expenses (note 12).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited – in thousands of Canadian dollars, except share information)

Revenues and segment profit

Three months ended August 31, 2012

	Radio	Television	Corporate	Consolidated
Revenues	**47,750**	**147,874**	**—**	**195,624**
Direct cost of sales, general and administrative expenses	**32,755**	**93,384**	**8,623**	**134,762**
Segment profit (loss)[1]	**14,995**	**54,490**	**(8,623)**	**60,862**
Depreciation	**822**	**816**	**4,770**	**6,408**
Interest expense	**160**	**5,786**	**6,296**	**12,242**
Other expense (income), net	**199**	**459**	**398**	**1,056**
Income (loss) before income taxes	**13,814**	**47,429**	**(20,087)**	**41,156**

Three months ended August 31, 2011

	Radio	Television	Corporate	Consolidated
Revenues	47,626	152,567	—	200,193
Direct cost of sales, general and administrative expenses	32,727	101,627	9,360	143,714
Segment profit (loss)[1]	14,899	50,940	(9,360)	56,479
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	12,519	45,894	(21,788)	36,625

Year ended August 31, 2012

	Radio	Television	Corporate	Consolidated
Revenues	**191,327**	**650,949**	**—**	**842,276**
Direct cost of sales, general and administrative expenses	**133,900**	**388,811**	**29,586**	**552,297**
Segment profit (loss)[1]	**57,427**	**262,138**	**(29,586)**	**289,979**
Depreciation	**3,249**	**2,984**	**19,406**	**25,639**
Interest expense	**—**	**25,136**	**27,133**	**52,269**
Restructuring	**1,053**	**1,151**	**121**	**2,325**
Other expense (income), net	**157**	**(1,402)**	**(2,401)**	**(3,646)**
Income (loss) before income taxes	**52,968**	**234,269**	**(73,845)**	**213,392**

Year ended August 31, 2011

	Radio	Television	Corporate	Consolidated
Revenues	195,657	629,556	—	825,213
Direct cost of sales, general and administrative expenses	136,572	368,432	34,323	539,327
Segment profit (loss)[1]	59,085	261,124	(34,323)	285,886
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	52,253	238,577	(86,776)	204,054

[1] See definitions and discussion under Key Performance Indicators in MD&A.

(unaudited – in thousands of Canadian dollars, except share information)

Revenues are derived from the following areas:

	Three months ended August 31,		Year ended August 31,	
	2012	2011	**2012**	2011
Advertising	**85,650**	83,052	**386,045**	389,925
Subscriber fees	**73,577**	74,351	**297,927**	299,888
Merchandising, distribution and other	**36,397**	42,790	**158,304**	135,400
	195,624	200,193	**842,276**	825,213

16. CONSOLIDATED STATEMENT OF CASH FLOWS

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

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,	
	2012	2011	**2012**	2011
Interest paid	**18,727**	20,303	**41,345**	47,907
Interest received	**235**	326	**692**	956
Income taxes paid	**14,159**	22,200	**52,992**	49,243

TRANSITION TO IFRS

In preparing its opening IFRS consolidated statement of financial position, the Company has adjusted amounts previously reported that have been prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position and financial performance on the Transition Date, for the three months ended November 30, 2010, for the year ended August 31, 2011 and as at August 31, 2011, are set out in the tables and notes in the Company's condensed consolidated financial statements for the first quarter ended November 30, 2011. The Company has also selected certain transition exemptions on the Transition Date, the details of which are also in the notes to the November 30, 2011 condensed consolidated financial statements. These financial statements are available at www.sedar.com and on the Company's website at www.corusent.com.

An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position and financial performance for the three months and year ended August 31, 2011 and as at August 31, 2012 is set out in the following tables and notes that accompany the tables. There were no material adjustments to the operating, investing or financing activity subtotals in the fiscal 2011 annual and August 31, 2011 consolidated statements of cash flows as a result of the conversion to IFRS.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited – in thousands of Canadian dollars, except share information)

Reconciliation of Consolidated Statements of Income and Comprehensive Income for the three months year ended August 31, 2011

		August 31, 2011					
		Three months ended			Year ended		
	Notes	Previous Canadian GAAP	Effect of transition to IFRS	IFRS	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Revenues		200,193	—	200,193	825,213	—	825,213
Direct cost of sales, general and administrative expenses	T1, T2, T3, T5	141,662	2,052	143,714	539,792	(465)	539,327
Depreciation		6,558	—	6,558	24,922	—	24,922
Interest expense		13,793	—	13,793	57,276	—	57,276
Restructuring		1,352	—	1,352	3,694	—	3,694
Other income, net		(1,849)	—	(1,849)	(4,060)	—	(4,060)
Income from continuing operations before income taxes and non-controlling interest		38,677	(2,052)	36,625	203,589	465	204,054
Income tax expense	T7	9,214	(512)	8,702	55,106	228	55,334
Non-controlling interest	T6	253	(253)	—	7,209	(7,209)	—
Net income for the period from continuing operations		29,210	(1,287)	27,923	141,274	7,446	148,720
Net income for the period from discontinued operations		—	—	—	5,023	—	5,023
Net income for the period		29,210	(1,287)	27,923	146,297	7,446	153,743
Net income attributable to:							
Shareholders from continuing operations		29,210	(1,540)	27,670	141,274	237	141,511
Shareholders from discontinued operations		—	—	—	5,023	—	5,023
Non-controlling interest	T6	—	253	253	—	7,209	7,209
		29,210	(1,287)	27,923	146,297	7,446	153,743
Basic earnings per share attributable to shareholders							
From continuing operations		$0.35	($0.02)	$0.34	$1.73	—	$1.73
From discontinued operations		—	—	—	$0.06	—	$0.06
		$0.35	($0.02)	$0.34	$1.79	—	$1.79
Diluted earnings per share attributable to shareholders							
From continuing operations		$0.35	($0.02)	$0.33	$1.72	—	$1.72
From discontinued operations		—	—	—	$0.06	—	$0.06
		$0.35	($0.02)	$0.33	$1.78	—	$1.78
Net income for the period		29,210	(1,287)	27,923	146,297	7,446	153,743
Other comprehensive income (loss), net of tax							
Unrealized foreign currency translation adjustment		306	—	306	(1,551)	—	(1,551)
Unrealized change in fair value of available-for-sale investments		135	—	135	134	—	134
Actuarial gain on defined benefit plans	T3	—	—	—	—	433	433
		441	—	441	(1,417)	433	(984)
Comprehensive income for the period		29,651	(1,287)	28,364	144,880	7,879	152,759
Attributable to:							
Shareholders		29,651	(1,540)	28,111	144,880	670	145,550
Non-controlling shareholders		—	253	253	—	7,209	7,209
		29,651	(1,287)	28,364	144,880	7,879	152,759

(unaudited – in thousands of Canadian dollars, except share information)

Reconciliation of Consolidated Statement of Changes in Equity on August 31, 2011

	Notes	Share capital	Contributed surplus	Retained earnings	AOCI	Non-controlling interest	Total equity
Reported under Canadian GAAP as at August 31, 2011		**882,679**	**9,361**	**179,207**	**(12,573)**	**—**	**1,058,674**
IFRS adjustments increase (decrease):							
Program and film rights	T1	—	—	(3,164)	—	—	(3,164)
Film investments	T2	—	—	(19,329)	—	—	(19,329)
Broadcast licenses		—	—	28,257	—	—	28,257
Accounts payable and accrued liabilities	T2, T3	—	—	(2,730)	—	—	(2,730)
Employee benefits	T4	—	—	(3,477)	—	—	(3,477)
Share-based compensation	T5	—	938	(1,500)	—	—	(562)
Foreign currency IFRS 1 adjustment		—	—	(11,498)	11,498	—	—
Non-controlling interest	T6	—	—	—	—	19,200	19,200
Income taxes	T7	—	—	(22,049)	—	—	(22,049)
Reported under IFRS as at August 31, 2011		**882,679**	**10,299**	**143,717**	**(1,075)**	**19,200**	**1,054,820**

Notes to the August 31, 2011 reconciliation schedules:

(T1) **Program and film rights**

Amortization of program rights in direct cost of sales, general and administrative expenses for the year ended August 31, 2011 was $0.3 million lower under IFRS than it was under previous Canadian GAAP ($0.3 million lower for the three months ended August 31, 2011). This was primarily the result of the changes made to the amortization method for certain program rights (refer to notes T2, T12 and T17 – November 30, 2011).

(T2) **Film investments**

Amortization of film investments in direct cost of sales, general and administrative expenses for the year ended August 31, 2011 was $2.3 million lower under IFRS than it was under previous Canadian GAAP ($2.3 million higher for the three months ended August 31, 2011). This was primarily the result of the changes made to certain third-party-produced equity film investments on the Transition Date and similar impacts for additional arrangements entered into in the period (refer to notes T3, T6, T13 and T18 – November 30, 2011).

(T3) **Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities for the year ended August 31, 2011 was $4.7 million higher under IFRS than it was under previous Canadian GAAP. This results from payments made in the period against the restructuring provision of $7.8 million being reclassified from accounts payable and accrued liabilities and presented separately under provisions offset by an additional accrual recorded in the period in the amount of $1.9 million to reflect the fair value of certain obligations to acquire equity investments in third-party-produced equity film projects and $1.2 million of employee benefits that have been reclassified from short-term to long-term (refer to note T6 and T19 – November 30, 2011).

(T4) **Employee benefits**

Employee costs in direct cost of sales, general and administrative expenses for the year ended August 31, 2011 was $1.3 million higher under IFRS than it was under previous Canadian GAAP (nil for the three months ended August 31, 2011). Other comprehensive income for the year ended

August 31, 2011 was $0.4 million higher under IFRS than it was under previous Canadian GAAP as a result of actuarial gains recognized in the second quarter related to its employee benefit plans (refer to notes T7 and T20 – November 30, 2011). The amount recognized in the period is not retained in accumulated other comprehensive income but goes directly to retained earnings.

(T5) **Share-based compensation**

Employee costs in direct cost of sales, general and administrative expenses for the year ended August 31, 2011 was $0.4 million higher under IFRS than it was under previous Canadian GAAP ($0.1 million higher for the three months ended August 31, 2011). This was primarily the result of the changes made to the accounting for stock-based compensation plans (refer to notes T8, T14 and T21 – November 30, 2011).

(T6) **Non-controlling interest**

IFRS requires non-controlling interests to be classified as a component of equity. Under previous Canadian GAAP, non-controlling interest was classified outside of equity.

(T7) **Income taxes**

The income tax adjustment includes the income tax impact of the transition adjustments (refer to notes T11, T16 and T23 – November 30, 2011) and the related changes in the consolidated statements of income and comprehensive income through August 31, 2011.