CORUS ENTERTAINMENT INC

FORM 40-F
(Annual Report (foreign private issuer))

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

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

or

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

For the Fiscal year ended:	August 31, 2010
Commission File number:	001-14992

CORUS ENTERTAINMENT INC.

(Exact name of registrant as specified in its charter)

Canada	**4832, 4833**	**Not Applicable**
(Province or other jurisdiction of incorporation or organization)	(Primary standard industrial classification code number, if applicable)	(I.R.S. employer identification number, if applicable)

Corus Quay
25 Dockside Drive
Toronto, Ontario
M5A 0B5 Canada
(416) 479-7000
(Address and telephone number of registrant's principal executive office)

CT Corporation System
111 8 th Avenue, 13 th Floor
New York, New York 10011
(212) 894-8700
(Name, address and telephone number of agent for service in the United States)

Securities registered pursuant to Section 12(b) of the Act: **None**

Title of each class	Name of each exchange on which registered:
Class B Non-Voting Shares	**None**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **Class B Non-Voting Shares**
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

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

☑ Annual Information Form ☑ Audited Annual Financial Statements

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

Class A Voting Shares	**3,444,128 As of August 31, 2010**
Class B Non-Voting Shares	**77,695,238 As of August 31, 2010**

Indicate by check mark whether the registrant by filing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the registrant in connection with such rule.

Yes ☐ No ☑

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

Yes ☑ No ☐

ANNUAL INFORMATION FORM

Fiscal year ended August 31, 2010

Corus Entertainment Inc.

November 5, 2010

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FORWARD-LOOKING STATEMENTS

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

INCORPORATION OF CORUS

Organization and Name

Corus Entertainment Inc. ("Corus" or the "Company") is a Canadian based media and entertainment company with interests in radio broadcasting, television broadcasting, and the production and distribution of children's media content. The Company was originally incorporated under the *Canada Business Corporations Act* as 3470652 Canada Inc. on March 3, 1998. Corus amended its articles to change its name to Corus Entertainment Inc. on May 28, 1999 and subsequently amended its articles on August 26, 1999 to create additional classes of shares. On December 18, 2003, the Company amended its articles to state that no Class A Voting Shares may be issued unless the prior written consent of holders of no fewer than two-thirds of existing Class A Voting Shares is obtained. It also amended its articles on January 9, 2008 to implement at two-for-one stock split of its Class A Voting Shares and Class B Non-Voting Shares (each such term as defined below under the heading "Capital Structure"), effective February 1, 2008.

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

Corus commenced trading on the Toronto Stock Exchange (CJR.B) on September 3, 1999 and on the New York Stock Exchange (CJR) on May 10, 2000. The Company voluntarily delisted from the New York Stock Exchange on August 4, 2010.

Corus' registered office and an executive office is located at 501, 630 - 3rd Avenue S.W., Calgary, Alberta, T2P 4L4. A second executive office is located at Corus Quay, 25 Dockside Drive, Toronto, Ontario, M5A 0B5.

Subsidiaries

The following table describes the significant operating subsidiaries of Corus as at August 31, 2010, their jurisdiction of incorporation or organization, and the percentage of voting and non-voting securities owned by Corus directly or indirectly.

Subsidiary	Jurisdiction	Percentage of securities owned by the Company
591991 BC Ltd.	British Columbia	100%
Corus Premium Television Ltd.	Canada	100%
Corus Radio Company	Nova Scotia	100%
Country Music Television Ltd.	British Columbia	80%
Encore Avenue Ltd.	Alberta	100%
Metromedia CMR Broadcasting Inc.	Canada	100%
Movie Central Ltd.	Alberta	100%
Nelvana Limited	Ontario	100%
Telelatino Network Inc.	Ontario	50.5%
TELETOON Canada Inc.	Canada	50%
VIVA Channel Inc.	Ontario	100%
W Network Inc.	Canada	100%
YTV Canada Inc	Canada	100%

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

GENERAL DEVELOPMENT OF THE BUSINESS

Corus is an integrated Canadian media and entertainment company with an established global distribution network for the programming the Company produces. Corus has strong established brands in each of its businesses: Radio and Television. The principal assets consist of 49 radio stations primarily in urban centres in Canada; a variety of specialty television networks focused on children and adult genres; and western Canada's premium television services. The Company also owns Nelvana Limited, an international producer and distributor of children's programming and merchandise products; Kids Can Press, the largest Canadian-owned English language publisher of children's books, and three broadcast television stations.

Historical Background

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

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

On September 3, 1999, the Corus Class B Non-Voting Shares were listed and posted for trading on the Toronto Stock Exchange (CJR.B). On May 10, 2000, Corus Class B Non-Voting Shares were listed for trading on the New York Stock Exchange (CJR). The Company voluntarily delisted from the New York Stock Exchange on August 4, 2010.

Significant Acquisitions and Divestitures

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

In the first quarter of fiscal 2009, the Company completed the acquisition of Canadian Learning Television. The total cash consideration paid was approximately $75.0 million, including customary closing adjustments.

In the second quarter of fiscal 2009, the Company ceased operations of and completed the sale of certain assets of its residential audio service.

In the first quarter of fiscal 2010, the Company completed the acquisition of the specialty television services Drive-In Classics and SexTV, which was subsequently rebranded as Sundance Channel and W Movies. The total cash consideration paid was $40.0 million.

In the third quarter of fiscal 2010, the Company announced that, subject to regulatory approvals, it had reached an agreement with Cogeco Inc. for it to acquire 11 of its Corus Quebec radio stations in Montreal, Quebec City, Gatineau, Sherbrooke, Trois-Rivières, and St-Jérôme.

DESCRIPTION OF THE BUSINESS

Through fiscal 2010, Corus' principal business activities were conducted through two operating groups: Radio and Television, as described below.

The breakdown of revenues by business for the two most recent fiscal years is as follows:

Year ended August 31	2010	2009
Radio	261,124	258,912
Television	575,097	530,014
Eliminations	-	(208)
Total revenues	**836,221**	**788,718**

Revenue streams in fiscal 2010 were derived primarily from two areas: advertising (52%) and subscriber fees (34%).

RADIO

Description of the Industry

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

In its most recent statistics, CRTC data states that as of August 31, 2009, there were 644 commercial radio stations in Canada of which approximately 77% were FM stations and 23% were AM stations.

The radio industry is dependent upon airtime advertising revenues for economic performance and growth. According to the CRTC, the industry generated over $1.5 billion in revenues in 2009, a 5% decline over the previous year. Radio stations compete for advertising dollars with other radio stations and many other forms of media. According to industry sources, the radio industry captures approximately 13.5% of all advertising spending in Canada, compared to the daily newspaper and television industries, which capture approximately 13% and 29% of the total, respectively. According to the CRTC, in 2009, local advertising and national advertising represented 75% and 25%, respectively, of total radio advertising revenues. More recently in 2010, the top five metropolitan markets (Toronto, Montreal, Vancouver, Calgary and Edmonton) accounted for approximately 78% of total revenues in the Canadian radio industry.

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

The BBM introduced a new measurement system called the portable people meter ("PPM") in fiscal 2009. First launched in Montreal in December 2008 and subsequently in other major metropolitan cities across Canada in June 2009, the PPM is a passive device which measures actual listening as opposed to relying on the listener to accurately record habits in a dairy. The PPM device registers all radio station exposures over a period of time and in any environment; thus accounts for personal listening as well as second-hand exposure (i.e. in a store or dentist office). The PPM technology provides more accurate and granular audience tracking data than the paper-based recall diary method of the past and results have been positive, showing that radio continues to be a growth medium. The radio industry is working with advertisers on interpreting the new data and how to use it effectively with their media buying strategies. Radio broadcasters are continuing to see the importance of new media outlets to work in tandem with the traditional radio stations. Listeners want convenience and accessibility - audiences want content whenever and wherever they want on multiple platforms. There is a growing need to ensure that strong local websites exist for each station to offer advertisers an opportunity to complement on-air campaigns with an interactive element not previously possible through radio streaming alone. A successful combination of on-air and on-line streaming will lead to increased brand awareness for the radio broadcaster and the advertiser and is expected to translate to a rise in ratings and advertising revenues.

Advances in digital technology made subscription radio a reality. Subscription or Satellite radio provides a number of channels of programming to listeners for a flat monthly fee. Two licenses were launched in 2005 which distribute digital signals via satellite. To date, results indicate no significant impact on terrestrial radio revenues or audience tuning.

Competitive Conditions

Radio stations compete for advertising dollars with other radio stations in their respective market areas as well as with other forms of media such as conventional television, specialty television networks, daily, weekly, and free-distribution newspapers, outdoor billboard advertising, magazines, other print media, direct mail marketing, and the Internet. In each market, Corus' radio stations face competition from other stations also with substantial financial resources, including stations targeting the same demographic groups. In markets near the U.S. border, such as Kingston, Corus also competes with U.S. radio stations. On a national level, Corus competes generally with Astral Media, Rogers Media and CTVglobemedia, each of which owns and operates stations across Canada.

Factors that are material to being at a competitive advantage include the station's rank in the most lucrative market demographics, its market share of targeted demographic, authorized power, and audience characteristics.

Business Overview

Corus' radio group ("Corus Radio") comprises 49 radio stations situated primarily in nine of the 10 largest Canadian markets by population as well as in smaller and medium-sized markets in the densely populated area of southern Ontario.

Corus Radio's primary method of distribution is over-the-air, analog radio transmission. Each radio station's content is available to audiences through traditional analog radio receivers at the particular station's licensed frequency on the AM or FM band.

Corus Radio is the second largest radio operator in Canada in terms of audience reach and tuning. According to BBM's Fall Survey 2009 ("FA '09", "SP'10" and "R3'10), Corus had a market share of 39.8% in terms of audience reach, just behind the market leader Astral Media which had market share of 42.5%. Rogers Media and CTVglobemedia followed with market shares of 30.5% and 23.5%, respectively, in terms of reach, during that same period. Corus Radio reaches one in three Canadians on a weekly basis.

Corus Radio operates stations primarily in urban centres in Canada, including Montreal, Quebec City, Toronto, Hamilton/Burlington, Winnipeg, Edmonton, Calgary and Vancouver, and in the densely populated area of southern Ontario. Corus Radio operates news/talk stations in eight out of Canada's ten largest markets by population (Toronto, Montreal, Vancouver, Calgary, Edmonton, Winnipeg, Hamilton and London). Corus is well positioned in the Toronto market through its three stations that focus on adults 18 to 54: Q107, 102.1 The Edge and AM 640. Corus Radio news/talk stations continue to be the most listened to AM stations in Calgary, Edmonton, Vancouver and Winnipeg, measured by BBM.

Corus also owns a 50% stake in Canadian Broadcast Sales ("CBS"), in partnership with Rogers Media. CBS is Canada's leading national sales representation firm in terms of total advertising revenue booked and represents over 380 stations across Canada. In addition, Corus Radio operates Group Force Radio, a joint venture with Cogeco. Group Force Radio focuses on developing and delivering increased National revenues specific to the province of Quebec.

Corus Radio broadcasts in thirteen distinct radio station formats on 49 stations across Canada. The following table sets out particulars of Corus' radio stations as at October 31, 2010:

Location	Call letter	Frequency	Format	Target	Rank	Audience share (i)
B.C.						
Vancouver	CKNW (CKNW 980)	AM	News/Talk	A35+	1	15.5
	CFOX (The Fox)	FM	Active rock	M18-49	3	8.8
	CFMI (Rock 101)	FM	Classic rock	M25-54	3	8.2
	CHMJ (AM 730)	AM	Traffic	A18+	17	0.6
Alberta						
Calgary	CKRY (Country 105)	FM	Country	A35-54	2	8.9
	CHQR (QR77)	AM	News/Talk	A35-64	3	9.3
	CFGQ (Q107)	FM	Classic rock	M25-54	4	7.8
Edmonton	CHED (630 CHED)	AM	News/Talk	A35-64	2	10.2
	CKNG (JOE)	FM	80's/90's	A25-49	4	10.2
	CISN (CISN Country)	FM	Country	F35-54	3	11.2
	CHQT (i880 News)	AM	News	A25-54	13	1.3
Manitoba						
Winnipeg	CJOB (CJOB 680)	AM	News/Talk/Sports	A25+	1	17.1
	CJGV (Groove FM)	FM	Smooth adult jazz	A35-64	9	2.7
	CJKR (Power 97)	FM	Rock	M18-34	1	23.1
Ontario						
Barrie	CIQB (B101)	FM	Contemporary hit	F18-49	1	17.2
	CHAY (FM93)	FM	Adult contemporary	F35-54	4	11.2
Burlington	CING (Vinyl 95.3)	FM	Greatest hits	A25-54	2	9.5
Cambridge	CJDV (DAVE)	FM	Variety Rock	M35-49	2	11.8
Collingwood	CKCB (The Peak)	FM	Adult contemporary	A25-54	N/A	N/A
Cornwall	CFLG (Variety 104.5)	FM	Adult contemporary	A25-49	1	20.5
	CJSS (Rock 101.9)	FM	Rock	M25-54	2	15.1
Guelph	CJOY (1460 CJOY)	AM	Oldies	A45+	1	11.0
	CIMJ (Magic 106.1)	FM	Adult contemporary	A25-49	1	19.2
Hamilton	CJXY (Y108)	FM	Rock hits	M25-49	1	12.3

	CHML (AM 900)	AM	News/Talk	A35+	3	7.9
Kingston	CFMK (FM96)	FM	Classic Rock	M25-54	4	10.3
	CKWS (104.3 CKWS-FM)	FM	Greatest hits	A25-54	7	2.8
Kitchener	CKBT (91.5 The Beat)	FM	Contemporary hit	A25-44	2	13.1
London	CFPL (FM 96)	FM	Mainstream Rock	M18-49	1	25.4
	CFPL (AM 980)	AM	News/Talk	A35-64	9	2.7
	CFHK (Fresh FM)	FM	Hot AC	F18-49	1	22.9
Peterborough	CKWF (The Wolf)	FM	Rock	A25-49	2	23.9
	CKRU (100.5 Kruz- FM)	FM	Greatest hits	A25-54	4	10.3
Toronto	CFNY (102.1 The Edge)	FM	New rock	M18-34	1	16.2
	CILQ (Q107)	FM	Classic rock	M25-54	1	14.5
	CFMJ (AM 640)	AM	News/Talk	M25-49	11	3.1
Woodstock	CKDK (103.9 FM)	FM	Classic hits	A35-64	2	7.7
Quebec						
Gatineau	CJRC	FM	Classic hit	A35-54	16	1.2
Montreal	CFQR (The Q)	FM	Adult contemporary	F25-54	2	22.3
	CKOI	FM	Contemporary hit	M25-44	1	15.9
	CKAC	AM	Sports	M25-54	5	5.1
	CHMP	FM	News/Talk	A35-54	4	7.8
Quebec City	CFOM	FM	Classic hit	A35-54	3	14.1
	CFEL	FM	Contemporary hit	A25-44	4	12.0
St. Jerome	CIME	FM	Adult contemporary	A25-54	1	14.3
Sherbrooke	CHLT	FM	Classic hit	A35-54	5	4.9
	CKOY	FM	Contemporary hit	A25-44	4	9.2
Saguenay	CKRS	FM	Classic hit	A35-54	5	6.8
Trois-Rivieres	CHLN	FM	Classic hit	A35-54	4	6.0

(i) Sources: SP'10 -Winnipeg, Hamilton, Kingston, Kitchener, London, Gatineau, Quebec City, Sherbrooke, Saguenay, Trois-Rivieres; R3'10 - Montreal, Vancouver, Calgary, Edmonton, Toronto; FA'09 - Barrie, Cornwall, Guelph, Peterborough, Woodstock, St. Jerome

Corus Radio derives the majority of its revenues from advertising sales. Revenues for fiscal 2010 and 2009 were $261 million and $259 million, respectively.

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

Radio's success in terms of advertising revenues comes from a number of demographically targeted groups. The group that garners the most advertiser dollars is adults 25-54 (A24-54). From 2005 to 2010, this group represented almost half of all advertising agency ad spend each year. Corus Radio stations are competitive in the top 4 most sought after demographically targeted groups: A25-54, A18-49, A35-54 and F25-49.

In addition to advertising revenues, Corus Radio derives a smaller portion of its revenues through non-traditional revenue sources (non-airtime). Websites have proven to be extremely popular with audiences and advertisers and are a growing source of revenue. Corus Radio has very loyal listeners that continue to be connected to the station for the music, the hosts, the events and information-entertainment that is present on Corus websites. With approximately 1,450,000 people registered to Corus Radio's stations' web-clubs and permission-based e-mail, the stations are able to develop one-to-one relationships and connect audiences with advertisers in areas that meet their needs. Other sources of non-traditional revenue include sponsorships, concerts and other events that allow Corus Radio to diversify its revenue streams and reach more potential listeners.

Corus Radio has a clustering strategy pairing AM and FM radio stations to the limits allowed by the CRTC based on the size of the market. Such clustering improves operating performance by expanding demographic coverage of the market, thereby providing local and national advertisers with an attractive and efficient medium with which to allocate their advertising dollars. Clustering also provides opportunities to share costs among stations in the cluster, thereby improving operating margins.

Operating Strategy

Radio

At Corus Radio, we believe that radio is an evergreen business and is a medium that has considerable growth potential. It's cost effective to purchase as an advertiser to reach targeted consumers, it's measurable, both in terms of metrics and actions by consumers, it's a business that's not capital intensive and, it has a long and successful record as a proven business model that creates great cash flow. Its revenue growth has for the most part, been in step with Canada's GDP growth which holds promise for the radio industry in the years ahead.

Corus Radio will seek to dominate its target demographic groups. We are competitively positioned in our local markets in terms of formats, ratings and demographic appeal. We have built a growth strategy specifically around being local in reaching large audiences in two major segments: news and information and music programming targeted to audience segments that have significant spending power. Our radio stations deliver a balanced gender profile, attracting audiences that are significant in both females and males. Based on BBM total hours tuned from the fall 2009 survey, Corus radio stations' share of hours tuned for A12+ was 54% Male and 46% Female.

Corus Radio is committed to controlling costs and delivering one of the best operating margins in the industry. In fiscal 2010, we reorganized our radio division to build for future growth. This reorganization was designed to strengthen our ability to consolidate operational back-office costs, eliminate redundancies, while continuing to invest extensively in marketing, research and talent.

New Media

At Corus Radio, we recognize that the demands of multiple platforms that are complementary to radio are essential to its growth. We believe that digital distribution and interactivity are the two key concepts for Corus Radio's future. Corus Radio will continue to leverage new media to expand our audience and give new opportunities to advertisers through a series of strong local websites to complement Corus' radio stations.

On-line audio streaming through websites affords the broadcaster and advertiser a more personal connection with the listener not available through traditional radio. In early 2009, Corus Radio was the first radio broadcaster to launch an iPhone streaming application and since then almost 300,000 users have downloaded our iPhone and Blackberry applications. Our Corus radio applications, designed for smartphones, have proven very successful among our listeners. The integration it provides with tagging, playlists and other features demonstrate the future potential of digital radio. While streaming comprises a small percentage of overall tuning today, the number of individuals is growing and Corus Radio is ready with unique capabilities to meet their listening needs.

Other new media initiatives taken in fiscal 2010 include our news talk programming being available on demand through the station's website and social networking venues ("listener clubs") where over one million listeners across Canada are engaging with our stations and their personalities.

TELEVISION

Corus' television group ("Corus Television") comprises specialty television networks, pay television services, three local television stations, and the Nelvana content business which consists of the production and distribution of television programs, merchandise licensing and publishing.

Description of the Industry

According to the CRTC Communications Monitoring Report 2009, there were approximately 11.3 million subscribers to television programming services in 2009. There were approximately 8.1 million cable and Internet protocol television ("IPTV") subscribers and 2.8 million direct-to-home ("DTH") satellite and multipoint distribution systems ("MDS") subscribers. Total digital subscribers were approximately 7.6 million, up from 6.8 million a year earlier.

Specialty and Pay Television Networks

Specialty and pay television networks, along with pay-per-view ("PPV") and video on-demand ("VOD") generated $3.1 billion of combined advertising and subscriber revenues in 2009. Specialty and pay television networks are available to those Canadians who subscribe to the service package of a particular broadcasting distribution undertaking ("BDU") (i.e. cable television, DTH satellite and MDS). Specialty television networks provide special interest, news, sports, arts and entertainment programming, while premium television networks provide commercial-free movies, series and special event programming.

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

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

Unlike pay television networks, which are prevented by CRTC regulations from obtaining advertising revenues, specialty television networks may obtain both subscriber and national advertising revenues. Specialty television networks appeal to advertisers seeking highly targeted markets. The CRTC limits national advertising to 12 minutes an hour for specialty services but does not regulate advertising rates, and specialty television networks are not required to share a portion of their advertising revenues with the cable and DTH satellite operators. According to the CRTC, television advertising in 2009 totaled approximately $3.1 billion in Canada. Specialty and pay television networks, along with PPV and VOD, received a 32% share of total television advertising revenues, or approximately $1 billion, compared to approximately $1 billion or a 30% share of total television advertising revenues in 2008.

Canadian specialty and premium television networks have experienced subscriber growth over the past decade due to the advances in cable-based delivery systems and the growth of DTH satellite services. In November 2000, a number of new digital specialty television network licenses were awarded by the CRTC for launch commencing September 2001. Of these licenses, 21 were Category 1 and 262 were Category 2. Since the initial awarding of 262 Category 2 licenses, additional Category 2 licenses have been granted. However, as of December 2009, only approximately 86 Category 2 digital networks are in operation.

Production and Distribution

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

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

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

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

According to industry sources, total spending on filmed entertainment, which includes feature films, video, television shows, animation and other programming worldwide is expected to grow from an estimated US$85.1 billion in 2009 to US$107.5 billion in 2014.

The home entertainment market is a US$54.5 billion industry worldwide, and includes DVD & VHS sales and in-store rental and online rental subscription revenues. Over the longer run, growth in Blu-ray HD videos will offset a declining DVD market and propel overall sell-through. Rentals will benefit from a weak economy in the near term because their lower prices will be more attractive. Over the longer run, competition from video-on-demand and online distribution will cut into in-store rental. Faster broadband speeds and devices that allow TV viewing will propel a small digital download market. Growth is expected to continue due to two factors: (1) increased penetration of HD TV systems, which in turn will spur DVD sell-through as customers upgrade their DVD collections to HD and to Blu-ray, (2) the launch of new digital download-to-own and subscription streaming services, which make available a broader selection of content to customers.

Merchandising

According to industry sources, in 2009 licensed retail sales in the United States and Canada were approximately US$92.4 billion. All of Corus' character brands fall into the entertainment/character property type category, which, according to industry sources, accounted for US$11.12 billion of retail sales in the United States and Canada in 2009. The entertainment/character property type category accounts for 12% of total licenses retail sales in the United States and Canada in 2009.

Publishing

Global consumer and education book publishing was over US$108.2 billion in 2009 which was down 1.2% compared to 2008. The economic downturn hurt the print books and audio books segments. However, the electronic book segment rose by 50.4% in 2009. Global consumer and educational electronic book sales will continue to drive growth with forecasted compound annual growth of 27.7% from 2010 to 2014. By 2015, the Global children's publishing market is expected to reach US$9.66 billion. Increased spending on education by governments and parents, population growth and higher emphasis on education will help drive growth in the children's book market. The Canadian book publishing industry generated over CDN $2 billion in revenue in 2008 of which over CDN $200 million was for children's books.

Local Television

Local television stations are licensed by the CRTC and provide over-the-air broadcast television signals to viewers within a local geographical market or on a network basis. In addition to receiving conventional television signals off-air, the majority of Canadian viewers have access, either directly or through a BDU, to the television signals of U.S. border stations which are generally affiliated with one of the four U.S. commercial networks (ABC, NBC, CBS and Fox) and a Public Broadcasting Service station. Canadian conventional television stations generate revenue from advertising and receive no subscription revenues. There is no limit of commercial messages that a conventional television station may broadcast. The success of conventional television is dependent on the quality of programming which results in audience ratings that in turn attract advertisers to a station or network. In the case of stations affiliated with the CBC, the local, private affiliated station receives a fee from the CBC to air or broadcast CBC national programming at certain designated times, in addition to being able to generate advertising revenues.

Digital technology

Technology is driving more consumer change today than ever before. Data mobility, from cell phone to smart phone to tablet is growing much more quickly than the Internet did. The application market for these devices offer a real business model for new media and social networking has become a driving force in marketing, community and communication.

The trend in the television sector is in innovative products and services in the digital environment. The emphasis on instant gratification for consumers is dominating the industry. New product offerings have fueled growth in the digital sector, reduced churn and contributed to incremental revenue growth. These products include: Video-on-demand (“VOD”); Subscription video-on-demand (“SVOD”); High Definition Television (“HDTV”); Personal Video Recorders (“PVR”); mobile television, Internet protocol TV, Internet TV; and mobile devices, all of which provide greater choice in delivery to the consumer and increases the amount of digital subscriptions for the provider.

Portable People Meter (‘PPM’)

As with the radio industry, BBM launched a new national and regional audience measurement service using PPM technology in late 2009. The television industry is working with advertisers on interpreting the new data and how to use it effectively with their media buying strategies.

Competitive Conditions

The television broadcast environment is highly competitive. The principal methods of competition in broadcast television are the development and acquisition of popular programming and the development of audience interest through programming and promotion, in order to sell advertising at profitable rates. Broadcast networks like YTV, W, CMT, VIVA, the conventional television stations and digital channels compete for audience, advertising revenues, and programming with other broadcast networks such as CBC, CTV, Global, Rogers, other digital channels, independent television stations, basic cable program services as well as other media, including DTH television services, DVDs, print and the Internet.

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

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

Corus Television’s specialty and premium television networks compete for subscriber fees with other specialty and premium television network operators, including CTVglobemedia, Canwest Media Inc., Rogers Broadcasting, Allarco Entertainment Inc. and Astral. According to the CRTC, in 2009, the Canadian specialty television and premium television network industries generated $3.1 billion of combined advertising and subscriber revenues. Corus’ specialty services also compete directly for advertising revenues with the operators of cable networks listed above and with broadcast networks, including Global, CBC and CTV, and with other advertising media. Corus’ conventional television stations compete principally for viewers and advertisers with other television stations that broadcast in central and eastern Ontario.

In June 2006, the CRTC licensed a national pay television service which competes directly with Corus' premium television networks. The service launched in the fall of 2007 and its parent company, Allarco Entertainment Inc., is currently under CCAA protection.

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

The publishing industry in Canada is competitive. There are more than 1,500 book publishers that operate in Canada. Approximately 300 of these publishers account for roughly 95% of book publishing revenues. Canadian publishers face stiff competition from large multinational publishing houses which represent less than 4% of publishers operating in Canada but produce 44% of industry revenues. The Children's book publishing market in Canada is highly fragmented and faces competitive pressures from self publishers who leverage the internet to distribute their books.

Business Overview

Corus had the following interests in specialty and premium television networks which we are broadcasting in Canada as at October 31, 2010:

Network	Description of programming	Category	Interest
YTV	Children/Family	Analog	100%
Treehouse TV	Preschool children/Parents	Analog	100%
W Network	Lifestyle and entertainment geared to women	Analog	100%
Country Music Television ("CMT")	Country music/Country lifestyle	Analog	80%
Telelatino	Canadian-Italian and Spanish	Analog	50.5%
TELETOON	Children/Family/Adult animation	Analog	50%
The Food Network Canada	Food related	Analog	20%
Movie Central	Premium movies and series	Pay TV	100%
Encore Avenue	Classic movies	Pay TV	100%
Nickelodeon	Children/Family	Digital - Category 2	100%
DUSK	Suspense and thriller movies and series	Digital - Category 2	51%
VIVA	Formal and informal educational programming	Analog	100%
Cosmopolitan TV	Lifestyle and entertainment geared to working women aged 18 to 34	Digital - Category 2	54%
W Movies	Movies geared to women	Digital - Category 2	100%
Sundance Channel	Diverse movies, festival-selected shorts, documentaries and innovative original series	Digital - Category 2	100%

Specialty Television Networks

Corus Television's group of specialty television networks appeal particularly to kids, Moms and women, much-coveted target groups among Canadian marketers. Our television networks exhibit tremendous reach in each of these target groups demonstrated by the fact that 93% of kids, 93% of Moms, and 76% of women view our networks in an average month.

YTV is a specialty television network dedicated to programming for children and teens aged two to 17. YTV has the highest average weekly reach of any Canadian specialty network for Kids 2-11 based on the BBM 09/10 broadcast year data. This network reaches children beyond the television with interactive events and initiatives including *ytv.com,* a top Canadian kids' website. YTV is generally carried on the basic tier.

Treehouse TV is a specialty service in Canada dedicated to preschoolers (aged two to five). Treehouse TV operates on a 24-hour basis offering a commercial-free television environment in its preschool programming that reflects the interests and developmental levels of young children. Among specialty channels, Treehouse TV broadcasts all of the top 40 programs for kids 2-5 in Canada, based on BBM 09/10 broadcast year data.

W Network was acquired by Corus on April 15, 2002. The specialty television service is dedicated to serving the needs and interests of women. W Network continues to capitalize on robust advertising demand for its highly targeted demographics witnessed by the fact it leads the competitive set in monetizing its ratings.

Country Music Television ("CMT") is a specialty service dedicated to exhibiting country music videos, a prime-time lineup of comedy and drama series, movies and specials, music programming and daily entertainment news. In 2000, the network established the Video Advantage Program to support the development and production of original Canadian music videos for emerging artists. Corus has a 90% voting interest and an 80% equity interest in CMT . The remaining 10% voting interest and 20% equity interest is held by Country Music Television Inc., the operator of a similar service in the United States.

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

VIVA, formerly the Canadian Learning Television, was acquired by Corus on September 1, 2008. The service focuses on boomer women, women 35 to 54.

Currently, Corus offers the following digital specialty television networks:

(1) DUSK , which offers suspense and thriller theme through a movie-rich schedule of classic and modern thrillers, cult favorites and popular series;

(2) Cosmopolitan TV, which offers lifestyle and entertainment programming, geared towards women 18 to 34;

(3) Nickelodeon which offers children programming featuring a line-up of award winning Nick properties, from current live-action comedies and animated favourites to classic hits 24 hours a day, geared towards kids 6 to 11.

(4) W Movies is the go to destination for women looking for smart, fun and engaging film. The network showcases films for and about women, with genres ranging from romance and comedy to drama and suspense.

(5) Sundance Channel offers a line-up of award-winning, diverse and engaging titles, featuring the best in feature films, festival-selected shorts, documentaries and innovative original series.

DUSK was launched in September 2001, Cosmopolitan TV was launched in February 2008, Nickelodeon launched on November 2, 2009. W Movies (formerly SexTV) and Sundance Channel (formerly Drive-In Classics) were acquired by Corus on November 30, 2009.

Corus also holds interests in the following specialty television networks:

- A 50% interest in TELETOON , which is a Canadian specialty service featuring a wide range of animation programming in all forms. TELETOON is available in both an English language version and a French language version. In 2007 Corus increased its ownership interest from 40% to 50%. TELETOON launched a new English language digital channel, TELETOON Retro in October 2007. TELETOON Retro French, launched in September 2008.

- A 20% equity interest in The Food Network Canada , a specialty service which provides information and entertainment programming related to food and nutrition.

Revenues from Corus' specialty television networks are derived primarily from subscriber fees and advertising. In fiscal 2010, subscriber fees accounted for 45% and advertising accounted for 52% of total revenues from the specialty television networks.

Pay Television Networks

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

Revenues from premium television networks have experienced significant growth over the past three years as a result of increased direct-to-home satellite and digital cable subscribers. As at August 31, 2010, Movie Central service had 963,000 subscribers, a 1% increase in year-over-year subscribers, representing penetration of approximately 33% of digital cable and direct-to-home satellite subscribers in western Canada.

Production and Distribution

Nelvana Enterprises distributes programming that has been developed and produced by the Nelvana Studio. Nelvana Enterprises distributes programming to broadcasters in over 190 countries, including some of the world's leading networks, such as Nickelodeon, the Disney Channel, HBO, ITV in the United Kingdom and France 3. Programming is distributed through three sales and distribution offices located in Toronto, Canada, Shannon, Ireland and Paris, France.

At August 31, 2010, Nelvana Enterprises' program library totaled almost 4,000 half-hour equivalent episodes, comprising 89 animated television series, 12 specials, 13 animated feature length films and 10 live action series. Children's animated programs generally have longer life spans than those of live action programs because they can typically be resold continually to new generations of audiences around the world. The United States television market is Nelvana's largest source of revenue accounting for 48% of production and distribution revenues in fiscal 2010, compared to 29% from the Canadian market and 22% from the International market.

Merchandising

Television's merchandising business contains some of Nelvana's most popular characters, including *Bakugan, Beyblade, Franklin, Babar,* and *Backyardigans* , which have achieved recognition and popularity worldwide and have become valuable long-term merchandising brands. Nelvana Enterprises' merchandising efforts focus on marketing its most popular brands and co-coordinating with retailers to promote its character merchandise in North America and around the world. Nelvana Enterprises becomes either the licensor or agent, on behalf of the owner of the property, for most product categories, including toys, plush, apparel, gifts, book publishing and interactive products for brands produced by the studio or acquired from third parties. Highlights in fiscal 2010 include a break out year for Bakugan, with the brand reaching the #2 position for boys action properties worldwide. Also in 2010, a comprehensive Babar merchandising program roll-out began in France timed to launch with the debut of the new Babar & Adventures of Badou series on TF1 in France. The re-launch of Beyblade also began in earnest in fiscal 2010, with broadcast underway and toys released by Hasbro in both the US and Canadian markets.

Publishing

Television’s publishing business is conducted through its subsidiary Kids Can Press, acquired in 1998. Kids Can Press is the largest Canadian-owned English language publisher of children’s books with a broad and growing backlist of titles. The Kids Can Press catalogue includes titles such as Franklin and Scaredy Squirrel.

Local Television

Corus owns three local television stations - one in each of Kingston, Peterborough and Oshawa, Ontario. Each is an affiliate of the CBC. These were acquired in April 2000. Revenues are almost exclusively derived from advertising. In fiscal 2010, national agency directed clients and local advertisers accounted for a combined 63% of revenues. CBC network affiliate payments amounted to 9% of revenues, with the remaining 28% originating from a variety of other sources.

The Corus local television stations are eligible to receive both the Small Market Local Programming Fund (“SMLPF”) and the Local Program Improvement Fund (“LPIF”).

Operating Strategy

Corus Television is organized to focus on two strategic portfolios. The Kids’ portfolio includes YTV, Treehouse TV, TELETOON, Nickelodeon, the Nelvana Studio and Nelvana Enterprises. The consolidation of the kids’ assets will allow for shared programming, a streamlined development process, the ability to create and maintain multi-platform rights in Canada and ensure stable output with cost certainty for the studio. The Specialty and Pay portfolio includes the operations of W Network, CMT, Telelatino, Movie Central, Encore Avenue, VIVA, Cosmopolitan TV, DUSK, W Movies and Sundance Channel. Management is responsible for generating program buying synergies, developing strategies for integrating operations where possible, as well as consolidating cross-promotion and marketing opportunities and joint sales initiatives.

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

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

Kids

Corus Television continues to lead the kids’ entertainment marketplace in Canada through programming on YTV, Treehouse TV, TELETOON and Nickelodeon which launched November 2, 2009. Corus Kids intends to drive revenue growth on our networks by building program ratings, by attracting new advertisers and building new revenue sources such as family co-view opportunities which attract advertisers looking for Moms and Dads. The integration of the kids’ business (Nelvana Studios, Nelvana Enterprises and the broadcast networks) enables the maximization of new platform efforts, an increasingly important segment of the kids’ market. The consolidation of the development streams ensures that Corus continues to create superior content which will drive ratings both in Canada and abroad.

Corus continues to be involved in qubo, a kids channel in the United States which was launched in partnership with ION Networks, Classic Media, Scholastic and NBC Universal. The channel, which focuses on educational and entertaining programming, provides another outlet for Nelvana shows and is currently in approximately 42 million homes with the majority of the programming schedule made up from Corus programming.

Corus Television is also using its programming library to help launch new linear broadcast channels internationally. One such channel initiative, Kidsco, was launched in fiscal 2007 to help increase the profile of the Nelvana brands. Corus Television owns one third of the channel in partnership with NBC Universal and Cookie Jar. Kidsco is targeted to preschoolers, kids aged 6 to 11 and their families. Kidsco is currently carried in over 90 countries across Asia, Europe and Africa and in approximately 12.7 million homes.

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

Specialty and Pay

Corus Television has achieved a leadership position in the women's genre. Over the last eight years, we have grown our women's audience by 160%. We have grown organically through outstanding programming and scheduling strategies and by being experts in marketing to women. Our women's portfolio is anchored by our flagship brand W Network targeting women aged 25-54. The viewing audience in this demographic has increased 90% since the 2001-2002 season when Corus acquired the network, making W Network one of the leading specialty services for women. We have also grown through the launch of highly targeted differentiated women's brands: Cosmopolitan TV, VIVA and W Movies.

Cosmopolitan TV, a channel for women 18 to 34 was launched in February 2008. The channel features content about relationships and sex and is in 4.0 million households. Corus Television also added VIVA (formerly CLT) to its portfolio in September 2008. This channel is targeted to Boomer women, aged 35 to 54 and is currently in 6.2 million households. W Movies, formerly SexTV, was acquired by Corus in November 2009 and is targeted to all women and is currently in 1.6 million households. These three new channels provide a powerful flanking strategy for W Network, enabling our advertisers to reach a diverse cross section of women with their messages.

Corus' pay television services operate under two separate licenses (Movie Central and Encore Avenue). Our pay television services will continue to focus on delivering high quality programming and investing in marketing to promote customer acquisition and retention. Having established a track record of successful direct marketing campaigns, undertaken with the cooperation of key cable and satellite providers, Corus will continue to capitalize on the growth in the number of digital households in western Canada as well as up-selling current digital households. Demand for movies and new original dramatic series continue to fuel strong interest in the service's programming. Movie Central has secured output agreements with major Hollywood studios for exclusive programming, such as first windows on blockbuster feature films and new HBO and Showtime products. These agreements allow Movie Central to premiere HBO series on Movie Central at the same time as they debut in the United States. On October 30, 2008, HBO Canada was launched and is available through all major cable and satellite affiliates. HBO Canada is a multiplex channel offered as part of our Movie Central package in western Canada. Astral's The Movie Network offers the same HBO Canada package in eastern Canada.

Corus is also leading with innovative new digital product offerings which will fuel digital growth, reduce churn and contribute incremental revenues. In this regard, Corus established the first Subscription Video on Demand product in Canada. Movie Central SVOD offers Movie Central subscribers more than 90 hours of unique programming each week including feature films from five major Hollywood studios and high-profile US series.

Our new state-of-the art facilities at Corus Quay will play a major role as a highly flexible platform to enable the delivery of our premium content to our BDU partners in whatever way they want it. Movie Central has two dedicated high definition channels showcasing an unparalleled lineup of new releases in true high definition format which includes HBO Canada. Encore Avenue HD, which launched in April 2008, offer subscribers re-mastered library features in true HD. In fiscal 2011, Corus Television will launch an additional four services, MC2, YTV, W Movies and Sundance Channel in high definition. As well we will expand our offering of video-on-demand across more of our brands.

New Media

Corus is looking beyond websites as we scan the new media marketplace for opportunity. Corus Television will continue to capitalize on the growth in the home entertainment industry, both domestically and internationally as well as seek new media platforms such as VOD, SVOD, mobile and interactive games to create new revenue streams. Many of these distribution platforms - VOD, SVOD, cell phones and broadband - are in the early stages and are not expected to generate significant revenue for at least five years. Corus Television has established strong relationships with all of the major strategic players in the On-Demand space with an ongoing focus to unlock the value of our library with the best partners as these business models evolve.

As well, we are making cautious investments and partnerships with brand-aligned new media players. These are small but provide Corus access to experienced new media teams that can further refine our own future plans.

ADDITIONAL INFORMATION CONCERING CORUS' BUSINESSES

a) Intangible Properties

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

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

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

Moreover, Corus can give no assurance that others will not assert rights in, or ownership of, its trademarks and other proprietary rights, or that Corus will be able to successfully resolve these conflicts. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States and Canada.

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

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

b) Seasonality and Cycles

Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. Accordingly, one-quarter's operating results are not necessarily indicative of what a subsequent quarter's operating results will be.

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

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

c) Economic Dependence

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

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

Corus Television's pay television services are solely dependent on subscriber fees. The major BDUs are Rogers, Shaw, Cogeco, Bell ExpressVu, Videotron and Shaw Direct.

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

d) Environmental Protection

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

e) Employees

As at August 31, 2010, Corus had approximately 1,768 full-time employees. The breakdown by segment is as follows: Radio - 991 employees; Television - 652 employees; and Corporate - 125 employees.

f) Foreign Operations

Approximately 7% of Corus' consolidated revenues for the year ended August 31, 2010 was derived from foreign operations. These consist primarily of revenues from the Company's international film distribution business.

g) Lending

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

h) Bankruptcy

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

i) Reorganizations

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

j) Social or Environmental Policies

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

The Code applies to all employees and members of the Board of Directors of Corus and its subsidiary companies. For purposes of rules promulgated under Section 406 of the *Sarbanes Oxley Act of 2002* , portions of this Code shall comprise the Company's "code of ethics" for senior executives and financial officers. The Code is available on the Corus Entertainment website at www.corusent.com under the Investor Relations section.

k) Risk Factors

A discussion of risk affecting the Company and its business is set forth under the heading "Risks and Uncertainties" in the Management's Discussion and Analysis for the year ended August 31, 2010, as contained in the Company's 2010 Annual Report, which discussion is incorporated by reference herein. In addition, the Company is subject to the risks and uncertainties set forth below in the discussion of the Canadian communications industry regulatory environment.

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

l) Control of Corus by the Shaw family

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

CANADIAN COMMUNICATIONS INDUSTRY - REGULATORY ENVIRONMENT

Canadian Radio-television and Telecommunications Commission

Under the *Broadcasting Act* (Canada), the CRTC is responsible for regulating and supervising all aspects of the Canadian broadcasting system with a view to implementing broadcasting policy objectives set forth in the *Broadcasting Act* . The regulations, policies and decisions of the CRTC can be found at www.crtc.gc.ca.

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

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

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

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

The CRTC "3-Year Work Plan - 2008-2011" included priorities for the communications sector which expand upon the aforementioned Vision Statement:

- a more focused regulatory approach;
- greater outreach to stakeholders; and
- an improved organization

In support of these priorities, the CRTC stated that the principles of transparency, fairness, predictability, and timeliness would be continually upheld. The CRTC defined its outcomes as:

- a strong Canadian presence on all platforms
- a globally strong and competitive communications sector; and
- informed Canadians participating in the communications system

Industry Canada

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

Restrictions on Non-Canadian Ownership

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

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

Broadcasting Services

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

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

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

Radio Undertakings

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

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

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

Specialty and Premium Television Networks Undertakings

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

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

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

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

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

Local Television Undertakings

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

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

The entire television sector is under review at the moment as a result of the expiring licence terms of most licensed entities as well as the application of the so-called digital migration rules that will come into force on or before August 31, 2011. This review encompasses a variety of public processes that are evolving.

For up-to-date information, please consult the CRTC web site at www.crtc.gc.ca.

Canadian Content Requirement for Broadcasters

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

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

Film and Television Tax Credits and Grants

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

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

International Treaty Co-Productions

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

Competition Act Requirements

The Commissioner of Competition has the authority pursuant to the *Competition Act* (Canada) to inquire into mergers and apply to the Competition Tribunal for remedial orders, including an order blocking a merger, where the Commissioner determines the merger is or will likely prevent or lessen competition substantially in a market. To facilitate the Commissioner's review of mergers, parties to a merger transaction are required to pre-notify the Commissioner of Competition prior to completing the transaction when specified party and transaction-size thresholds are satisfied. For example, in the case of an asset purchase, a transaction is notifiable if the parties to the transaction, together with their affiliates, have assets in Canada or annual gross revenues from sales in, from or into Canada that exceed $70 million and if the aggregate value of the Canadian assets to be acquired or annual gross revenues from sales in or from Canada generated from those assets exceed $70 million. The Commissioner can now also invoke a two stage notification and review process which can serve to prolong the approval process for a transaction.

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

For up to date information, please consult: http://www.cb-bc.gc.ca/eic/site/cb-bc.nsf/eng/h_00114.html

Investment Canada Act

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

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

Copyright Act Requirements

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

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

CAPITAL STRUCTURE

Description of Capital Structure

(a) General

The authorized share capital of Corus consists of an unlimited number of Class A participating shares (“Class A Voting Shares”); an unlimited number of Class B non-voting participating shares (“Class B Non-Voting Shares”) (and, together with the Class A Voting Shares, the “Corus Shares”); an unlimited number of Class 1 preferred shares (the “Class 1 Preferred Shares”), issuable in series; an unlimited number of Class 2 preferred shares (the “Class 2 Preferred Shares”), issuable in series; and an unlimited number of Class A preferred shares (the “Class A Preferred Shares”). As at August 31, 2010, there were 3,444,128 Class A Voting Shares, 77,695,238 Class B Non-Voting Shares and no preferred shares outstanding.

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

(i) Authorized Number of Shares

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

(ii) Voting Rights

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

(iii) Dividends

In general, subject to the rights of any preferred shares outstanding from time to time, holders of Class A Voting Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors of Corus determines to declare on a share-for-share basis, as and when any such dividends are declared or paid, except that, during each Dividend Period (as defined below), the dividends (other than stock dividends) declared and paid on the Class A Voting Shares will always be $0.005 per share per annum less than the dividends declared and paid in such Dividend Period to holders of the Class B Non-Voting Shares, subject to proportionate adjustment in the event of any future consolidations or subdivisions of Corus Shares and in the event of any issue of Corus Shares by way of stock dividends. A “Dividend Period” is defined as the fiscal year of Corus or such other period not exceeding one year in respect of which the directors of Corus have an announced current policy to declare and pay or set aside for payment of regular dividends.

(iv) Rights on Liquidation

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

(v) Conversion Privilege

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

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

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

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

(A) must, by reason of applicable securities legislation or the requirements of a stock exchange on which the Class A Voting Shares are listed, be made to all or substantially all holders of Class A Voting Shares who are residents of a province of Canada to which the requirement applies; and

(B) is not made concurrently with an offer to purchase Class B Non-Voting Shares that is identical to the offer to purchase Class A Voting Shares in terms of price per share and percentage of outstanding shares to be taken up exclusive of shares owned immediately prior to the offer by the Offeror, and in all other material respects (except with respect to the conditions that may be attached to the offer for Class A Voting Shares), and that has no condition attached other than the right not to take up and pay for shares tendered if no shares are purchased pursuant to the offer for Class A Voting Shares,

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

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

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

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

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

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

(A) prior to the time at which the offer is made there is delivered to the Transfer Agent and to the Secretary of Corus a certificate or certificates signed by or on behalf of one or more shareholders of Corus owning in the aggregate, as at the time the Exclusionary Offer is made, more than 50% of the then outstanding Class A Voting Shares, exclusive of shares owned immediately prior to the Exclusionary Offer by the Offeror, which certificate or certificates shall confirm, in the case of each such shareholder, that such shareholder shall not:

a. tender any shares in acceptance of any Exclusionary Offer without giving the Transfer Agent and the Secretary of Corus written notice of such acceptance or intended acceptance at least seven days prior to the Expiry Date;

b. make any Exclusionary Offer;

c. act jointly or in concert with any person or company that makes any Exclusionary Offer; or

d. transfer any Class A Voting Shares, directly or indirectly, during the time at which any Exclusionary Offer is outstanding without giving the Transfer Agent and the Secretary of Corus written notice of such transfer or intended transfer at least seven days prior to the Expiry Date, which notice shall state, if known to the transferor, the names of the transferees and the number of Class A Voting Shares transferred or to be transferred to each transferee; or

(B) as of the end of the seventh day after the Offer Date there has been delivered to the Transfer Agent and to the Secretary of Corus a certificate or certificates signed by or on behalf of one or more shareholders of Corus owning in the aggregate more than 50% of the then outstanding Class A Voting Shares, exclusive of shares owned immediately prior to the Exclusionary Offer by the Offeror, which certificate or certificates shall confirm, in the case of each such shareholder:

a. the number of Class A Voting Shares owned by the shareholder;

b. that such shareholder is not making the offer and is not an associate or affiliate of, or acting jointly or in concert with, the person or company making the offer;

c. that such shareholder shall not tender any shares in acceptance of the offer, including any varied form of the offer, without giving the Transfer Agent and the Secretary of Corus written notice of such acceptance or intended acceptance at least seven days prior to the Expiry Date; and

d. that such shareholder shall not transfer any Class A Voting Shares, directly or indirectly, prior to the Expiry Date without giving the Transfer Agent and the Secretary of Corus written notice of such transfer or intended transfer at least seven days prior to the Expiry Date, which notice shall state, if known to the transferor, the names of the transferees and the number of Class A Voting Shares transferred or to be transferred to each transferee; or

(C) as of the end of the seventh day after the Offer Date, a combination of certificates that comply with either clause (A) or (B) from shareholders of Corus owning in the aggregate more than 50% of the then outstanding Class A Voting Shares, exclusive of shares owned immediately prior to the Exclusionary Offer by the Offeror, has been delivered to the Transfer Agent and to the Secretary of Corus.

(vi) Modification

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

(vii) Offer to Purchase

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

(viii) Redemption

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

(c) Class 1 Preferred Shares

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

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

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

(d) Class 2 Preferred Shares

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

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

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

(e) Class A Preferred Shares

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

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

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

Share constraints

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

Ratings

The following table sets forth the ratings assigned to Corus' Senior Unsecured Guaranteed Notes by DBRS Limited ("DBRS") and Standard & Poor's Rating Services (S&P"):

Security	DBRS (1)	S&P (2)
7.25% Senior Unsecured Guaranteed Notes due 2017	BBB(low)	BB

Notes:

(1) DBRS' credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. A rating of BBB by DBRS is the fourth highest of ten categories and is assigned to securities that are of adequate credit quality. The capacity for the payment of financial obligations is considered acceptable but may be vulnerable to future events. The assignment of a "(high)" or "(low)" modifier within each rating category indicates relative standing within such category. The "high" and "low" grades are not used for the AAA and D categories.

(2) S&P's credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. A rating of BB by S&P is the fifth highest of ten major categories. According to the S&P rating system, obligations rated 'BB', 'B', 'CCC', 'CC' and 'C' are regarded as having significant speculative characteristics. An obligation rated 'BB' is less vulnerable to non-payment that other speculative issues; however, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation. Ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. The foregoing ratings should not be construed as a recommendation to buy, sell or hold the Notes, in as much as such ratings do not comment as to market price or suitability for a particular investor. Any of the foregoing ratings may be revised or withdrawn at any time by the respective rating organization if in its judgment circumstances so warrant.

MARKET FOR SECURITIES

Marketplaces

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

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

In fiscal 2010, the Company announced its intention to voluntarily delist its Class B Non-Voting Shares from the New York Stock Exchange (NYSE) and subsequently, its Class B Non-Voting Shares were delisted from the NYSE on August 5, 2010. The Company will continue to meet its U.S. Securities and Exchange Commission (SEC) reporting obligations until such time as it can terminate registration of its Class B Non-Voting Shares with the SEC, as permitted under the SEC rules.

Trading Price and Volume

The following table sets forth the monthly price range and volume traded for the Company's publicly traded securities on the TSX for the periods indicated.

TSX - CJR.B				
Month	High	Low	Close	Average Daily Volume
September 2009	18.22	14.48	18.22	306,238
October 2009	18.60	16.10	17.79	203,253
November 2009	18.52	16.56	17.92	209,730
December 2009	20.00	17.60	19.85	164,277
January 2010	20.47	18.34	18.60	163,761
February 2010	18.98	17.61	18.03	179,527
March 2010	20.21	17.86	19.85	111,301
April 2010	21.00	19.26	20.45	128,251
May 2010	20.91	18.61	19.91	150,546
June 2010	20.15	18.40	18.78	144,255
July 2010	20.77	18.26	19.41	109,438
August 2010	19.63	18.69	19.47	107,628

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

DIVIDEND POLICY

(a) Dividend Policy

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

As described above, the dividends (other than stock dividends) declared and paid on the Class A Voting Shares shall be $0.005 per share per annum less than the dividends declared and paid to holders of the Class B Non-Voting Shares. See the information under the heading "Capital Structure - Description of Capital Structure - Class Voting A Shares and Class B Non-Voting Shares".

In fiscal 2009, the Company implemented a Dividend Reinvestment Plan (“DRIP”), for registered holders of Class A Voting Shares and Class B Non-Voting Shares who are residents of Canada (“eligible participants”). The DRIP allows eligible participants to acquire additional Class B Non-Voting Shares through reinvestment of the cash dividends paid on their respective shareholdings.

On September 29, 2009, the Company announced that its Board of Directors had approved the issuance of shares from treasury at a two percent discount from the average market price, pursuant to the terms of its DRIP, effective November 1, 2009.

On October 27, 2010, the Company announced that its Board of Directors had approved a $0.15 increase in its annual dividend, effective November 1, 2010. At the new rate, the expected dividend on an annual basis for the Company’s Class A Voting and Class B Non-Voting Shares is $0.745 and $0.75 respectively, up from the previous rate of $0.595 and $0.60 respectively.

(b) Restrictions on Payment of Dividends

Covenants under Corus’ credit agreement with a syndicate of lenders, as amended and restated on February 11, 2010, may restrict Corus’ ability to pay dividends should Corus fail to achieve certain financial ratios and/or financial performance or if an event of default has occurred and is continuing or would result from the payment of the dividend.

A covenant under the Trust Indenture pursuant to which Corus’ 7.25% Senior Unsecured Guaranteed Notes due 2017 were issued, referred to as the “Limitation on Restricted Payments”, also may restrict Corus’ ability to pay dividends should Corus fail to achieve certain financial ratios and/or financial performance or if an event of default has occurred and is continuing or would result from the payment of the dividend.

(c) Distribution Rates and Payment Dates

The annual distribution rates on securities of the Company and payment dates for the fiscal year ended August 31, 2010, as well as the annual dividend payments for the past three fiscal years, are set forth in the tables below.

Fiscal 2010 dividends paid per share		
Date paid	Class A Voting Shares	Class B Non-Voting Shares
August 31, 2010	$0.049585	$0.050000
July 30, 2010	$0.049585	$0.050000
June 30, 2010	$0.049585	$0.050000
May 31, 2010	$0.049585	$0.050000
April 30, 2010	$0.049585	$0.050000
March 31, 2010	$0.049585	$0.050000
February 26, 2010	$0.049585	$0.050000
January 29, 2010	$0.049585	$0.050000
December 31, 2009	$0.049585	$0.050000
November 30, 2009	$0.049585	$0.050000
October 30, 2009	$0.049585	$0.050000
September 30, 2009	$0.049585	$0.050000

Annual dividend payments per share			
	Fiscal 2010	Fiscal 2009	Fiscal 2008
Class A Voting Shares	$0.59502	$0.59502	$0.553345
Class B Non-Voting Shares	$0.60000	$0.60000	$0.558325

DIRECTORS

Name and municipality of residence	Director since:	Principal occupation
Fernand Bélisle Breckenridge, Quebec	January 2009	Independent consultant and corporate director
John M. Cassaday Toronto, Ontario	September 1999	President and Chief Executive Officer, Corus Entertainment Inc.
Dennis Erker Edmonton, Alberta	September 1999	Partner, Fairly Erker Advisory Group
Carolyn Hursh Calgary, Alberta	December 2005	Chairman, James Richardson & Sons, Limited
Wendy A. Leaney Toronto, Ontario	July 2000	President, Wyoming Associates Ltd.
Susan Mey Toronto, Ontario	January 2009	President and Chief Executive Officer, The Green Cricket Inc.
Ronald D. Rogers Calgary, Alberta	December 2003	Corporate director/trustee
Terrance Royer Calgary, Alberta	September 1999	Chairman, Royco Hotels Ltd.
Heather A. Shaw Calgary, Alberta	September 1999	Executive Chair, Corus Entertainment Inc.
Julie M. Shaw Calgary, Alberta	September 1999	Vice President, Facilities, Design and Management, Shaw Communications Inc.

Each director of Corus has been engaged for more than five years in his or her principal occupation, except as follows:

- Ms. Mey was President and Chair of the Board of Kodak Canada Inc. from 2005 to 2007. Prior to joining Kodak, Ms. Mey was General Counsel for The T. Eaton Company Ltd.;

Each director named above was appointed a director on January 13, 2010 and will hold office until the next scheduled annual meeting of shareholders. Thereafter, each director will be elected at the annual meeting of shareholders to serve until the next annual meeting or until a successor is elected or appointed.

To the knowledge of the Company and based upon information furnished to it by the proposed nominees for election to the Board of Directors, no such nominee is or has been, during the 10 years ending October 31, 2010, a director or executive officer of any issuer which, while that person was acting in that capacity or within a year of ceasing to act in that capacity, became bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency or was subjects to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except for the following:

- Mr. Bélisle was a director, from 1997 to 2003, of Cable Satisfaction International Inc., a company which was placed under the protection of the Companies' Creditors Arrangement Act ("CCAA") in June 2003 and emerged from CCAA in February 2007.

- Mr. Rogers was a director, from February 2001 to June 2002, of G.T. Group Telecom Inc., a company which was placed under the protection of the Companies' Creditors Arrangement Act ("CCAA") and of Section 304 of the U.S. Bankruptcy Code in June 2002. The Ontario Superior Court of Justice sanctioned and approved the company's plan of arrangement and reorganization in December 2002.

To the knowledge of the Company and based upon information furnished to it by the proposed nominees for election to the Board of Directors, no such nominee is or has been, during the 10 years ending October 31, 2010, a director, chief executive officer or chief financial officer of any issuer that was subject to a cease trade order, or an order similar to a cease trade order, or an order that denied the relevant company access to exemption under securities legislation, and that was in effect for a period of more than 30 consecutive days, that was issued while that director was acting in such capacity, or that was issued after the director ceased to be acting in such capacity and which resulted from an event which occurred while the director was acting in such capacity.

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

Committee	Members
Executive Committee	Heather A. Shaw - Chair John M. Cassaday Carolyn Hursh Terrance Royer Ronald D. Rogers
Audit Committee	Ronald D. Rogers - Chair Fernand Bélisle Wendy A. Leaney
Human Resources Committee	Terrance Royer - Chair Dennis Erker Susan Mey
Corporate Governance Committee	Carolyn Hursh - Chair Terrance Royer Julie Shaw

OFFICERS

Name and municipality of residence	Position with Corus
Hal Blackadar Oakville, Ontario	Executive Vice President and interim President of Radio
John M. Cassaday Toronto, Ontario	President and Chief Executive Officer
Scott Dyer Toronto, Ontario	Executive Vice President, Shared Services and Chief Technology Officer
Gary Maavara Toronto, Ontario	Executive Vice President, General Counsel
Kathleen McNair Toronto, Ontario	Executive Vice President, Human Resources and Corporate Communications
Doug Murphy Toronto, Ontario	Executive Vice President and President of Corus Television
Thomas C. Peddie FCA Toronto, Ontario	Executive Vice President and Chief Financial Officer
John R. (Jack) Perraton Calgary, Alberta	Corporate Secretary
Heather A. Shaw Calgary, Alberta	Executive Chair

As of October 31 2010, the directors and executive officers of the Company beneficially owned, directly or indirectly, or exercised control or direction over 1,481,834 Class A Voting Shares and 2,760,654 Class B Non-Voting Shares, representing 43.1% and 3.5% of the issued and outstanding Class A Voting Shares and Class B Non-Voting Shares, respectively.

AUDIT COMMITTEE

Charter

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

Composition of the Audit Committee

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

Ronald D. Rogers (Chair)

Mr. Rogers holds a Bachelor of Commerce degree. Mr. Rogers retired as Senior Vice President and Chief Financial Officer of Shaw Communications Inc. in August of 2004. Mr. Rogers serves as a Director for Transforce Inc. and as a Trustee for Parkland Income Fund. Mr. Rogers is a chartered accountant and a member of the Alberta Institute of Chartered Accountants. Mr. Rogers has an extensive background in business and finance including positions as President of Greb Footwear and CFO of Moore Corporation.

Fernand Bélisle

Mr. Bélisle holds a Bachelor of Arts degree. Mr. Bélisle is a consultant to Canadian broadcast companies. Mr. Bélisle served as Vice Chair (Broadcasting) of the Canadian Radio-television and Telecommunications Commission (CRTC). This followed a series of senior positions at the CRTC and the Department of Communications which is now known as the Department of Canadian Heritage. Mr. Bélisle's business career has included positions with Télémedia Communications Ltd. and in audit and tax specialist roles with Coopers & Lybrand. Mr. Bélisle is a past director of Corus Entertainment Inc.

Wendy A. Leaney

Ms. Leaney is President of Wyoming Associates Ltd., a private investment and consulting firm based in Toronto. Prior to that, Ms. Leaney was Managing Director and Co-Head Global Communications Finance for TD Securities Inc. Ms. Leaney serves on the Board of Canadian Western Bank. She holds a Bachelor of Arts (Hon.) degree from the University of Toronto and is a graduate of the Advanced Management Course at the University of Western Ontario. Ms. Leaney is also a graduate of the Canadian Securities Course and a Fellow of the Institute of Canadian Bankers.

Principal Accounting Fees and Services - Independent Auditors

Fees payable to the Registrant's independent auditor, Ernst and Young LLP, for the years ended August 31, 2010 and 2009 totaled $1,788,767 and $1,962,040, respectively, as detailed in the following table. All funds are in Canadian dollars:

	Fiscal year ended August 31,	
	2010	**2009**
Audit fees	1,474,357	1,568,000
Audit-related fees	164,488	375,000
Tax fees	29,922	18,000
All other fees	120,000	1,040
Total	**1,788,767**	**1,962,040**

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

Audit Fees

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

Audit-Related Fees

Audit-related fees were for assurance and related services reasonably related to the performance of the audit or review of the annual financial statements and are not reported under "Audit Fees" above. These services consisted of employee benefit plan audits, non-statutory audits of wholly-owned subsidiaries, assistance with the Company's compliance with Section 404 of the *Sarbanes-Oxley Act of 2002* , assistance with the adoption of International Financial Reporting Standards (IFRS), system conversion audits, and assistance with an SEC query in fiscals 2009 and 2010.

Tax Fees

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

All Other Fees

Fees disclosed in the table above under the item "all other fees" represent products and services other than the audit fees, audit-related fees and tax fees described above.

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

As required by the *Sarbanes-Oxley Act of 2002* , all audit, audit-related and non-audit services rendered by Ernst and Young LLP pursuant to engagements entered into since May 6, 2003 were pre-approved by the Audit Committee pursuant to the Company's policy and pre-approval procedures. In fiscal 2010, no audit-related or non-audit services rendered by the auditors were required to be approved by the Audit Committee pursuant to the de minimus exception set out in paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

LEGAL AND REGULATORY

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

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

TRANSFER AGENTS

In Canada, CIBC Mellon Trust Company acts as Corus' transfer agent. In the United States, BNY Mellon Shareowner Services acts as Corus' transfer agent.

MATERIAL CONTRACTS

Senior Secured Credit Facility

A syndicate of lenders has provided Corus with a senior secured revolving term credit facility (the "Revolving Facility") under the Amended and Restated Credit Agreement dated as of February 11, 2010 (the "Credit Agreement").

The Revolving Facility consists of a committed credit of $500 million that matures February 11, 2014. As a revolving facility, amounts borrowed may be repaid and re-borrowed as required through the term of the Revolving Facility. The commitment expires at the maturity date and there are no mandatory reductions to the committed amount, subject to certain covenants, during the term of the facility. As at August 31, 2010, $210 million was drawn against the Revolving Facility.

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

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

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

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

Trust Indenture for 7.25% Senior Unsecured Guaranteed Notes due 2017

On February 11, 2010 Corus issued $ 500 million in Senior Unsecured Guaranteed Notes bearing interest at 7.25% per annum and maturing on February 10, 2017 (the “Notes”). The Notes are governed under a Trust Indenture with BNY Trust Company of Canada (formerly CIBC Mellon Trust Company), as Trustee dated February 11, 2010 (the “Indenture”). Terms of the Notes include those stated in the Indenture.

The Notes are unsecured. Subsidiaries that have provided guarantees under the Credit Agreement also provide unsecured guarantees on the Notes. Interest is payable semi-annually in arrears in equal installments on February 10 and August 10 of each year that the Notes are outstanding. Interest on the Notes will be computed on the basis of a year of 365 or 366 days, as the case may be, based on the actual number of days elapsed and will accrue from day to day. The Notes are redeemable at the option of Corus, in whole or in part, at any time on or after February 10, 2013 at specified redemption prices, plus accrued and unpaid interest thereon.

The Indenture governing the Notes contains covenants that, among other things and subject to exceptions and qualifications, may limit or restrict Corus’ ability to engage in transactions with affiliates, incur additional indebtedness, sell or otherwise dispose of significant assets, declare dividends or repurchase equity securities, make investments, engage in mergers, consolidations, amalgamations or other reorganizations that result in a change of control, create unrestricted subsidiaries, incur or suffer to exist liens, or, in the case of restricted subsidiaries, guarantee indebtedness.

INTERESTS OF EXPERTS

The Company’s auditors are Ernst & Young LLP. The Company’s audited consolidated financial statements for the year ended August 31, 2010 have been filed under National Instrument 51-102 - *Continuous Disclosure Obligations* . Ernst & Young LLP has communicated to the Company that, in their opinion, they are independent of the Company within the meaning of the Securities Act and the applicable rules and regulations adopted by the U.S Securities and Exchange Commission and Public Company Accounting Oversight Board (United States).

ADDITIONAL INFORMATION

The Company’s financial information is provided in the audited annual financial statements and notes and management’s discussion and analysis for the year ended August 31, 2010. These documents and additional information relating to Corus may be found on SEDAR at www.sedar.com and may also be obtained upon request from the Secretary of the Company at its Corporate office at Suite 501, 630 3rd Avenue S.W., Calgary, Alberta, T2P 4L4.

CORPORATE GOVERNANCE PRACTICES

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

The Company's Statement of Corporate Governance Practices as they compare to the CSA Guidelines on Corporate Governance, and the charter of the Board of Directors may be found in the Company's most recently filed Management Information Circular. In addition, the Company is also in compliance with the requirements of the U.S. Sarbanes-Oxley Act of 2002 and related U.S. requirements as summarized on the Company's website www.corusent.com in the Investor Relations section.

Schedule A

AUDIT COMMITTEE CHARTER

1. Mandate

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

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

2. Composition and Operations

2.1 The Committee shall be composed of three or more unrelated and independent directors, as determined and appointed by the Board on an annual basis. "Unrelated and independent director" means a director who is independent of management of the Company and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Company. In this regard, to maintain their independence, members of the Committee may not accept any consulting, advisory or other compensatory fee (other than regular Board and Committee fees) from the Company or any of its affiliates. Members also may not receive any indirect payments from the Company or any of its affiliates, including payments (whether or not material) made to spouses or family members, or payments for services to law firms, accounting firms, consulting firms and investment banks for which the Committee member serves as a partner, member, managing director or executive. The members of the Committee and the Chair will be appointed annually by the Board and each member shall serve until the next Annual General Meeting of the shareholders of the Company or until his or her earlier resignation or removal by the Board.

2.2 Every Committee member must be considered financially literate and at least one Committee member must be considered a financial expert. The definition of "financial literacy" and "financial expertise", and the determination of whether any given member of the Committee meets such definition, will be made by the Board, in consultation with the Corporate Governance Committee, in accordance with applicable laws, policies and guidelines of securities regulatory authorities.

2.3 The Committee should meet at least quarterly. Special meetings should be authorized at the request of any member of the Committee or at the request of the external auditor, internal auditor or senior members of management. The external auditors should have the right to attend all meetings of the Committee.

2.4 The Committee has access to Corus senior management and documents as required to fulfill its responsibilities and is provided with the resources necessary to carry out its responsibilities.

2.5 The Board should be kept informed of the Committee's activities by a report following each Committee meeting. The person designated to act as secretary should prepare minutes of all meetings, to be filed in the corporate records.

2.6 The Committee may at its discretion retain the services of independent outside advisors or counsel in consultation with the Executive Chair.

2.7 The secretary to the Committee shall be either the Corporate Secretary or a person delegated by the Chair and that person will be responsible to keep minutes of all meetings.

2.8 Notice of each meeting of the Committee shall be given to each member of the Committee as far in advance of the time for the meeting as possible, but in any event, not later than 24 hours preceding the time stipulated for the meeting (unless otherwise waived by all members of the Committee). Each notice of meeting shall state the nature of the business to be transacted at the meeting in reasonable detail and to the extent practicable, be accompanied by copies of documentation to be considered at the meeting.

2.9 A quorum for the transaction of business at a meeting shall consist of not less than a majority of the members of the Committee, which majority must include the Committee's designated financial expert. Members of the Committee may participate in any meeting by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other, and a member participating by any such means shall be deemed to be present at that meeting. Senior management of the Company and other parties may attend meetings of the Committee, as may be deemed appropriate by the Committee.

3. Duties and Responsibilities

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

General

3.1 The Committee shall review and reassess the charter at least annually and obtain the approval of the Board.

3.2 The Committee shall perform an evaluation of its performance at least biennially to determine whether it is functioning effectively.

3.3 The Committee shall review, at least on an annual basis, and approve the Company's policies for hiring existing and former employees and partners of the external auditors.

3.4 The Committee shall meet separately, periodically, as it deems appropriate, with management, with internal auditors and with external auditors.

Financial and other reports

3.5 The Committee shall review the Company's quarterly and annual financial statements, including Management's Discussion and Analysis, Annual Information Form, Management Information Circular and annual and interim earnings press releases that require approval by the Board prior to their release and make recommendations to the Board for their approval. In addition, the Committee will review any report of management that accompanies published financial statements.

3.6 The Committee's review of the annual audited financial statements shall include: (i) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles; (ii) major issues as to the adequacy of the Company's internal controls and any specific remedial actions adopted in light of material control deficiencies; (iii) discussions with management and the external auditors regarding significant financial reporting issues and judgments made in connection with the preparation of the financial statements and the reasonableness of those judgments; (iv) consideration of the effect of regulatory accounting initiatives, as well as off-balance sheet structures on the financial statements; (v) consideration of the judgment of both management and the external auditors about the quality and disclosure, not just the acceptability, of accounting principles; (vi) the clarity of the disclosures in the financial statements; and (vii) discussions with management and the external auditors regarding accounting adjustments that were noted or proposed by the external auditors but were "passed" (as immaterial or otherwise).

3.7 The Committee shall review with the external auditors any audit problems or difficulties encountered during the course of the audit work, including any restrictions on the scope of the external auditors' activities or access to requested information, and management's response.

3.8 The Committee shall review and discuss financial information and earnings guidance provided to analysts and rating agencies prior to their release.

3.9 The Committee shall, on an annual basis, review and assess the adequacy of the Company's procedures in place for the review of the Company's public disclosure of financial information, other than the information referred to in subsection 3.8.

Risk Management, Internal Controls and Information Systems

3.10 The Committee shall discuss with management, the internal auditors and the external auditors the adequacy and effectiveness of internal control over financial reporting, including any significant deficiencies or material weaknesses identified by management of the Company in connection with its required quarterly certifications with securities regulatory authorities.

3.11 Commencing August 31, 2006, the Committee shall review management's assessment of the effectiveness of internal control over financial reporting as of the end of the most recent fiscal year and the external auditor's report on management's assessment.

3.12 The Committee shall review with management, the external auditor and if necessary with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Company, and the manner in which these matters have been disclosed in the financial statements.

3.13 The Committee shall monitor compliance with statutory and regulatory observations.

3.14 The Committee is responsible for establishing appropriate processes and procedures surrounding the receipt, retention, and treatment of accounting, internal controls or auditing matter complaints received by the company. In addition the Committee shall ensure that the company has a mechanism to allow employees to communicate concerns regarding questionable accounting or auditing matters on a confidential, anonymous basis without fear of reprisal.

3.15 The Committee shall discuss the Company's policies with respect to risk assessment and risk management, including the risk of fraud. The Committee also shall discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

3.16 The Committee shall review the process for identifying related party transactions.

External Audit Services

3.17 The external auditors will report directly to the Committee.

3.18 The Committee will recommend to the Board of Directors:
(a) the external auditor to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services of the Company; and
(b) the compensation of the external auditor.

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

3.20 The Committee will pre-approve all audit and non-audit services provided to the Company or its subsidiaries by the external auditors and shall not engage the external auditors to perform non-audit services proscribed by law or regulation.

3.21 The Committee may delegate to one or more members of the Committee the authority to pre-approve any audit and non-audit services up to a pre-determined cap in satisfaction of the requirement under subsection 3.20.

3.22 The pre-approval of audit and non-audit services pursuant to subsection 3.21 must be presented to the Committee at its first scheduled meeting following such pre-approval.

3.23 The Committee shall determine that the external audit firm has a process in place to address the rotation of the lead audit partner and other audit partners serving the account in accordance with applicable laws, policies and guidelines of securities regulatory authorities.

3.24 Annually, the Committee shall obtain and review a report by the external auditors describing: (i) the audit firm’s internal quality control procedures; (ii) any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the audit firm, and any steps taken to deal with any such issues; and (iii) all relationships between the external auditors and the Company (to assess the auditor’ independence).

4. Committee Timetable

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

5. Committee Chair - Job Description

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

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ENTERTAINMENT

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

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

B. Consent to Service of Process

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

SIGNATURES

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

CORUS ENTERTAINMENT INC.

Date: November 5, 2010

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

EXHIBIT INDEX

99.1	Comparative consolidated financial statements for the year ended August 31, 2010, together with the auditors’ reports thereon
99.2	Management’s Discussion and Analysis of Operating Results and Financial Position
99.3	Consent of auditors - Ernst & Young LLP dated November 5, 2010.
99.4	Officers’ certifications required by Rule 13a-14(a) or Rule 15d-14(a).
99.5	Officers’ certifications required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.
99.6	Code of Conduct

Management's responsibility for financial reporting

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

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include a reconciliation to U.S. generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared the financial information presented elsewhere in this Annual Report and has ensured that it is consistent with the consolidated financial statements.

Corus Entertainment Inc. maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded. During the past year, management has maintained the operating effectiveness of internal control over external financial reporting. As at year end, we have determined that internal control over financial reporting is effective and Corus Entertainment Inc. has achieved compliance with the requirements set by the U.S. Securities and Exchange Commission ("SEC") under Section 404 of the U.S. *Sarbanes-Oxley Act* ("SOX"). In compliance with Section 302 of SOX, Corus Entertainment Inc.'s Chief Executive Officer and Chief Financial Officer provided to the SEC a certification related to Corus Entertainment Inc.'s annual disclosure document in the U.S. (Form 40-F). The same certification was provided to the Canadian Securities Administrators.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility through its Audit Committee (the "Committee").

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

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), on behalf of the shareholders. Ernst & Young LLP has full and free access to the Committee.

signed
John M. Cassaday
President and Chief Executive Officer

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

Report of independent auditors

To the shareholders of Corus Entertainment Inc.

We have audited the consolidated balance sheets of Corus Entertainment Inc. (the “Company”) as at August 31, 2010 and 2009 and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders’ equity, and cash flows for each of the years in the three-year period ended August 31, 2010. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2010 and 2009 and the results of its operations and its cash flows for each of the years in the three-year period ended August 31, 2010 in conformity with Canadian generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of August 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 5, 2010 expressed an unqualified opinion thereon.

signed
Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

Toronto, Canada
November 5, 2010

Independent auditors' report on internal controls under the standards of the Public Company Accounting Oversight Board (United States)

To the shareholders of Corus Entertainment Inc.
We have audited Corus Entertainment Inc.'s (the "Company") internal control over financial reporting as of August 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's responsibility for financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Corus Entertainment Inc. maintained, in all material respects, effective internal control over financial reporting as of August 31, 2010, based on the COSO criteria **.**

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as at August 31, 2010 and 2009, and the related consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the years in the three-year period ended August 31, 2010 of Corus Entertainment Inc. and our report dated November 5, 2010 expressed an unqualified opinion thereon.

signed
Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

Toronto, Canada
November 5, 2010

CORUS ENTERTAINMENT INC.
Consolidated Balance Sheets
As at August 31
(in thousands of Canadian dollars)

	2010	2009
ASSETS (note 9)		
Current		
Cash and cash equivalents	7,969	10,922
Accounts receivable (notes 3 and 25)	175,134	146,784
Income taxes recoverable	1,781	7,267
Prepaid expenses and other	18,008	14,377
Program and film rights	159,726	146,195
Future tax asset (note 14)	6,423	1,788
Total current assets	369,041	327,333
Tax credits receivable	39,597	26,698
Investments and other assets (note 4)	22,699	23,693
Property, plant and equipment (note 5)	161,585	76,450
Program and film rights	88,684	92,579
Film investments (note 6)	100,454	92,180
Broadcast licenses (note 7)	582,166	561,741
Goodwill (note 7)	695,029	674,029
	2,059,255	1,874,703
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (note 8)	203,422	171,055
Long-term debt (note 9)	691,891	651,767
Other long-term liabilities (note 10)	91,423	73,360
Future tax liability (note 14)	98,516	102,842
Total liabilities	1,085,252	999,024
Non-controlling interest	18,055	21,401
SHAREHOLDERS' EQUITY		
Share capital (note 11)	856,655	840,602
Contributed surplus	11,780	17,303
Retained earnings	98,669	20,380
Accumulated other comprehensive loss (note 22)	(11,156)	(24,007)
Total shareholders' equity	955,948	854,278
	2,059,255	1,874,703

Commitments, contingencies and guarantees (notes 9 and 24)

See accompanying notes

On behalf of the Board:

John M. Cassaday
Director

Heather A. Shaw
Director

CORUS ENTERTAINMENT INC.
Consolidated Statements of Income (loss) and Comprehensive Income (loss)
For the years ended August 31
(in thousands of Canadian dollars, except per share amounts)

	2010	2009	2008
Revenues (notes 23 and 25)	836,221	788,718	787,156
Direct cost of sales, general and administrative expenses (notes 11, 21, 24 and 25)	572,152	537,528	535,026
Depreciation	23,151	20,704	22,054
Interest expense (notes 9 and 12)	47,223	37,426	41,313
Broadcast license and goodwill impairment (note 7)	-	175,000	-
Disputed regulatory fees (note 24)	(16,194)	5,258	10,936
Debt refinancing loss (note 9)	14,256	-	-
Restructuring charges (note 8)	12,924	8,632	6,142
Other expense (income), net (notes 13, 21 and 24)	14,972	(204)	1,711
Income before income taxes and non-controlling interest	167,737	4,374	169,974
Income tax expense (note 14)	35,119	56,350	35,519
Non-controlling interest	5,884	4,659	4,620
Net income (loss) for the year	126,734	(56,635)	129,835
Earnings (loss) per share (note 11)			
Basic	$ 1.57	$ (0.71)	$ 1.57
Diluted	$ 1.56	$ (0.71)	$ 1.54

Net income (loss) for the year	126,734	(56,635)	129,835
Other comprehensive income (loss), net of tax			
Unrealized foreign currency translation adjustment	(24)	718	(23)
Unrealized change in fair value of available-for-sale investments	200	(253)	(1,114)
Recognition of change in fair value of available-for sale assets in net income	-	1,692	-
Unrealized change in fair value of cash flow hedges, net of tax	3,431	(6,014)	(13,851)
Recognition of change in fair value of cash flow hedge in net income	9,244	-	-
	12,851	(3,857)	(14,988)
Comprehensive income (loss) for the year	139,585	(60,492)	114,847

See accompanying notes

CORUS ENTERTAINMENT INC.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended August 31
(in thousands of Canadian dollars)

	2010	2009	2008
Share capital			
Balance, beginning of year	840,602	848,257	882,244
Issuance of shares under stock option plan	12,027	597	12,338
Shares repurchased (note 11)	-	(8,450)	(46,555)
Issuance of shares under dividend reinvestment plan	3,731	-	-
Repayment of executive stock purchase loans	295	198	230
Balance, end of year	856,655	840,602	848,257
Contributed surplus			
Balance, beginning of year	17,303	17,304	10,250
Stock-based compensation	907	5,154	7,904
Settlement and modification of long-term incentive plan (note 11)	(4,659)	(5,138)	-
Exercise of stock options	(1,771)	(17)	(850)
Balance, end of year	11,780	17,303	17,304
Retained earnings			
Balance, beginning of year	20,380	131,594	95,568
Cumulative impact of accounting changes (note 2)	-	-	(1,594)
Adjusted opening balance	20,380	131,594	93,974
Net income (loss) for the year	126,734	(56,635)	129,835
Dividends declared (note 11)	(48,445)	(47,946)	(47,326)
Shares repurchased excess	-	(6,633)	(44,889)
Balance, end of year	98,669	20,380	131,594
Accumulated other comprehensive loss			
Balance, beginning of year	(24,007)	(20,150)	(12,169)
Cumulative impact of accounting changes (note 2)	-	-	7,007
Adjusted opening balance	(24,007)	(20,150)	(5,162)
Other comprehensive income (loss), net of tax	12,851	(3,857)	(14,988)
Balance, end of year	(11,156)	(24,007)	(20,150)

See accompanying notes

CORUS ENTERTAINMENT INC.
Consolidated Statements of Cash Flows
For the years ended August 31
(in thousands of Canadian dollars)

	2010	2009	2008
OPERATING ACTIVITIES			
Net income (loss) for the year	126,734	(56,635)	129,835
Add (deduct) non-cash items:			
Depreciation	23,151	20,704	22,054
Broadcast license and goodwill impairment	-	175,000	-
Amortization of program rights	166,150	159,532	145,661
Amortization of film investments	38,456	25,545	28,393
Future income taxes	(14,167)	13,637	(7,321)
Non-controlling interest	5,884	4,659	4,620
Stock option expense	907	1,314	1,917
Imputed interest	8,635	7,054	6,390
Debt refinancing loss	14,256	-	-
Other	1,945	(432)	2,203
Net change in non-cash working capital balances related to operations (note 20)	3,476	(4,649)	(4,964)
Payment of program rights	(167,310)	(189,583)	(141,917)
Net additions to film investments	(64,051)	(42,907)	(56,293)
Cash provided by operating activities	144,066	113,239	130,578
INVESTING ACTIVITIES			
Additions to property, plant and equipment	(83,049)	(22,503)	(17,552)
Business combinations (note 16)	(40,000)	(76,533)	(774)
Cash held in escrow	-	74,950	(74,950)
Net cash flows for investments and other assets	2,745	6,966	(4,251)
Decrease in public benefits associated with acquisitions	(820)	(2,744)	(3,993)
Cash used in investing activities	(121,124)	(19,864)	(101,520)
FINANCING ACTIVITIES			
Increase (decrease) in bank loans	(444,938)	(40,219)	85,594
Issuance of notes	500,000	-	-
Financing and swap termination fees	(30,997)	-	-
Issuance of shares under stock option plan	10,256	580	11,488
Shares repurchased	-	(15,083)	(91,444)
Dividends paid	(44,605)	(48,021)	(46,284)
Dividend paid to non-controlling interest	(10,220)	(2,994)	(1,742)
Other	(5,391)	3,642	(375)
Cash used in financing activities	(25,895)	(102,095)	(42,763)
Net decrease in cash and cash equivalents during the year	(2,953)	(8,720)	(13,705)
Cash and cash equivalents, beginning of year	10,922	19,642	33,347
Cash and cash equivalents, end of year	7,969	10,922	19,642

Supplemental cash flow disclosures (note 20)

See accompanying notes

1. Basis of presentation

Corus Entertainment Inc. ("Corus" or the "Company") is a diversified Canadian communications and entertainment company. The Company is incorporated under the *Canada Business Corporations Act* and its Class B Non-Voting Shares are listed on the Toronto Stock Exchange (the "TSX").

2. Significant accounting policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP").

Changes in accounting policies

Effective September 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, "Goodwill and Intangible Assets", which replaced Section 3062, "Goodwill and Other Intangible Assets". Section 3064 gives guidance on the recognition of intangible assets as well as the recognition and measurement of internally developed intangible assets. In addition, Section 3450, "Research and Development Costs", was withdrawn from the CICA Handbook. Adopting this accounting change did not have a significant impact on the Company's consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the accounts of Corus and all of its subsidiaries, all of which are wholly owned except for Country Music Television Limited (80% interest), Telelatino Network Inc. (50.5% interest), DUSK (51% interest) and Cosmopolitan TV (54% interest), as well as its proportionate share of the accounts of its joint ventures. Investments in entities over which the Company exercises significant influence are accounted for using the equity method. Intercompany transactions and balances have been eliminated on consolidation. The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition.

Use of estimates

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

Revenue recognition

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

Affiliate subscriber fee revenues are recognized monthly based on subscriber levels.

Product and distribution revenues from the distribution and licensing of film rights are recognized when all of the following conditions are met: (i) persuasive evidence of a sale or licensing arrangement with a customer exists; (ii) the film is complete and has been delivered or is available for immediate and unconditional delivery; (iii) the license period of the arrangement has begun; (iv) the arrangement fee is fixed or determinable; and (v) collection of the arrangement fee is reasonably assured. Non-refundable recoupable minimum guarantees received under licensing arrangements for home videos where film titles are cross-collateralized are deferred and recognized as revenue over the license term when the underlying home videos are sold as reported by third parties.

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

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

Cash and cash equivalents
Cash and cash equivalents include cash and short-term deposits with maturities of less than three months at the date of purchase. Cash that is held in escrow, or otherwise restricted from use, is excluded from current assets and is reported separately from cash and cash equivalents.

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

Land and assets not available for use	Not depreciated
Broadcasting equipment	10 years
Production equipment	5 years
Leasehold improvements	Lease term
Buildings	20-40 years
Computer equipment	3 years
Furniture and fixtures	7 years
Other	4-10 years

Program rights
Program rights represent contract rights acquired from third parties to broadcast television programs, feature films and radio programs. The assets and liabilities related to these rights are recorded when the license period has begun and all of the following conditions have been met: (i) the cost of the rights is known or reasonably determinable; (ii) the program material is accepted by the Company in accordance with the license agreement; and (iii) the material is available to the Company for airing. Long-term liabilities related to these rights are recorded at the net present values of future cash flows, using an appropriate discount rate. These costs are amortized over the contracted exhibition period as the programs or feature films are aired. Program and film rights are carried at cost less accumulated amortization. If program rights, feature films or radio programs are not scheduled they are considered impaired and written off.

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

Film investments

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

The individual-film-forecast-computation method is used to determine amortization. The capitalized costs and the estimated total costs of participations and residuals, net of anticipated federal and provincial program contributions, production tax credits and co-producers' shares of production costs, are charged to amortization expense on a series or program basis in the same ratio that current period actual revenue (numerator) bears to estimated remaining unrecognized ultimate revenue as of the beginning of the current fiscal year (denominator). Ultimate revenue is projected for periods not exceeding 10 years from the date of delivery or acquisition. For episodic television series, ultimate revenue includes estimates of revenue over a period not to exceed 10 years from the date of delivery of the first episode or, if still in production, five years from the date of delivery of the most recent episode, if later. Estimates of gross revenue can change significantly due to the level of market acceptance of film and television products. Accordingly, revenue estimates are reviewed periodically and amortization is adjusted. Such adjustments could have a material effect on the results of operations in future periods.

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

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

Completed project and distribution rights are stated at the lower of unamortized cost and recoverable amount as determined on a series or program basis. Revenue and cost forecasts for each production are evaluated quarterly in connection with a comprehensive review of the Company's film investments, on a title-by-title basis. When an event or change in circumstances indicates that the fair value of a film is less than its unamortized cost, the carrying value is compared to the future cash flows and if the carrying value is not recoverable, the carrying value is written down to fair value. Fair value of the film is determined using management's estimates of future revenues under a discounted cash flow approach. A writedown is recorded equivalent to the amount by which the unamortized costs exceed the estimated fair value of the film.

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

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

Broadcast licenses and goodwill
The cost incurred in a business combination is allocated to the fair value of related identifiable tangible and intangible assets acquired. Historically, identifiable intangible assets acquired consist primarily of broadcast licenses. The excess of the cost of acquiring these businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill.

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

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

Goodwill impairment is determined using a two-step process. The first step of the process is to compare the fair value of a reporting unit with its carrying amount, including goodwill. In performing the first step, the Company determines the fair value of a reporting unit by using various valuation techniques with the primary methods employed being a discounted cash flow ("DCF") analysis and a market-based approach. Determining fair value requires the exercise of significant judgments, including judgments about appropriate discount rates, perpetual growth rates, relevant comparable company earnings multiples and the amount and timing of expected future cash flows. The cash flows employed in the DCF analysis are based on the Company's budgets and business plans, and various growth rates have been assumed for years beyond the long-term business plan period. Discount rate assumptions are based on an assessment of the risk inherent in the future cash flows of the respective reporting units. In assessing the reasonableness of its determined fair values, the Company evaluates its results against other value indicators such as comparable company public trading values, research analyst estimates and values observed in private market transactions. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired and the second step of the impairment test is not necessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is required to be performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. In other words, the estimated fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

The impairment test for broadcast licenses consists of comparing the carrying amount of broadcast licenses to their fair values. If the carrying amount exceeds its fair value, an impairment charge is then recognized on the consolidated statements of income (loss). The Company uses a direct-method valuation approach known as the Greenfield income valuation method in determining fair value. Under this method, the Company projects the cash flows that would be generated by each of its units of accounting as if the unit of accounting were to commence operations in each of its markets at the beginning of the valuation period. This cash flow stream is discounted to arrive at a value for the broadcast license. The Company assumes the competitive situation that exists in each market remains unchanged, with the exception that its unit of accounting was just beginning operations. Major assumptions involved in this analysis include revenue growth rates, profit margin, duration and profile of the start-up period, estimated start-up costs and losses incurred during the build-up period, the risk-adjusted discount rate and terminal values. For its radio stations, the Company has determined the unit of accounting to be all of its stations in a local market. For its television operations, the Company has determined the unit of accounting to be each individual broadcast license.

Government financing and assistance

The Company has access to several government programs that are designed to assist film and television production in Canada. Funding from certain programs provides a supplement to a series' Canadian license fee and is recorded as revenue when cash has been received. Government assistance with respect to federal and provincial production tax credits is recorded as a reduction of film investments when eligible expenditures are made and there is reasonable assurance of realization. Assistance in connection with equity investments is recorded as a reduction in film investments.

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

Income taxes

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

Foreign currency translation

The assets and liabilities of the Company's self-sustaining operations having a functional currency that is not in Canadian dollars are translated into Canadian dollars using the exchange rate in effect at the consolidated balance sheet dates, and revenues and expenses are translated at the average rate during the year. Exchange gains or losses on translation of the Company's net equity investment in these operations are recorded in other comprehensive income (loss) for the year.

(in thousands of Canadian dollars, except share information)

For integrated foreign operations and domestic assets and liabilities denominated in foreign currencies, monetary items are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates, and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transaction. Foreign exchange gains and losses are included in net income (loss) for the year.

Financial instruments and hedging relationships

The Company has classified its cash equivalents and derivative financial instruments that are not designated as hedges as held-for-trading. They are presented at their fair value and gains or losses arising on revaluation at the end of each year are included in net income (loss) for the year. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and certain components of other long-term liabilities are classified as other financial liabilities and are also measured at amortized cost. Investments in equity instruments are considered available-for-sale. Available-for-sale investments are carried at fair value on the consolidated balance sheets, with changes in fair value recorded in other comprehensive income (loss), until such time as the investments are disposed of or an other-than-temporary impairment has occurred, in which case the impairment is recorded in net income (loss) for the year. Long-term debt instruments have been classified as other financial liabilities and are measured at amortized cost. Financial instruments measured at amortized cost use the effective interest rate method of amortization.

All derivatives, including embedded derivatives that must be separately accounted for, are measured at fair value, with changes in fair value recorded in net income (loss) for the year unless they are effective cash flow hedging instruments. Derivative financial instruments that are designated as cash flow hedges, such as interest rate swap agreements, are presented at their fair value, with gains or losses arising from the revaluation at the end of each year included in other comprehensive income (loss) to the extent of hedge effectiveness.

In adopting these recommendations, the Company made the following adjustments to the consolidated balance sheet as at September 1, 2007:

Debits (credits)	
Investments and other assets (a)	8,482
Program and film rights (b)	(4,946)
Deferred charges (c)	(4,100)
Long-term debt (c)	4,205
Other long-term liabilities (b)	2,332
Future tax liability	(560)
Retained earnings (b) (c)	1,594
Accumulated other comprehensive loss (a)	(7,007)

(a) An increase to investments of $8,768 was booked to record unrealized gains on derivative contracts, and a decrease of $286 was booked to record unrealized losses on available-for-sale investments. This resulted in a net-of-tax transition adjustment of $(7,007) to accumulated other comprehensive loss.

(b) Decreases to program and film rights and other long-term liabilities were booked to reflect the balances as if the effective interest rate method had always been used to record program and film rights assets and liabilities. This resulted in a net-of-tax transition adjustment of $1,699 to retained earnings.

(c) Decreases to deferred charges and long-term debt were booked to reflect the balances as if the effective interest rate method had always been used to record financing fees associated with long-term debt. This resulted in a transition adjustment of $(105) to retained earnings.

With the adoption of these standards, the consolidated financial statements now include consolidated statements of comprehensive income. The comparative consolidated financial statements were restated solely to include the translation adjustment of self-sustaining foreign operations as provided by transition guidance.

The adoption of these standards did not have a significant impact on net income for the year ended August 31, 2008.

Stock-based compensation and other stock-based payments
The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option pricing model and expensed over the option's vesting period. Compensation expense related to the Performance Share Units and long-term incentive plan is accrued over the term of the service period based on the expected total compensation to be paid out at the end of the restriction period. Cash-settled instruments such as the Performance Share Units and awards under the long-term incentive plan are classified as liabilities and measured at intrinsic value. Equity-settled instruments such as stock options are classified as equity and fair value is measured and fixed at the date of grant. Consideration paid by the Company under its Employee Share Purchase Plan is included in direct cost of sales, general and administrative expenses.

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

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

Future accounting policy changes
In January 2009, the CICA issued Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-controlling Interests”. Section 1582 establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Sections 1601 and 1602 establish standards for the preparation of consolidated financial statements and for the accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These new standards will be effective for fiscal years beginning on or after January 1, 2011 but may be early adopted. The Company is currently evaluating the effects of adopting these changes.

(in thousands of Canadian dollars, except share information)

3. Accounts receivable

	2010	2009
Trade	166,683	136,311
Other	11,535	13,868
	178,218	150,179
Less allowance for doubtful accounts	3,084	3,395
	175,134	146,784

4. Investments and other assets

	2010	2009
Equity investments	7,914	10,229
Trademark intangible assets	11,744	8,349
Other (note 25)	3,041	5,115
	22,699	23,693

Trademark intangible assets as at August 31, 2010 are presented net of accumulated amortization of $2,777 (2009 - $843).

5. Property, plant and equipment

2010	Cost	Accumulated depreciation	Net book value
Broadcasting equipment	48,760	12,508	36,252
Production equipment	33,933	28,931	5,002
Leasehold improvements	77,497	7,653	69,844
Buildings	18,321	7,993	10,328
Computer equipment	52,411	35,826	16,585
Furniture and fixtures	18,284	5,893	12,391
Assets under construction	3,429	-	3,429
Land	6,868	-	6,868
Other	1,667	781	886
	261,170	99,585	161,585

2009	Cost	Accumulated depreciation	Net book value
Broadcasting equipment	24,486	9,958	14,528
Production equipment	43,993	34,610	9,383
Leasehold improvements	26,080	16,200	9,880
Buildings	18,357	6,606	11,751
Computer equipment	50,460	43,637	6,823
Furniture and fixtures	12,953	11,024	1,929
Assets under construction	14,350	-	14,350
Land	6,870	-	6,870
Other	1,761	825	936
	199,310	122,860	76,450

Included in property, plant and equipment are assets under capital lease with a cost of $25,137 at August 31, 2010 (2009 - nil) and an accumulated depreciation of $1,060 (2009 - nil).

(in thousands of Canadian dollars, except share information)

6. Film investments

	2010	2009
Projects in development and in process, net of advances	27,712	22,173
Completed projects and distribution rights	47,205	45,595
Investments in third-party-produced film projects	25,537	24,412
	100,454	92,180

	2010	2009
Balance at beginning of the period	92,180	80,819
Additions	66,943	54,636
Tax credit accrual	(15,998)	(15,221)
Amortization	(38,456)	(25,545)
Transfer to program rights	(4,215)	(2,509)
Balance at the end of the period	100,454	92,180

The Company expects that 34% and 73% of the net book value of completed projects and distribution rights will be amortized during the year ending August 31, 2011 and three years ending August 31, 2013, respectively. It is estimated that at least 80% will be amortized within four years.

The Company expects that $9,847 of accrued participation liabilities will be paid during the year ending August 31, 2011.

7. Broadcast licenses and goodwill

Broadcast licenses and goodwill are tested for impairment annually as at August 31 or more frequently if events or changes in circumstances indicate that they may be impaired. At August 31, 2010, the Company performed its annual impairment test for fiscal 2010 and determined that there were no impairments for the year then ended.

During the third quarter of fiscal 2009, the Company concluded that an interim goodwill and broadcast license impairment test was required for the Radio reporting unit. This conclusion was based on an assessment of a number of factors, the most significant being the unprecedented double-digit decline in radio advertising revenues experienced in the third quarter and the completion of the Company's annual business planning cycle also during the third quarter. Each of these factors highlighted adverse market factors affecting radio industry trading multiples in general and the Radio reporting unit’s value in particular.

The broadcast license impairment test indicated impairments in certain markets, and so the Company recorded a charge of $11,500 in the third quarter of fiscal 2009.

(in thousands of Canadian dollars, except share information)

With respect to the goodwill impairment test, the fair value of Radio was determined to be below its carrying amount. As a result, a goodwill impairment charge of $163,500 was recorded at May 31, 2009.

The goodwill impairment was finalized in the fourth quarter of 2009, and resulted in no adjustments to the impairment charge recorded in the third quarter.

The changes in the book value of goodwill, by segment, for the years ended August 31 were as follows:

2010	Opening	Acquisitions	Closing
Radio			
West	129,289	-	129,289
Ontario	103,630	-	103,630
Quebec and other	23,564	-	23,564
Television			
Kids	143,547	-	143,547
Specialty and Pay	273,999	21,000	294,999
	674,029	21,000	695,029

2009	Openin	Acquisition	Dispositions	Impairment	Reallocation	Closing
Radio	419,983	-	-	(163,500)	(256,483)	-
West	-	-	-	-	129,289	129,289
Ontario	-	-	-	-	103,630	103,630
Quebec and other	-	-	-	-	23,564	23,564
Television	377,871	43,574	(3,899)	-	(417,546)	-
Kids	-	-	-	-	143,547	143,547
Specialty and Pay	-	-	-	-	273,999	273,999
	797,854	43,574	(3,899)	(163,500)	-	674,029

During fiscal 2010, the Company did not dispose of any goodwill. In fiscal 2009, goodwill was reallocated from the divisions in total to the new operating segments within the divisions (note 15).

The changes in the book value of broadcast licenses, by division, for the years ended August 31, were as follows:

2010	Openin	Acquisition	Disposal	Closing
Radio	189,490	-	(2,575)	186,915
Television	372,251	23,000	-	395,251
	561,741	23,000	(2,575)	582,166

2009	Opening	Acquisitions	Impairment/	Closing
Radio	200,990	-	(11,500)	189,490
Television	332,501	40,500	(750)	372,251
	533,491	40,500	(12,250)	561,741

Goodwill and broadcast licenses are located primarily within Canada.

(in thousands of Canadian dollars, except share information)

8. Accounts payable and accrued liabilities

	2010	2009
Trade accounts payable and accrued liabilities	104,163	65,743
Program rights payable	79,646	78,821
Film investment accruals	4,092	2,295
Dividends payable	8,111	8,002
Capital lease accrual	7,410	-
Disputed regulatory fees (note 24)	-	16,194
	203,422	171,055

As at August 31, 2009, the Company had $8,329 in accrued restructuring expenses in accounts payable and accrued liabilities and other long-term liabilities. In the fourth quarter of fiscal 2010, 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 the fourth quarter, of which $11,264 relates to severance and employee-related expenses, and $1,660 relates to other process-related expenses. In fiscal 2010, $7,497 has been paid in respect of these provisions and as at August 31, 2010, $13,756 remains unpaid. The Company anticipates that these provisions will be substantially paid in fiscal 2011.

9. Long-term debt

	2010	2009
Bank loans	208,015	653,564
Senior unsecured guaranteed notes	500,000	-
Unamortized financing fees	(16,124)	(1,797)
	691,891	651,767

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 matures on February 11, 2014. The amount committed is $500,000, which is available on a revolving basis, and is otherwise on terms and conditions substantially similar to the Company's prior credit facility.

The transactions noted above resulted in the Company recording a $14,256 debt refinancing loss in the second quarter of fiscal 2010. The components of this loss 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 LIBOR. As at August 31, 2010, the weighted average interest rate on the outstanding bank loans and Notes was 6.5% (2009 - 1.6%). Interest on the bank loans, including the impact of the swap, and Notes averaged 5.5% for fiscal 2010 (2009 - 4.2%).

The banks hold as collateral a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the credit agreements. 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, 2010.

(in thousands of Canadian dollars, except share information)

10. Other long-term liabilities

	2010	2009
Public benefits associated with acquisitions	4,023	808
Unearned revenue	8,942	8,156
Program rights payable	31,959	25,435
Long-term employee obligations	9,830	2,386
Deferred leasehold inducements	7,075	5,117
Derivative fair value	-	17,851
Merchandising and trademark liabilities	13,745	10,885
Capital lease accrual	15,849	-
Other	-	2,722
	91,423	73,360

11. Share capital

Authorized

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

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

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

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

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

(in thousands of Canadian dollars, except share information)

Issued and outstanding

The changes in the Class A Voting Shares and Class B Non-Voting Shares since August 31, 2008 are summarized as follows:

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	$	#	$	$
Balance as at August 31, 2008	3,445,858	26,684	77,361,578	821,573	848,257
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(1,330)	(10)	1,330	10	-
Issuance of shares under stock option plan	-	-	40,132	597	597
Shares repurchased	-	-	(794,966)	(8,450)	(8,450)
Repayment of executive stock purchase loans	-	-	-	198	198
Balance as at August 31, 2009	3,444,528	26,674	76,608,074	813,928	840,602
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(400)	(3)	400	3	-
Issuance of shares under stock option plan	-	-	888,410	12,027	12,027
Issuance of shares under dividend reinvestment plan	-	-	198,354	3,731	3,731
Repayment of executive stock purchase loans	-	-	-	295	295
Balance as at August 31, 2010	3,444,128	26,671	77,695,238	829,984	856,655

There are no Class A Preferred Shares, Class 1 Preferred Shares or Class 2 Preferred Shares outstanding at August 31, 2010.

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 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, 2008 is presented as follows:

(in thousands of Canadian dollars, except share information)

	Number of options (#)	Weighted average exercise price ($)
Outstanding as at August 31, 2008	3,869,288	13.85
Granted	464,500	17.62
Forfeited or expired	(904,406)	15.76
Exercised	(40,132)	14.44
Outstanding as at August 31, 2009	3,389,250	13.85
Granted	393,073	17.51
Forfeited or expired	(82,325)	18.85
Exercised	(888,410)	11.54
Outstanding as at August 31, 2010	2,811,588	14.95

As at August 31, 2010, the options outstanding and exercisable consist of the following:

	Options outstanding			Options exercisable	
Range of exercise prices ($)	Number outstanding (#)	Weighted average remaining contractual life (years)	Weighted average exercise price ($)	Number outstanding (#)	Weighted average exercise price ($)
11.00 - 11.95	1,406,815	1.0	11.91	1,406,815	11.91
12.48 - 17.50	717,100	4.5	16.75	358,200	16.00
17.62 - 22.65	687,673	5.2	19.29	245,050	19.97
	2,811,588	2.9	14.95	2,010,065	13.62

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 options' vesting period on a straight-line basis. The Company has recorded stock-based compensation expense related to stock options for the year ended August 31, 2010 of $907 (2009 - $1,314; 2008 - $1,917). This charge has been credited to contributed surplus. Unrecognized stock-based compensation expense at August 31, 2010 related to the plan was $2,101.

The fair value of each option granted in fiscal 2010 and 2009 was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	Fiscal 2010	Fiscal 2009
Fair value	$ 3.65	$ 3.12
Expected life	5.6 years	5.4 years
Risk-free interest rate	2.77%	2.77%
Dividend yield	3.4%	3.4%
Volatility	28.7%	24.7%

On October 27, 2010, the Company granted a further 261,900 options for Class B Non-Voting Shares to eligible officers and employees of the Company. These options are exercisable at $22.31 per share.

Dividends

The holders of Class A Voting Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors determines to declare on a share-for-share basis, as and when any such dividends are declared or paid. The holders of Class B Non-Voting Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Voting Shares, an additional dividend at a rate of $0.005 per share per annum. This additional dividend is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After payment or setting aside for payment of the additional non-cumulative dividends on the Class B Non-Voting Shares, holders of Class A Voting Shares and Class B Non-Voting Shares participate equally, on a share-for-share basis, on all subsequent dividends declared.

The total amount of dividends declared in fiscal 2010 was $48,445 (2009 - $47,946; 2008 - $47,326).

In September 2009, the Company announced that its Board of Directors had approved a discount of 2% for Class B Non-Voting Shares issued from treasury pursuant to the terms of its dividend reinvestment plan. In fiscal 2010, the Company issued 198,354 Class B Non-Voting Shares, resulting in an increase in share capital of $3,731.

Earnings (loss) per share

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

	2010	2009	2008
Net income (loss) for the year (numerator)	126,734	(56,635)	129,835
Weighted average number of shares outstanding (denominator)			
Weighted average number of shares outstanding - basic	80,747	80,067	82,944
Effect of dilutive securities	608	-	1,575
Weighted average number of shares outstanding - diluted	81,355	80,067	84,519

The calculation of diluted earnings (loss) per share for fiscal 2010 excluded 251,854 weighted average Class B Non-Voting Shares (2009 - nil; 2008 - 171,581) issuable under the plan because these options were not ‘in-the-money’. The calculation of diluted loss per share for fiscal 2009 did not include the effect of any potentially dilutive securities as the assumed issuance of Class B Non-Voting Shares in that period is anti-dilutive.

Executive stock purchase loans

In October 2001, the Board of Directors of the Company authorized the granting of loans to certain of its executive officers in order to finance the acquisition of Class B Non-Voting Shares of the Company on the open market. These loans are non-interest-bearing and are secured by a promissory note and the relevant Class B Non-Voting Shares. Each loan has a 10-year term from December 1, 2001, with annual installments at the greater of 10% of the original principal or 10% of the employee’s pre-tax bonus for the most recently completed financial year of the Company. As at August 31, 2010, the Company had loans receivable of $223 (2009 - $518) from certain qualifying executive officers. As at August 31, 2010, the market value of the shares held as collateral for the loans was $1,016 (2009 - $1,437).

(in thousands of Canadian dollars, except share information)

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 TSX at the end of the restriction period, multiplied by the number of vested units determined by achievement of specific performance-based criteria. Compensation expense related to the PSUs is accrued over the term of the restriction period based on the expected total compensation to be paid out at the end of the restriction period, factoring in the probability of any performance-based criteria being met during the period. The stock-based compensation expense recorded in fiscal 2010 in respect of this plan was $1,448 (2009 - recovery of $8; 2008 - expense of $1,264).

Long-term incentive plan

In fiscal 2006, the Company implemented a long-term incentive plan for senior management based on shareholder appreciation targets. Originally, each unit granted under this plan entitled the participant to receive, at the Company's option, one Class B Non-Voting Share or a cash payment in an amount equal to the closing price of one Class B Non-Voting Share traded on the TSX at the end of the restriction period.

In fiscal 2008, 2009 and 2010, 156,400, 263,900 and 570,341 units were granted, respectively, with vesting periods between three and five years. The stock-based compensation expense recorded in fiscal 2010 in respect of this plan was $5,415 (2009 - $3,840; 2008 - $5,987). This charge has been credited to other long-term liabilities.

Units that vested on August 31, 2009 were paid in cash in fiscal 2010. This resulted in a reduction of $3,474 to contributed surplus in fiscal 2010.

In fiscal 2010, the plan text was modified to remove the option of settling the plan in shares. As a result, the $1,185 credited to contributed surplus prior to fiscal 2010 was transferred to other long-term liabilities.

Other

The Company allows directors and senior management to receive their directors' 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. 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, 2010 there were 168,827 deferred share units outstanding (2009 - 171,819 deferred share units).

Normal Course Issuer Bid

The shares purchased for cancellation since August 31, 2007 are as follows:

	#	$	Average	#	$	Average
February 14, 2008	-	-	-	1,570,400	38,479	24.50
February 14, 2009	794,966	15,083	18.97	2,818,000	52,965	18.80
	794,966	15,083	18.97	4,388,400	91,444	20.84

(in thousands of Canadian dollars, except share information)

During fiscal 2009, the total cash consideration paid exceeded the carrying value of the shares repurchased by $6,644 (2008 - $44,889; 2007 - $20,193), which was charged to retained earnings.

12. Interest expense

	2010	2009	2008
Interest on long-term debt	36,550	29,350	33,049
Imputed interest on long-term liabilities	8,635	7,054	6,390
Other	2,038	1,022	1,874
	47,223	37,426	41,313

13. Other expense (income), net

	2010	2009	2008
Interest income	(1,268)	(1,206)	(1,042)
Foreign exchange losses	446	1,739	823
Losses (income) from equity investments	(530)	318	1,343
Pre-occupancy Corus Quay rent	8,396	-	-
Retroactive tariff adjustment	5,052	-	-
Loss (gain) on disposal	2,575	(7,163)	-
Investment writedowns	-	6,228	-
Other	301	(120)	587
	14,972	(204)	1,711

In December 2008, the Copyright Board held a consolidated proceeding to hear five copyright tariff proposals for commercial radio covering the calendar year 2008 and beyond. During the fourth quarter of fiscal 2010, the Copyright Board issued its commercial radio tariff decision for the use of music covering both the performance rights and the reproduction rights, which calls for the introduction of two new regulated tariffs to be paid to AVLA/SOPROQ and Artistl, and sets increased royalties to be paid to CSI, all retroactive to January 1, 2008 and January 1, 2009 respectively. The Copyright Board decision calls for the rates under tariffs for SOCAN and Re:Sound (formerly NRCC) to remain unchanged until December 31, 2010 and December 31, 2011 respectively.

Consequently, the Company recognized during the fourth quarter of fiscal 2010, a total expense of $7.8 million of which $5.0 million represented the retroactive portion of the tariff increases related to fiscal 2008 and fiscal 2009, and $2.8 million represented the incremental portion related to fiscal 2010. Most of this total expense resulted from new royalties' payable under the tariffs for AVLA/SOPROQ.

14. Income taxes

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

(in thousands of Canadian dollars, except share information)

	2010	2009
Deferred charges deducted for tax purposes capitalized for accounting purposes	406	599
Capital cost allowance in excess of book depreciation	1,566	(349)
Deferred partnership income	1,931	2,441
Differences in tax and accounting cost bases for investments	3,787	5,056
Broadcast licenses and other intangible assets	120,004	137,070
Other, net	2,252	2,308
Total future tax liability	129,946	147,125
Book depreciation in excess of capital cost allowance	16,783	18,040
Loss carryforwards, net of valuation allowances	5,449	3,775
Deferred gain on sale of investment	281	344
Amortization deducted for accounting purposes in excess of tax purposes	8,091	10,941
Differences in tax and accounting cost bases for investments	1,669	1,238
Differences in revenue recognition for tax and accounting purposes	557	1,380
Other, net	5,023	10,353
Total future tax asset	37,853	46,071
Net future tax liability	92,093	101,054
Less current portion of future tax asset	6,423	1,788
	98,516	102,842

Significant components of the income tax expense are as follows:

	2010	2009	2008
Current tax expense	49,286	42,713	42,840
Future tax resulting from temporary differences	2,751	(26)	6,750
Future tax resulting from losses	(1,959)	10,784	13,074
Future tax resulting from tax rate changes	(14,259)	193	(10,266)
Recovery of various future tax liabilities	-	1,050	(12,841)
Other	(700)	1,636	(4,038)
	35,119	56,350	35,519

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

	2010		2009		2008	
	$	%	$	%	$	%
Tax at combined federal and provincial rate	53,115	31.7	1,442	33.0	57,744	34.0
Broadcast license and goodwill impairment	-	-	54,801	1,252.8	-	-
Reduction in future taxes resulting from statutory rate change	(14,259)	(8.5)	193	4.4	(10,266)	(6.0)
Increase (recovery) of various tax liabilities	(2,029)	(1.2)	1,885	43.1	(13,302)	(7.8)
Other	(1,708)	(1.1)	(1,971)	(45.0)	1,343	0.7
	35,119	20.9	56,350	1,288.3	35,519	20.9

The Company recognizes as a future tax asset the benefit of capital and non-capital loss carryforwards to the extent it is more likely than not that the benefit will be realized. As at August 31, 2010, the Company had available loss carryforwards of approximately $41,400. A future tax asset of $11,387 (2009 - $10,694) has been recognized in respect of these carryforwards, net of a valuation allowance of $5,938 (2009 - $6,919).

(in thousands of Canadian dollars, except share information)

The available loss carryforwards will expire as follows:

2011	1,100
2015	900
2026	100
2028	3,700
2029	6,900
2030	11,900
No expiration	16,800
	41,400

15. Business segment information

The Company's business activities are conducted through two divisions and five segments:

Radio
The Radio division comprises 49 radio stations, situated primarily in high-growth urban centres in Canada. Revenues are derived from advertising aired over these stations. Results for the Radio segments are presented on a geographic basis for Radio West, Radio Ontario, and Radio Quebec and other.

Television
The Television division includes interests in several specialty television networks, pay television, conventional television stations, cable advertising services, the Nelvana production studio and the related distribution and licensing business. Revenues are generated from subscriber fees, advertising and the licensing of proprietary films and television programs, merchandise licensing and publishing. Results for the Television segments are presented for Kids and Specialty and Pay.

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, broadcast license and goodwill impairment charges, disputed regulatory fees, debt refinancing loss, restructuring charges and certain other income and expenses (note 13).

(in thousands of Canadian dollars, except share information)

Revenues and segment profit
Year ended August 31, 2010

	Radio	Television	Corporate	Eliminations	Consolidated
Revenues	261,124	575,097	-	-	836,221
Direct cost of sales, general and administrative expenses	195,593	348,418	28,141	-	572,152
Segment profit	65,531	226,679	(28,141)	-	264,069
Depreciation	7,088	10,000	6,063	-	23,151
Interest expense	788	5,091	41,344	-	47,223
Disputed regulatory fees	(8,901)	(7,293)	-	-	(16,194)
Debt refinancing loss	-	-	14,256	-	14,256
Restructuring charges	5,506	5,055	2,363	-	12,924
Other expense (income), net	2,488	2,148	10,336	-	14,972
Income before income taxes and non-controlling interest	58,562	211,678	(102,503)	-	167,737

Year ended August 31, 2009

	Radio	Television	Corporate	Eliminations	Consolidated
Revenues	258,912	530,014	-	(208)	788,718
Direct cost of sales, general and administrative expenses	198,574	320,869	18,293	(208)	537,528
Segment profit	60,338	209,145	(18,293)	-	251,190
Depreciation	6,798	9,593	4,313	-	20,704
Interest expense	928	5,163	31,335	-	37,426
Broadcast license and goodwill impairment	175,000	-	-	-	175,000
Disputed regulatory fees	2,746	2,512	-	-	5,258
Restructuring charges	8,632	-	-	-	8,632
Other expense (income), net	(744)	853	(313)	-	(204)
Income before income taxes and non-controlling interest	(133,022)	191,024	(53,628)	-	4,374

Year ended August 31, 2008

	Radio	Television	Corporate	Eliminations	Consolidated
Revenues	286,449	500,966	-	(259)	787,156
Direct cost of sales, general and administrative expenses	210,945	301,361	22,979	(259)	535,026
Segment profit	75,504	199,605	(22,979)	-	252,130
Depreciation	6,533	10,473	5,048	-	22,054
Interest expense	1,042	4,643	35,628	-	41,313
Disputed regulatory fees	6,155	4,781	-	-	10,936
Restructuring charges	3,476	2,440	226	-	6,142
Other expense (income), net	118	4,415	(2,822)	-	1,711
Income before income taxes and non-controlling interest	58,180	172,853	(61,059)	-	169,974

In addition to evaluating performance of the divisions in total, management measures performance at the operating segment level. The following tables present further details on the operating segments within the Radio and Television divisions:

(in thousands of Canadian dollars, except share information)

Revenues

	2010	2009	2008
Radio			
West	93,470	100,544	115,462
Ontario	92,052	85,185	94,465
Quebec and other	75,602	73,183	76,522
	261,124	258,912	286,449

Television			
Kids	240,568	222,925	223,796
Specialty and Pay	334,529	307,089	277,170
	575,097	530,014	500,966

Segment profit

	2010	2009	2008
Radio			
West	30,295	35,319	43,530
Ontario	27,417	23,681	29,449
Quebec and other	7,819	1,338	2,525
	65,531	60,338	75,504

Television			
Kids	97,126	89,745	86,640
Specialty and Pay	129,553	119,400	112,965
	226,679	209,145	199,605

Revenues are derived from the following areas:

	2010	2009	2008
Advertising	435,024	418,992	462,711
Subscriber fees	283,170	257,471	225,202
Other	118,027	112,255	99,243
	836,221	788,718	787,156

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

	2010	2009	2008
Canada	774,844	728,277	738,914
International	61,377	60,441	48,242
	836,221	788,718	787,156

(in thousands of Canadian dollars, except share information)

Segment assets

	2010	2009
Radio		
West	240,682	242,568
Ontario	202,089	202,918
Quebec and other	95,954	99,950
Television		
Kids	599,691	569,009
Specialty and Pay	777,838	716,645
Corporate	143,001	43,613
	2,059,255	1,874,703

Assets are located primarily within Canada.

Capital expenditures by division

	2010	2009	2008
Radio	3,618	5,194	6,900
Television	2,030	3,185	5,457
Corporate	77,401	14,124	5,195
	83,049	22,503	17,552

Property, plant and equipment are located primarily within Canada.

16. Business combinations and dispositions

In fiscal 2010, the Company completed the acquisition of the specialty television services Drive-In Classics and SexTV. The Canadian Radio-television and Telecommunications Commission ("CRTC") 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)
Cash consideration given	40,000

In fiscal 2009, the Company completed the acquisition of the analog specialty television service Canadian Learning Channel ("CLT"). The total cash consideration paid was approximately $76.5 million, including customary closing adjustments. The CRTC approved the acquisition on August 22, 2008 and the Company took over ownership and operation of CLT, subsequently rebranded VIVA, on September 1, 2008. The results of operations of VIVA are included in the Company's consolidated financial statements from the date of acquisition. The purchase equation, which was accounted for using the purchase method, is summarized below:

(in thousands of Canadian dollars, except share information)

Assigned value of net assets acquired:	
Working capital	2,506
Program and film rights	1,501
Broadcast licenses	40,500
Goodwill	43,574
Future tax liabilities	(11,548)
Cash consideration given	76,533

In fiscal 2009, the Company ceased operations of its residential audio business and completed the sale of selected assets for proceeds of $13,312, resulting in a pre-tax gain of $7,163 (note 13). Management will be providing operational and consulting services to the purchaser. Included in the proceeds is a contingent amount of $2,250, which will be recognized on the completion of certain performance-based criteria.

17. Joint ventures

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

	2010	2009
Current assets	43,382	31,228
Long-term assets	14,263	25,871
Current liabilities	12,919	17,463
Long-term liabilities	1,067	1,468
Cash provided by operating activities	13,006	8,746
Cash used in investing activities	(94)	(413)
Revenues	56,383	49,474
Expenses	39,871	36,928
Net income for the year	16,512	12,546

18. Capital management

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

Total managed capital is as follows:

	2010	2009
Long-term debt	691,891	651,767
Cash and cash equivalents	(7,969)	(10,922)
Net debt	683,922	640,845
Shareholders' equity	955,948	854,278
	1,639,870	1,495,123

(in thousands of Canadian dollars, except share information)

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

The Company monitors capital based on a number of criteria, including: net debt to segment profit ratio and dividend yield. The Company's current stated objectives are to maintain a net debt to segment profit ratio of a maximum of 3.0 to 3.5 times, and maintain a dividend yield in excess of 2.5%. The Company believes that these objectives provide a reasonable framework for providing a return to its shareholders. The Company is currently operating within these internally imposed constraints.

The Company is not subject to any externally imposed capital requirements, and there has been no change in the Company's capital management approach during the year. As a result of issuing the Notes (note 9), the Company is required to maintain certain financial covenants.

19. Financial instruments

The following table sets out the classification of financial and non-financial assets and liabilities as at August 31, 2010:

	Held for trading	Available for sale	Loans and receivables	Other financial liabilities	Non-financial	Total carrying amount
Cash and cash equivalents	7,969	-	-	-	-	7,969
Accounts receivable	-	-	175,134	-	-	175,134
Investments and other assets	-	431	954	-	21,314	22,699
Other non-financial assets	-	-	-	-	1,853,453	1,853,453
Total assets	7,969	431	176,088	-	1,874,767	2,059,255
Accounts payable and accrued liabilities	-	-	-	203,422	-	203,422
Long-term debt	-	-	-	691,891	-	691,891
Other long-term liabilities	-	-	-	61,553	29,870	91,423
Other non-financial liabilities	-	-	-	-	98,516	98,516
Total liabilities	-	-	-	956,866	128,386	1,085,252

Fair values

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

The fair value of publicly-traded shares included in investments and other assets is determined by quoted share prices in active markets. The fair value of other financial instruments included in this category is determined using other valuation techniques.

The fair value of bank loans is estimated based on discounted cash flows using year-end market yields, adjusted to take into account the Company's own credit risk. Due to the fact the Company's bank loans were refinanced recently, at August 31, 2010, the Company has estimated the fair value of its bank debt to be approximately equal to its carrying amount.

(in thousands of Canadian dollars, except share information)

The fair value of the Company's Notes is estimated based on the trading price of the Notes, adjusted to take into account the Company's own credit risk. At August 31, 2010, the Company has estimated the fair value of its Notes to be approximately $516,700.

The fair values of financial instruments in other long-term liabilities approximate their carrying values as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

The fair values of derivative financial instruments are determined based on management's estimates, supported by quotations by the counterparties to the agreements. In particular, management uses a valuation model that projects future cash flows and discounts the future amounts to a present value using the contractual terms of the derivative instrument and factors observable in external markets, such as period-end swap rates, adjusted to take into account the Company's own credit risk.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Risk management
The Company is exposed to various risks related to its financial assets and liabilities. These risk exposures are managed on an ongoing basis.

Credit risk
In the normal course of business, the Company is exposed to credit risk from its accounts receivable from customers. The carrying amounts for accounts receivable are net of applicable allowances for doubtful accounts, which are estimated based on past experience, specific risks associated with the customer and other relevant information.

The Company is also exposed to credit-related losses in the event of non-performance by counterparties to derivative instruments. The Company manages its counterparty risk by only accepting major financial institutions with high credit ratings as counterparties.

The maximum exposure to credit risk is the carrying amount of the financial assets.

The following table sets out details of the age of receivables and allowance for doubtful accounts as at August 31 as follows:

	2010	2009
Trade accounts receivable		
Current	85,055	73,787
One to three months past due date	61,649	49,530
Over three months past due date	19,979	12,994
	166,683	136,311
Other receivables	11,535	13,868
	178,218	150,179
Less allowance for doubtful accounts	3,084	3,395
	175,134	146,784

(in thousands of Canadian dollars, except share information)

The following table sets out the continuity for the allowance for doubtful accounts as at August 31 as follows:

	2010	2009
Balance at beginning of the period	3,395	3,684
Provision for doubtful accounts	1,201	1,925
Write-off of bad debts	(1,512)	(2,214)
Balance at the end of the period	3,084	3,395

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity risk primarily by maintaining sufficient unused capacity within its long-term debt facility, and by continuously monitoring forecast and actual cash flows. The unused capacity at August 31, 2010 was $290,000. Further information with respect to the Company's long-term debt facility is provided in note 9.

The following table sets out the undiscounted contractual obligations related to repayment of long-term debt, program rights payable and other liabilities as at August 31, 2010:

	Total	Less than one year	One to three years	Beyond three years
Long-term debt	691,891	-	191,892	500,000
Interest on notes	233,832	36,250	72,500	125,082
Program rights payable	360,514	116,697	109,527	134,290
Accounts payable and other accrued liabilities	123,776	123,776	-	-
Other liabilities	13,965	1,730	3,578	8,656
	1,423,978	278,453	377,497	768,028

In addition to the financial liabilities in the table above, the Company will also pay interest on any long-term debt outstanding in future periods. In fiscal 2010, the Company incurred interest on long-term debt of $36,550 (2009 - $29,350; 2008 - $33,049).

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuers or factors affecting all instruments traded in the market.

The Company is exposed to foreign exchange risk through its treasury function, international content distribution operations, and U.S. dollar denominated programming purchasing. The most significant foreign currency exposure is to movements in the U.S. dollar to Canadian dollar exchange rate and the U.S dollar to euro exchange rate. The impact of foreign exchange on income before income taxes and non-controlling interest is detailed in note 21. An assumed 10% increase or decrease in exchange rates as at August 31, 2010 would not have had a material impact on net income or other comprehensive income for the year.

(in thousands of Canadian dollars, except share information)

The Company is exposed to interest rate risk on the bankers' acceptances issued at floating rates under its bank loan facility. Historically, the Company managed this risk through the use of interest rate swaps to fix the interest rate. In fiscal 2010, the Company reduced its exposure to interest rate fluctuations by issuing fixed rate debt and used the proceeds to pay down a portion of its floating rate debt. An assumed 1% increase or decrease in short-term interest rates during the year ended August 31, 2010 would not have had a material impact on net income for the year.

Other considerations

The Company does not engage in trading or other speculative activities with respect to derivative financial instruments.

20. Consolidated statements of cash flows

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

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

	2010	2009	2008
Accounts receivable	(28,272)	12,594	(5,007)
Prepaid expenses and other	(3,631)	(4,239)	186
Accounts payable and accrued liabilities	24,452	(16,463)	3,687
Income taxes payable and recoverable	5,512	(4,108)	(2,777)
Other long-term liabilities	7,934	5,153	(6,814)
Other	(2,519)	2,414	5,761
	3,476	(4,649)	(4,964)

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

	2010	2009	2008
Interest paid	37,799	31,178	35,031
Interest received	1,268	1,206	1,042
Income taxes paid	44,036	50,104	46,796

21. 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:

	2010	2009	2008
Direct cost of sales, general and administrative expenses	(502)	(47)	(423)
Other expense (income), net	446	1,739	823
Total foreign exchange losses (gains)	(56)	1,692	400

(in thousands of Canadian dollars, except share information)

In addition, the Company has reflected exchange gains and losses arising from the translation of the financial statements of self-sustaining foreign operations as a separate component of other comprehensive income (loss). The significant elements that give rise to these gains and losses are the working capital and film investments of the Company's international film distribution business.

22. Accumulated other comprehensive loss

	2010	2009
Foreign currency translation adjustment	(11,498)	(11,474)
Unrealized gain on available-for-sale investments, net of tax of $58	342	142
Unrealized loss on cash flow hedge	-	(12,675)
	(11,156)	(24,007)

23. Government financing and assistance

Revenues include nil (2009 - nil; 2008 - $1,704) of production financing obtained from government programs. This financing provides a supplement to a production series' Canadian license fees and is not repayable.

As well, revenues include $1,240 (2009 - $768; 2008 - $853) of government grants relating to the marketing of books in both Canada and international markets. The majority of the grants are repayable if the average profit margin for the three-year period following receipt of the funds equals or is greater than 10%.

24. Commitments, contingencies and guarantees

The Company and its subsidiaries are involved in litigation matters arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be material to these consolidated financial statements.

The Company has various long-term lease agreements for each of the next five years and thereafter as follows:

	Capital leases	Operating leases	Total
2011	8,450	24,146	32,596
2012	8,450	23,642	32,092
2013	6,732	23,147	29,879
2014	1,194	22,893	24,087
2015	434	23,520	23,954
Thereafter	-	311,574	311,574
	25,260	428,922	454,182

Operating leases are for the use of facilities and equipment. During fiscal 2010, rental expenses recognized in direct cost of sales, general and administrative expenses totaled approximately $17,027 (2009 - $14,623; 2008 - $13,556) and pre-occupancy rent recognized in other expenses totaled approximately $8,396 (2009 — nil; 2008 — nil).

Capital leases are for the use of computer hardware, telephones, furniture and broadcast equipment. The leases range between three and five years remaining and bear interest rates varying from 4.1% to 5.9%. During the year, the Company incurred interest totaling approximately $340.

The Company has entered into various agreements for the right to broadcast or distribute certain film, television and radio programs in the future. These agreements, which range in term from one to five years, generally commit the Company to acquire specific films, television and radio programs or certain levels of future productions. The acquisition of these broadcast and distribution rights is contingent on the actual delivery of the productions. Management estimates that these agreements will result in future program and film expenditures of approximately $360,515. In addition, the Company has commitments of $13,672 for future TV script production.

The Company has commitments related to trademarks until October 2018 for a total of approximately $27,157. The Company has certain additional annual commitments, some of which are contingent on performance, to pay royalties for trademark rights. In addition, the Company has licenses and other commitments over the next five years to use specific software, signal and satellite functions of approximately $53,720. Generally, it is not the Company's policy to issue guarantees to non-controlled affiliates or third parties, with limited exceptions.

Many of the Company's agreements, specifically those related to acquisitions and dispositions of business assets, included indemnification provisions where the Company may be required to make payments to a vendor or purchaser for breach of fundamental representation and warranty terms in the agreements with respect to matters such as corporate status, title of assets, environmental issues, consents to transfer, employment matters, litigation, taxes payable and other potential material liabilities. The maximum potential amount of future payments that the Company could be required to make under these indemnification provisions is not reasonably quantifiable as certain indemnifications are not subject to a monetary limitation. As at August 31, 2010, management believed there was only a remote possibility that the indemnification provisions would require any material cash payment.

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

Corus and a related party have entered into a contra agreement for the exchange of $2,500 in media time until August 31, 2011. The Company's obligation will be settled with a combination of interactive impressions, radio and television spots.

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 $16,194 over that period, and reversed this accrual in the first quarter of fiscal 2010. In fiscal 2010, the Company began accruing for the revised fee, and in the full fiscal year incurred a charge of $3.9 million. This charge is included in segment profit.

In April 2010, the Company entered into an agreement, conditional upon CRTC and Commissioner of Competition approval of the transaction in its current form, to sell certain Quebec radio stations for $80 million to Cogeco Inc. Should the regulatory approvals not be obtained, Cogeco may elect not to close the transaction.

25. Related party transactions

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

During the year, the Company received cable service subscriber, programming and advertising fees of $124,889 (2009 - $114,863; 2008 - $102,415), production and distribution revenue of $1,156 (2009 - $525; 2008 - $850) and administrative and other fees of $5,404 (2009 - $7,234; 2008 - $6,403) from related parties. In addition, the Company paid cable and satellite system distribution access fees of $4,633 (2009 - $6,047; 2008 - $4,478) and administrative and other fees of $3,514 (2009 - $2,810; 2008 - $2,956) to related parties. As at August 31, 2010, the Company had $29,534 (2009 - $22,971) receivable from related parties.

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

Included in other investments (note 4) and share capital (note 11) are loans of $484 (2009 - $1,060) made to certain executive officers of the Company for housing or investment purposes. The loans are collateralized by charges on the officers' personal residences and/or by related investment. The loans are non-interest-bearing and are due between December 1, 2011 and October 31, 2022.

26. Employee future benefits

The Company has a defined contribution plan for qualifying full-time employees. Under the plan, the Company contributes up to 5% of an employee's earnings, not exceeding the limits set by the *Income Tax Act* (Canada). In late fiscal 2009, the Company temporarily reduced the pension contribution to 1% of qualifying employees' earnings. The amount contributed in 2010 related to the defined contribution plan was $606 (2009 - $4,626; 2008 - $6,195). The amount contributed is approximately the same as the expense included in the consolidated statements of income (loss).

In fiscal 2008, the Company introduced a non-contributory defined benefit pension plan for certain of its senior executives. Benefits under this plan are based on the employee's highest three-year average rate of pay during their most recent ten years of service, accrue starting from the date of the implementation of the plan, and may include a benefit for past service. The Company recorded an expense of $1,052 in fiscal 2010 in respect of this plan (2009 - $552; 2008 - $450).

(in thousands of Canadian dollars, except share information)

27. Reconciliation of Canadian GAAP to U.S. GAAP

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

Reconciliation to U.S. GAAP

	2010	2009	2008
Net income (loss) using Canadian GAAP	126,734	(56,635)	129,835
Add adjustments for:			
Interest capitalization (i), net of depreciation	1,590	—	—
Non-controlling interests (iii)	5,884	4,659	4,620
Net income (loss) using U.S. GAAP	134,208	(51,976)	134,455
Net income attributable to non-controlling interests	5,884	4,659	4,620
Net income (loss) attributable to Corus shareholders	128,324	(56,635)	129,835
Comprehensive income (loss) using Canadian GAAP	139,585	(60,492)	114,847
Add adjustments for changes in:			
Net adjustments to net income (loss) noted above	7,474	4,659	4,620
Comprehensive income (loss) using U.S. GAAP	147,059	(55,833)	119,467
Comprehensive income (loss) attributable to non-controlling interests	5,884	4,659	4,620
Comprehensive income (loss) attributable to Corus shareholders	141,175	(60,492)	114,847
Earnings (loss) per share attributable to Corus using U.S. GAAP			
Basic	$ 1.59	$ (0.71)	$ 1.57
Diluted	$ 1.58	$ (0.71)	$ 1.54

Selected consolidated balance sheet items using U.S. GAAP

	2010		2009	
	Canadian GAAP	U.S. GAAP	Canadian GAAP	U.S. GAAP
Capital assets (i)	161,585	163,705	76,450	76,450
Broadcast licenses and goodwill (ii)	1,277,195	1,285,480	1,235,770	1,244,055
Future tax liability	98,516	101,117	102,842	106,369
Non-controlling interests (iii)	18,055	—	21,401	—
Shareholders' equity (iii)	955,948	963,752	854,278	859,036
Non-controlling interests (iii)	—	18,055	—	21,401
Retained earnings	98,669	106,473	20,380	25,138

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

	2010	2009
Retained earnings		
Interest capitalization (i)	1,590	-
Equity in earnings of investees (ii)	6,214	4,758
Non-controlling interests (iii)	18,055	21,401

(in thousands of Canadian dollars, except share information)

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

(i) Interest capitalization
Under U.S. GAAP, the costs incurred in financing expenditures for an asset during the construction period is considered a part of the asset's historical acquisition costs and must be capitalized, which is one of the available choices under Canadian GAAP. The interest attributable to the construction of the leaseholds in Corus Quay has been capitalized from the beginning of construction of the leaseholds to their completion as required by U.S. GAAP.

(ii) Equity in earnings of investees
Under Canadian GAAP, the investments in Nelvana's 20% interest in TELETOON in fiscal 2001 and Western International Communications Ltd. ("WIC") in fiscal 2000 were accounted for using the cost method of accounting until CRTC approval was received for the transactions. When the Company received CRTC approval, the amount in the accounts under the cost method became the basis for the purchase price allocation and equity accounting commenced. Under U.S. GAAP, equity accounting for the investments is used from the date the Company first acquired shares in Nelvana and WIC.

(iii) Non-controlling interests
Non-controlling interests represents the portion of a majority-owned subsidiary's net income that is owned by non-controlling shareholders. U.S. authoritative guidance is effective for the Company in fiscal 2010 and relates to accounting for non-controlling shareholders. It requires reporting entities to present non-controlling interests as equity (as opposed to a liability). This results in the presentation of non-controlling interests as a component of equity on the consolidated balance sheets.

Accounting for uncertain tax positions
The liability for unrecognized tax benefits ("UTBs") related to permanent and temporary tax adjustments, exclusive of interest, was $4,438 as at August 31, 2010 (2009 — $4,377). Of this total, $3,052 of tax benefits would favourably affect the Company's effective tax rate if the benefits were recognized in the consolidated financial statements.

The net change in the liability in fiscal 2009 and 2010 resulted from the following:

UTB balance as at September 1, 2008	6,404
Gross increase related to tax positions of prior years	617
Reductions related to settlements with taxing authorities	(2,644)
UTB balance as at September 1, 2009	4,377
Gross increase related to tax positions of prior years	221
Reductions related to settlements with taxing authorities	(160)
UTB balance as at August 31, 2010	4,438

(in thousands of Canadian dollars, except share information)

The Company recognizes interest expense and penalties related to UTBs within the provision for income tax expense in the consolidated statements of income (loss). The liability related to interest and penalties was $1,185 as at August 31, 2010 (2009 - $910). During the year ended August 31, 2010, the Company recorded an expense of $275 in respect of interest expense and penalties related to UTBs.

The Company believes that it is reasonably possible that its UTB balance could decrease by $978 in the next 12 months as a result of a lapse of statute of limitations.

The following table summarizes, by major tax jurisdiction, the tax years that remain open to examination by the relevant taxing authorities:

Tax jurisdiction	Years subject to examination
Canada	2006 - forward
Ireland	2004 - forward
United States	2007 - forward

Fair Value Measurements
In September 2006, the Financial Accounting Standards Board ("FASB") issued guidance that defines fair value, establishes a framework for measuring fair value under U.S. GAAP and expands disclosures about fair value measurements. This guidance was effective for the Company beginning September 1, 2008, and had no impact on the consolidated financial statements.

The following table presents information related to the Company's financial assets and liabilities measured at fair value on a recurring basis and the level within the guidance hierarchy in which the fair value measurements fall as at August 31, 2010:

	Quoted prices in active markets for identical assets or liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Cash and cash equivalents	7,969	-	-
Investments and other assets	431	-	-
Assets carried at fair value	8,400	-	-
Accounts payable and accrued liabilities	-	-	-
Liabilities carried at fair value	-	-	-

Recent United States accounting pronouncements

(a) Adopted

Non-controlling Interests

In December 2007, the FASB issued guidance on the accounting and reporting for a non-controlling interest in a subsidiary, which was effective for fiscal years beginning after December 14, 2008. This standard was adopted for the fiscal year beginning September 1, 2009. Upon adoption of this guidance, the non-controlling interest is measured at 100% of the fair value of assets acquired and liabilities assumed. For presentation and disclosure purposes, non-controlling interest is classified as a separate component of shareholders' equity. In addition, this standard changes the manner in which increases/decreases in ownership percentages are accounted for. Changes in ownership percentages are recorded as equity transactions and no gain or loss will be recognized as long as the parent retains control of the subsidiary. When a parent company deconsolidates a subsidiary but retains a non-controlling interest, the non-controlling interest is re-measured at fair value on the date control is lost and a gain or loss is recognized at that time. Finally, under this standard, accumulated losses attributable to the non-controlling interests are no longer limited to the original carrying amount, and therefore non-controlling interest could have a negative carrying balance. The provisions of this standard are applied prospectively with the exception of the presentation and disclosure provisions, which are applied for all prior periods presented in the financial statements.

Business Combinations

In March 2009, the FASB issued additional authoritative guidance that requires all business acquisitions to be measured at fair value, the existing definition of a business was expanded, pre-acquisition contingencies are measured at fair value, most acquisition-related costs are recognized as an expense as incurred, as well as other changes. The statement is effective prospectively, for the Company beginning September 1, 2009. The Company has determined that the impact on its consolidated financial statement is not material.

Liabilities - Fair Value

In August 2009, the FASB amended authoritative guidance for determining the fair value of liabilities, which was effective October 1, 2009. The amended guidance reiterates that the fair value measurements of a liability should be based on the assumption that the liability was transferred to a market participant on the measurement date and should include the risk of nonperformance. In addition, the guidance establishes a hierarchy for determining the fair value of liabilities. Specifically, an entity must first determine whether a quoted price, from an active market, is available for identical liabilities before utilizing an alternate valuation technique. The adoption of this guidance did not have a significant impact on the Company's Consolidated Financial Statements.

(b) Pending

Variable Interest Entities

In June 2009, the FASB issued amendments to authoritative guidance on consolidation of variable interest entities, which will be effective for the Company effective September 1, 2010. The amended guidance revises factors that should be considered by a reporting entity when determining whether an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. This guidance also includes revised financial statement disclosures regarding the reporting entity's involvement and risk exposure. The Company does not expect the adoption of this guidance will have a significant impact on the Company's Consolidated Financial Statements.

Revenue Recognition

FASB ASC 605, "Revenue Recognition for Multiple-Element Arrangements." In October 2009, the FASB issued Accounting Standards Update No. 2009-13, Revenue Recognition (605) Multiple-Deliverable Revenue Arrangements (A Consensus of the FASB Emerging Issues Task Force) (ASU 2009-13), which amends existing accounting standards for revenue recognition for multiple-element arrangements. To the extent a deliverable within a multiple-element arrangement is not accounted for pursuant to other accounting standards, including ASC 985-605, Software-Revenue Recognition, ASU 2009-13 establishes a selling price hierarchy that allows for the use of an estimated selling price to determine the allocation of arrangement consideration to a deliverable in a multiple element arrangement where neither vendor-specific objective evidence nor third-party evidence is available for that deliverable. ASU 2009-13 is to be applied prospectively for revenue arrangements entered into or materially modified commencing fiscal 2011. Early adoption is permitted. The Company is currently evaluating the impact of the pending adoption of ASU 2009-13.

28. Comparative consolidated financial statements

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2010 consolidated financial statements.

Management's discussion and analysis of the financial position and results of operations for the fiscal year ended August 31, 2010, is prepared at October 31, 2010. This should be read in conjunction with the Company's August 31, 2010 Annual Report and audited consolidated financial statements and notes therein.

The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). Refer to note 27 of the consolidated financial statements of the Company for a summary of differences between Canadian and United States ("U.S.") GAAP.

All dollar amounts are in Canadian dollars unless otherwise indicated.

Cautionary statement regarding forward-looking statements

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

OVERVIEW

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

Corus operates through two lines of business: Radio and Television. The Corporate results represent the incremental cost of corporate overhead in excess of the amount allocated to the operating divisions. Generally, Corus' financial results depend on a number of factors, including the strength of the Canadian national economy and the local economies of Corus' served markets, local and national market competition from other broadcasting stations and other advertising media, government regulation, market competition from other distributors of children's animated programming and Corus' ability to continue to provide popular programming.

(a) Radio
The Radio division comprises 49 radio stations situated primarily in nine of the ten largest Canadian markets by population and in the densely populated area of Southern Ontario. Revenues are derived from advertising aired over these stations. Corus is one of Canada's leading radio operators in terms of audience reach and tune-in. Results for the Radio business are presented on a geographic basis for Radio West, Radio Ontario, and Radio Quebec and other.

(b) Television
The Television division comprises several analog and digital specialty channels, conventional channels and premium pay television services, as well other businesses related to television. The Kids segment comprises: YTV; Treehouse TV; Nickelodeon (Canada); a 50% interest in TELETOON and TELETOON Retro, and the Nelvana content business. The Specialty and Pay segment comprises: W Network; VIVA; W Movies; Sundance Channel (Canada); Corus' western Canadian pay television services Movie Central (including HBO Canada) and Encore Avenue; three local television stations, and the Company's interests in CMT Canada, Telelatino, DUSK and Cosmopolitan TV. Revenues for analog and digital specialty television networks are generated from affiliate subscriber fees and advertising. Revenues for pay television are generated from affiliate subscriber fees. Revenues for the conventional television stations are derived from advertising. Revenues for the distribution and licensing business are generated from licensing of television programs, merchandise licensing and publishing.

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

(in millions of Canadian dollars, except percentages and per share amounts)	2010	2009	2008	% Increase 2010 over 2009	% Increase 2009 over 2008
Revenues	836.2	788.7	787.2	6.0	0.2
Segment profit [1]	264.1	251.2	252.1	5.1	(0.4)
Net income	126.7	(56.6)	129.8		
Earnings per share					
Basic	$ 1.57	$ (0.71)	$ 1.57		
Diluted	$ 1.56	$ (0.71)	$ 1.54		
Total assets	2,059.2	1,874.7	2,033.7		
Long-term debt	691.9	651.8	692.8		
Cash dividends declared per share					
Class A Voting	$ 0.59502	$ 0.59502	$ 0.570015		
Class B Non-Voting	$ 0.60000	$ 0.60000	$ 0.574995		

Notes:
[1] As defined in "Key performance indicators – Segment profit and segment profit margin".

RESULTS OF OPERATIONS

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

[in thousands of Canadian dollars, except percentages]	2010	2009	2008	% Increase [Decrease] 2010 over 2009	2009 over 2008
Revenues					
Radio	261,124	258,912	286,449	0.9	(9.6)
Television	575,097	530,014	500,966	8.5	5.8
Eliminations	–	(208)	(259)		
	836,221	788,718	787,156	6.0	0.2
Direct cost of sales, general and administrative expenses					
Radio	195,593	198,574	210,945	(1.5)	(5.9)
Television	348,418	320,869	301,361	8.6	6.5
Corporate	28,141	18,293	22,979	53.8	(20.4)
Eliminations	–	(208)	(259)		
	572,152	537,528	535,026	6.4	0.5
Segment profit [1]					
Radio	65,531	60,338	75,504	8.6	(20.1)
Television	226,679	209,145	199,605	8.4	4.8
Corporate	(28,141)	(18,293)	(22,979)	53.8	(20.4)
Eliminations	–	–	–		
	264,069	251,190	252,130	5.1	(0.4)
Depreciation	23,151	20,704	22,054		
Interest expense	47,223	37,426	41,313		
Broadcast license and goodwill impairment	–	175,000	–		
Disputed regulatory fees	(16,194)	5,258	10,936		
Debt refinancing loss	14,256	–	–		
Restructuring charges	12,924	8,632	6,142		
Other expense (income), net	14,972	(204)	1,711		
Income before income taxes and on-controlling interest	167,737	4,374	169,974		
Income tax expense	35,119	56,350	35,519		
Non-controlling interest	5,884	4,659	4,620		
Net income (loss) for the year	126,734	(56,635)	129,835		

Notes:

[1] As defined in "Key performance indicators – Segment profit and segment profit margin".

FISCAL 2010 COMPARED TO FISCAL 2009

Revenues

Revenues for the fourth quarter were $202.8 million, an increase of 4% from $195.2 million last year. Subscriber revenues increased by 6% and advertising revenues increased by 10% in the quarter. Television revenues increased by 3% and Radio revenues increased by 5% in the quarter. For the twelve-month period, revenues of $836.2 million represented an increase of 6%. Subscriber revenues increased by 10% and advertising revenues increased by 4% in the full fiscal year. On a divisional basis, Television revenues increased by 9%, while Radio revenues increased by 1% in the full fiscal 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 were $151.2 million, up 10% from $137.8 million in the prior year. This increase is attributed to higher general and administrative costs, particularly new tariffs in Radio and higher facilities costs and accruals for short-term incentive plans. For the twelve-month period, expenses of $572.2 million represented a 6% increase over the prior year as a result of higher program rights amortization in the Television division and higher Corporate costs. Refer to the discussion of segmented results for additional analysis of expenses.

Depreciation

Depreciation expense for fiscal 2010 was higher than in the prior year due to the commencement of depreciation on Corus Quay. Depreciation in the fourth quarter was marginally higher than the future run rate, due to accelerated depreciation on certain assets as the Company transitions out of its old broadcast facility.

Interest expense

Interest on long-term debt is up from the prior year due to the issuance of new debt in the second quarter of fiscal 2010. In February 2010, the Company issued $500.0 million in senior unsecured guaranteed notes due 2017 (the “Notes”) that pay interest at 7.25%. The Company used these proceeds to pay down bank debt. The effective interest rate on bank loans and notes for fiscal 2010 was 5.5% compared to 4.2% on bank loans last year.

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 $16.2 million over that period, and reversed this accrual in the first quarter of fiscal 2010.

Debt refinancing loss

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 loss of $14.3 million. The components of this loss 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 charges

In the fourth quarter of fiscal 2010, the Company undertook a significant organizational restructuring to streamline operating processes in the new Corus Quay facility. This resulted in the Company recording a charge of $12.9 million in the fourth quarter, of which $11.3 million relates to severance and employee-related expenses, and $1.6 million relates to other process-related expenses.

Other expense (income), net

Other expense in the fourth quarter of fiscal 2010 consists primarily of the retroactive portion of the new Radio tariffs introduced in July 2010, while the prior year's quarter consists of investment writedowns. For the full year, other expense in the current year consists primarily of rental expenses incurred on Corus Quay prior to the completion of the project, as well as the Radio tariff. The prior year includes a gain of $7.2 million related to the sale of a residential audio business and investment writedowns of $6.2 million.

Income taxes

The effective tax rate for fiscal 2010 was 20.9%, compared to the Company's 31.7% statutory rate. The difference is due primarily to the impact of a change in the Ontario provincial long-term tax rate that became effective in the first quarter. This rate change resulted in the Company recording a non-cash recovery of $14.3 million through the income tax expense line.

Net income and earnings per share

Net income for the fourth quarter was $6.8 million, as compared to net income of $18.7 million last year. Earnings per share for the fourth quarter were $0.08 basic and diluted, compared to $0.23 basic and diluted last year. Net income for the current year's quarter includes a Radio tariff accrual of $7.9 million ($0.06 per basic share) and restructuring charges of $12.9 million ($0.10 per basic share). With respect to the Radio tariff accrual in the quarter, the Company has included in segment profit the tariff of $2.8 million related to fiscal 2010 revenues, while the pre-fiscal 2010 tariff of $5.1 million has been recorded in other expenses.

Net income for fiscal 2010 was $126.7 million, as compared to a net loss of $56.6 million in the prior year. Earnings per share for fiscal 2010 was $1.57 basic and $1.56 diluted, compared with a loss per share of $0.71 basic and diluted last year. In addition to the items noted above, net income for the current fiscal year also includes a reversal of the disputed regulatory fee accrual, a reduction in the income tax rate and a debt refinancing loss. Net income for the prior year includes a $172.5 million ($2.15 per basic share) after-tax broadcast license and goodwill impairment charge.

The weighted average number of shares outstanding has increased in the current year due to the exercise of stock options and the issuance of shares from treasury under the dividend reinvestment plan.

Other comprehensive income (loss), net of tax

The significant item in other comprehensive income was the change in the unrealized fair value of the Company's interest rate swap agreements prior to their termination in the second quarter of fiscal 2010, and the reversal of the cumulative unrealized change in the fair value of the agreements that were previously recorded in other comprehensive income in net income as a component of the debt refinancing loss.

Radio

(thousands of Canadian dollars)	Three months ended August 31, 2010	2009	Twelve months ended August 31, 2010	2009
Revenues				
West	**22,251**	21,881	**93,470**	100,544
Ontario	**23,934**	22,364	**92,052**	85,185
Quebec and other	**16,749**	15,696	**75,602**	73,183
	62,934	59,941	**261,124**	258,912
Segment profit				
West	**6,333**	7,678	**30,295**	35,319
Ontario	**7,257**	8,219	**27,417**	23,681
Quebec and other	**(325)**	(752)	**7,819**	1,338
	13,265	15,145	**65,531**	60,338

Revenues for the fourth quarter increased by 5%, and revenues for the year increased by 1% compared to the prior year. Advertising revenues increased by 6% in the quarter. Revenues in the West grew for the second consecutive quarter after several quarters of decreases despite rate compression in Calgary and Edmonton as a result of the new licenses. Although the West remains down 7% for the full fiscal year, the total advertising spend in the Western markets is showing year-over-year growth. Revenues in the rest of Canada experienced high single-digit growth for the quarter, particularly in Ontario, resulting in strong growth on the year-to-date as well. The Company's results for the quarter and for the year-to-date exceed the performance of the overall market in Canada in cities where we compete. In particular, the Company exceeded market growth in Toronto, Canada's largest market.

Direct cost of sales, general and administrative expenses for the fourth quarter increased by 11% compared to the prior year, and decreased by 2% for the full fiscal year. Variable expenses increased significantly in the quarter on new tariffs introduced in the quarter, higher CRTC Part II fees and sales commission earned on the higher revenues, although the Company continues to benefit from a transition to a lower average cost of sales structure on national sales. Fixed costs, which represent a much higher proportion of the cost structure, decreased by 5% for both the fourth quarter and full year from the prior year periods. The decrease was largely in employee related costs which results from initiatives taken by the Company recently to reduce the fixed cost base of the division.

In the first quarter of fiscal 2010, the Radio division reversed its August 31, 2009 disputed Part II regulatory fee accrual of $8.9 million. This is excluded from segment profit. In fiscal 2010, the Company began accruing for the estimated revised Part II fee, and the Radio division incurred a charge of $2.0 million for the full year. This amount is included in segment profit for fiscal 2010, with no comparable amount in segment profit for fiscal 2009.

In addition, in the fourth quarter of fiscal 2010, the Radio division recorded an accrual of $7.9 million related to new tariffs announced in July 2010, for which there is no comparative amount in fiscal 2009. The portion related to the current year's revenues is $2.8 million, and is included in segment profit in the fourth quarter. The portion related to prior years' revenues is $5.1 million, and is included in other expense in the fourth quarter.

Television

(thousands of Canadian dollars)	Three months ended August 31,		Twelve months ended August 31,	
	2010	2009	**2010**	2009
Revenues				
Kids	**58,497**	58,648	**240,568**	222,925
Specialty and Pay	**81,358**	76,840	**334,529**	307,089
	139,855	135,488	**575,097**	530,014
Segment profit				
Kids	**18,327**	21,709	**97,126**	89,745
Specialty and Pay	**28,628**	25,003	**129,553**	119,400
	46,955	46,712	**226,679**	209,145

Revenues increased by 3% in the fourth quarter, reflecting an increase of 6% on subscriber revenues and continued strong growth in advertising revenues, with an increase of 15%. Total specialty advertising revenues were up 22%, while non-specialty advertising revenues were down 32%. Other revenues, primarily merchandising revenues, decreased 17% in the fourth quarter but finished the fiscal year with 10% growth over the prior year. Subscriber revenue growth for the quarter reflects the addition of two new offerings in W Movies and Sundance Channel and strong paid subscriber growth at CosmoTV. Advertising revenues grew 33% on our Kids segment, reflecting strengthening ratings and our success in monetizing our “co-view” audience. Specialty advertising revenues on our Specialty and Pay segment showed a strong increase of 15% in the quarter. Non-specialty advertising revenues declined due to challenges faced by our former cable advertising service. Full year subscriber revenues increased 10% while a strong second half to the fiscal year resulted in advertising revenue growth of 6% over the prior year. Specialty advertising revenues grew by 9% in the fiscal year. Movie Central, including HBO Canada, finished the year with 963,000 subscribers, up 1% from the same period last year.

Direct cost of sales, general and administrative expenses increased by 5% in the fourth quarter and 9% for the full fiscal year. Direct cost of sales, which includes amortization of program rights and film investments, decreased by 1% for the quarter and increased by 9% for the full fiscal year. Amortization of program rights costs fluctuate with changes in subscriber levels, as a result of program supply agreements and Canadian content requirements based on the prior year’s revenues, as a result of conditions of license. Amortization of film investments fluctuate in proportion to the volume of service work in the studio and content distribution revenues. Planned investment in programming for our Women’s networks to drive growth also contributed to the increased costs for the full year. General and administrative expenses increased in the quarter and full fiscal year as a result of increases in CRTC Part II fees, trademark costs, expenses related to the launch of new services and higher facilities costs related to the fourth quarter move into Corus Quay. Television has contained employee related cost growth to low single digits.

In the first quarter of fiscal 2010, the Television division reversed its August 31, 2009 disputed Part II regulatory fee accrual of $7.3 million. This is excluded from segment profit. In fiscal 2010, the Company began accruing for the revised fee, and the Television division incurred a charge of $1.9 million for the full fiscal year. This amount is included in segment profit for fiscal 2010 with no comparable amount in fiscal 2009.

On November 30, 2009, the Company completed the acquisition of Drive-In Classics and SexTV. These specialty services were rebranded Sundance Channel and W Movies, respectively, and their results are included in the Specialty and Pay segment commencing with the second quarter of fiscal 2010.

Corporate

(thousands of Canadian dollars)	Three months ended August 31,		Twelve months ended August 31,	
	2010	2009	**2010**	2009
Stock-based compensation	**1,944**	1,472	**7,770**	5,146
Other general and administrative costs	**6,695**	2,962	**20,371**	13,147
	8,639	4,434	**28,141**	18,293

Stock-based compensation includes the expenses related to the Company's Performance Share Units ("PSUs"), stock options and other long-term incentive plans. The expense related to stock-based compensation is higher in the current year due to changes in the assumptions underlying the expense recognition of certain plans, primarily related to the Company's higher share price relative to the same period last year, as well as the granting of additional units under the long-term incentive plan in the current year.

Other general and administrative costs for the quarter and year are up from the prior year primarily as a result of accruals for short-term compensation plans and facilities costs related to Corus Quay.

FISCAL 2009 COMPARED TO FISCAL 2008

Revenues

For fiscal 2009, revenues of $788.7 million represented a slight increase over $787.2 million in the prior year. Advertising revenues decreased by 9% from the prior year, while subscriber revenues increased by 14% over the prior year. Advertising revenues decreased as a result of the recent economic slowdown experienced across Canada, particularly in Alberta, British Columbia and Ontario. As our Radio business is more dependent on advertising revenues than is the Television business, the impact of these economic conditions was more significant in our Radio business. Refer to the discussion of segmented results for additional analysis of revenues.

Direct cost of sales, general and administrative expenses

For fiscal 2008, direct cost of sales, general and administrative expenses were $537.5 million, an increase of 1% over the prior year. Direct cost of sales, consisting primarily of the amortization of program rights and film investments, increased by 8% over the prior year. General and administrative expenses decreased by 4% from the prior year. Refer to the discussion of segmented results for additional analysis of expenses.

Depreciation

Depreciation expense for fiscal 2009 was $20.7 million, a decrease of $1.4 million from the prior year. This decrease reflects a reduction in capital expenditures in recent periods in anticipation of the move to the Toronto Waterfront facility.

Interest expense

Interest expense for fiscal 2009 of $37.4 million represented a $3.9 million decrease from the prior year. Interest on long-term debt was down from the prior year despite the higher average debt balance in fiscal 2009, as interest rates were lower in the year. This is offset by the impact of the interest rate swap, since Interest rate swap agreements fix the interest rate at 4.13% plus a margin on $400.0 million of the bank debt for the full term of the facility. The effective interest rate on bank loans for fiscal 2009 was 4.2%.

Broadcast license and goodwill impairment

Broadcast licenses and goodwill are tested for impairment annually as at August 31 or more frequently if events or changes in circumstances indicate that they may be impaired. During the third quarter of fiscal 2009, the Company concluded that an interim goodwill and broadcast license impairment test was required for the Radio reporting unit. This conclusion was based on an assessment of a number of factors, the most significant being the decline in radio advertising revenues experienced in the third quarter and the completion of the Company's annual business planning cycle also during the third quarter. Each of these factors highlight adverse market factors affecting radio industry trading multiples in general and the Company's Radio reporting unit market value in particular. As a result, the Company recorded a broadcast license impairment charge of $11.5 million and a goodwill impairment charge of $163.5 million related to the Radio reporting unit.

Disputed regulatory fees

The disputed regulatory fee accrual relates to the April 2008 decision of the Federal Court of Appeal to reverse the December 2006 Federal Court decision that ruled that Part II fees paid by broadcasters to the Canadian Radio-television and Telecommunications Commission were an unlawful tax. The broadcasting industry is pursuing avenues of appeal; however until such time as an appeal is heard, the regulation is in force. The accrual in fiscal 2008 includes a balance of $4.9 million related to fiscal 2007 and $6.0 million related to fiscal 2008. Subsequent to the end of the fiscal year, an agreement was reached in respect of these fees, which resulted in the Company reversing this accrual in fiscal 2010.

Other expense, net

Other expense increased in fiscal 2009 as a result of further initiatives to reduce costs in the Radio division in general and the Quebec region in particular. The Company incurred $8.6 million in fiscal 2009 in relation to these initiatives. The prior year includes restructuring charges of $6.1 million, incurred in the Television and Radio segments.

Income taxes

The effective tax rate for fiscal 2009 was 1288.3%, compared to the Company’s 33.0% statutory rate. This difference is due to the almost entirely non-deductible treatment of the broadcast license and goodwill impairment charge. Adjusting for the difference related to the broadcast license and goodwill impairment charge, the effective rate for fiscal 2009 was 32.8%.

Net income and earnings per share

Net loss for fiscal 2009 was $56.6 million, as compared to net income of $129.8 million in the prior year. Loss per share for fiscal 2009 was $0.71, basic and diluted, compared with earnings per share of $1.57 basic and $1.54 diluted for fiscal 2008. Net loss for fiscal 2009 includes an after-tax broadcast license and goodwill impairment charge of $172.5 million, while the prior year benefited from $23.2 million in recoveries related to income tax changes. Removing the impact of these items would result in adjusted basic earnings per share of $1.45 in the current year and $1.29 in the prior year. The weighted average number of shares outstanding decreased in fiscal 2009 as a result of shares acquired and cancelled by Corus under its normal course issuer bid.

__Other comprehensive loss, net of tax__

The significant item in other comprehensive loss is the change in the unrealized fair value of the Company's interest rate swap. Interest rate declines in both fiscal 2009 and 2008 resulted in an increase in the Company's derivative fair-value liability and a charge through other comprehensive income. The charge is higher in fiscal 2008 as the interest rate decline was more significant in that year.

Radio

	Year ended August 31,	
(thousands of Canadian dollars)	**2009**	2008
Revenues		
West	100,544	115,462
Ontario	85,185	94,465
Quebec and other	73,183	76,522
	258,912	286,449
Segment profit		
West	35,319	43,530
Ontario	23,681	29,449
Quebec and other	1,338	2,525
	60,338	75,504

Revenues in fiscal 2009 declined by 10% from the prior year, as the economic slowdown in Canada led to decreased advertising spending. Local airtime revenues decreased by 10% and national airtime revenues decreased by 17% compared to the prior year. The declines were experienced across Canada, but was particularly pronounced in the west, which declined by 13% after several years of significant growth. The declines in Quebec were less pronounced as that region had not experienced the same growth in recent years as Ontario and the west. While the advertising market as a whole declined in fiscal 2009, the Company's revenues were especially hard hit due to a sharp decline in the male demographic. While traditionally strong categories in spending show continued signs of weakness, Corus has focused on maintaining the integrity of its rates, and is poised to benefit from an end of the recession when it occurs.

Direct cost of sales, general and administrative expenses for fiscal 2009 decreased by 6% from the prior year. Variable expenses such as commissions decreased in proportion to the decrease in revenues. Fixed costs, which represent a much higher proportion of the cost structure, decreased by 4% from the prior year. The decrease was largely in employee-related costs and advertising and marketing. This is largely the result of initiatives taken by the Company recently to adjust to lower revenue levels and align the cost structure of this division with its strategic objectives.

Segment profit for fiscal 2009 decreased by 20% from the prior year. Radio is largely a fixed-cost business so the revenue declines resulted in a higher percentage segment profit decline, and a decrease in profit margin. The profit margin decrease was greater in Ontario than in the west because the Ontario operations consist of more small markets with less discretionary spending, and so was less able to adapt to lower revenues.

In the third quarter of fiscal 2009, the Company recorded $175.0 million in broadcast license and goodwill impairment charges related to the Radio division. These charges are excluded from segment profit.

Through fiscal 2009, the Company implemented several initiatives in its Radio operations, particularly related to its Quebec operations and its consolidated sales function. These initiatives resulted in restructuring expenses of approximately $8.6 million in fiscal 2009. These costs are excluded from segment profit. The Company continues to assess challenges presented by the Quebec market, and may undertake further initiatives to align the cost structure of this division with its strategic objectives.

Television

(thousands of Canadian dollars)	Year ended August 31, **2009**	2008
Revenues		
Kids	222,925	223,796
Specialty and Pay	307,089	277,170
	530,014	500,966
Segment profit		
Kids	89,745	86,640
Specialty and Pay	119,400	112,965
	209,145	199,605

Television revenues in fiscal 2009 increased by 6% over the prior year. Advertising revenues decreased by 6%, while subscriber revenues increased by 14%. Specialty advertising revenues declined by 5% in fiscal 2009. The advertising declines were experienced in the two main Kids brands: YTV and TELETOON. These declines came in two main advertising categories: Toys and Entertainment. Subscriber revenue growth was experienced across all Corus brands, but was primarily in the Adult specialty and pay brands. This is partly attributed to the successful launch of new brands such as VIVA, CosmoTV and HBO Canada. Movie Central (including HBO Canada) finished the year with 953,000 subscribers, up 7% from the prior year. Other revenues, including studio service work, distribution, merchandising and publishing revenues were up 13% in fiscal 2009, due largely to the success of international success of *Bakugon* in the Kids segment.

Direct cost of sales, general and administrative expenses increased by 6% in fiscal 2009. Direct cost of sales, consisting primarily of the amortization of program rights and film investments, increased by 8% over the prior year. These costs fluctuate in proportion to changes in subscriber levels; as a result of program supply agreements; as a result of Canadian content requirements based on the prior year's revenues; as a result of conditions of license; as well as with the volume of service work in the studio. These increased costs were offset by effective cost containment across all categories of general and administrative expenses, which increased by 4% for the year. The increase is largely the result of costs related to the launch of new brands.

Segment profit in fiscal 2009 increased by 5% over the prior year. The Company maintained a stable segment profit margin in the Television business relative to the prior year, in both the Kids and the Specialty and Pay segments.

Corporate

(thousands of Canadian dollars)	Year ended August 31, **2009**	2008
Stock-based compensation	5,146	9,168
Other general and administrative costs	13,147	13,811
General and administrative expenses	18,293	22,979

General and administrative expenses decreased to $18.3 million in fiscal 2009 from $23.0 million in the prior year.

Stock-based compensation includes the expenses related to the Company's Performance Share Units ("PSUs"), stock options and other long-term incentive plans. The expense related to stock-based compensation is lower in the current year due to: changes in the assumptions underlying the expense recognition of certain plans; the Company's lower average share price in the current year; and fewer units outstanding in the current year.

Other general and administrative costs are down from the prior year primarily as a result of lower costs related to short-term incentive-based compensation.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
The following tables set forth certain unaudited data derived from the unaudited consolidated financial statements for each of the eight most recent quarters ended August 31, 2010. In Management's opinion, these unaudited consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements contained elsewhere in this report.

[thousands of Canadian dollars, except per share amounts]

	Revenues	Segment profit [1]	Net income (loss)	Earnings (loss) per share Basic	Diluted
2010					
4th quarter	202,789	51,581	6,812	$ 0.08	$ 0.08
3rd quarter	218,439	73,818	31,411	0.39	0.39
2nd quarter	192,664	55,445	14,603	0.18	0.18
1st quarter	222,329	83,225	73,908	0.92	0.91
2009					
4th quarter	195,221	57,423	18,733	$ 0.23	$ 0.23
3rd quarter	195,354	61,416	(145,030)	(1.81)	(1.81)
2nd quarter	181,358	51,009	29,029	0.36	0.36
1st quarter	216,785	81,342	40,633	0.51	0.50

Notes:
[1] As defined in "Key performance indicators - Segment profit and segment profit margin".

Seasonal fluctuations
Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. Accordingly, one quarter's operating results are not necessarily indicative of what a subsequent quarter's operating results will be. In particular, the Company's broadcasting businesses 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 they tend to be the weakest, consistent with lower consumer spending in winter months.

Significant items causing variations in quarterly results

- Net income in 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 in the new Corus Quay facilities.
- Net income in the fourth quarter of fiscal 2010 was negatively impacted by an accrual of $7.9 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 $16.2 million disputed regulatory fee accrual.

- Revenues in the third quarter of fiscal 2009 decreased from the previous year, as the Canadian economy had a negative impact on the advertising market. The impact was most pronounced in the Radio division.
- Net loss in the third quarter of fiscal 2009 includes broadcast license and goodwill impairment charges of $172.5 million, net of tax of $2.5 million, related to the Radio division.
- Net income in the second quarter of fiscal 2009 was positively impacted by a gain of $7.2 million related to the disposition of a residential audio service.

KEY PERFORMANCE INDICATORS

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

Revenue

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

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

Corus is well diversified by revenue source with revenue streams for the year ended August 31, 2010, derived primarily from two areas: advertising (52%) and subscriber fees (34%) (2009 – 53% and 33%, respectively).

Direct cost of sales, general and administrative expenses

Consolidated direct cost of sales, general and administrative expenses include amortization of program and film rights (costs of programming intended for broadcast, from which advertising and subscriber fee revenues are derived), amortization of film investments (costs associated with internally produced and acquired television and film programming, from which distribution and licensing revenues are derived), employee remuneration, regulatory license fees, cost of goods sold relating to publishing, marketing (research and advertising costs), selling, general administration and overhead costs. Approximately 31% and 35% of consolidated direct cost of sales, general and administrative expenses in fiscal 2010 (2009 – 31% and 33%, respectively) were composed of employee remuneration and amortization of programming and film costs, respectively.

Segment profit and segment profit margin

Segment profit is calculated as revenues less direct cost of sales, general and administrative expenses as reported in the Company's consolidated statements of income and retained earnings. 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; (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 loss; restructuring charges and certain other income and expenses (note 13 to the 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 consolidated financial statements. Segment profit margin is calculated by dividing segment profit by revenues.

Free cash flow

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

[thousands of Canadian dollars]	**2010**	**2009**	**2008**
Cash provided by [used in]:			
Operating activities	144,066	113,239	130,578
Investing activities	(121,124)	(19,864)	(101,520)
Free cash flow	22,942	93,375	29,058

Net debt

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

[thousands of Canadian dollars]	**2010**	**2009**
Long-term debt	691,891	651,767
Cash and cash equivalents	(7,969)	(10,922)
Net debt	683,922	640,845

Net debt to segment profit

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

[thousands of Canadian dollars except ratios]	**2010**	**2009**	**2008**
Net debt [numerator]	683,922	640,845	673,108
Segment profit [denominator]	264,069	251,190	252,130
Net debt to segment profit	2.6	2.6	2.7

RISKS AND UNCERTAINTIES

Impact of regulation on Corus' results of operations

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

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

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

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

On July 10, 2010 the Copyright Board announced that it had certified new royalties to be collected by certain collectives in respect of commercial radio stations. The Company recorded an expense of approximately $7.9 million in the fourth quarter to reflect the impact of the new royalties. The Company estimates the future annual impact of these new royalties to be approximately $3.0 million. These increases relate primarily to certain newly certified tariffs that did not previously exist.

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

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

The television production industry, specialty and pay television channel broadcasting and radio broadcasting have always involved a substantial degree of risk. There can be no assurance of the economic success of radio stations, television programs or specialty television channels because revenue derived depends on audience acceptance of other competing programs released into, or channels existing in, the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, public tastes generally, and other intangible factors, all of which could rapidly change and many of which are beyond Corus' control. The lack of audience acceptance for Corus' radio stations, television programs, specialty and pay television channels would have an adverse impact on Corus' businesses, results of operations, prospects and financial condition.

Radio
The financial success of each of Corus' radio stations is dependent principally upon its share of the overall advertising revenue within its geographic market, its promotional and other expenses incurred to obtain the revenue and the economic strength of its geographic market. Corus' radio advertising revenues are, in turn, highly dependent upon audience share. Other stations may change programming formats to compete directly with Corus' stations for listeners and advertisers or launch aggressive promotional campaigns in support of already existing competitive formats. If a competitor, particularly one with substantial financial resources, were to attempt to compete in either of these fashions, ratings at Corus' affected stations could be negatively impacted, resulting in lower net revenues.

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

Television
The financial success of Corus' specialty television business depends on obtaining revenue from advertising as well as from subscription fees. Numerous broadcast and specialty television networks compete with Corus for advertising revenue, and a failure by Corus to obtain its necessary share of such revenue could materially adversely affect Corus' results of operations. Corus' services also compete with a number of foreign programming services which have been authorized for distribution in Canada by the CRTC. Moreover, increasingly Corus' specialty, pay and conventional television services are competing with alternative forms of entertainment that are not regulated by the CRTC, such as the Internet and video and DVD rentals. In addition, competition among specialty television services in Canada is highly dependent upon the offering of prices, marketing and advertising support and other incentives to cable operators and other distributors for carriage so as to favourably position and package the services to subscribers. As well, the CRTC has licensed a number of specialty services for digital distribution, which increases competition. Any failure by Corus to compete effectively in the area of specialty television services could materially adversely affect Corus' results of operations.

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

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

Further, vertical integration of the television broadcast industry and the creation and expansion of new networks, which create a substantial portion of their own programming, have decreased the number of available time slots for programs produced by third-party production companies. There can be no assurances that Corus will be able to compete successfully in the future or that Corus will continue to produce or acquire rights to additional successful programming or enter into agreements for the financing, production, distribution or licensing of programming on terms favourable to Corus. There continues to be intense competition for the most attractive time slots offered by those services. There can be no assurances that Corus will be able to increase or maintain penetration of broadcast schedules.

Risks associated with production of film and television programs and websites

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

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

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

Results of operations for the production and distribution business within the Kids business for any period are dependent on the number, timing and commercial success of television programs and feature films delivered or made available to various media, none of which can be predicted with certainty. Consequently, current revenue from production and distribution may fluctuate materially from period to period and the results of any one period are not necessarily indicative of results for future periods. Cash flows may also fluctuate and are not necessarily closely correlated with revenue recognition.

Library revenue from production and distribution can vary substantially from year to year, both by geographic territory and by year of production. The timing of the Company's ability to sell library product in certain territories will depend on the market outlook in the particular territory and the availability of product by territory, which depends on the extent and term of any prior sale in that territory.

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

Intellectual property rights

Corus' trademarks, copyrights and other proprietary rights are important to the Company's competitive position. In particular, the Content group must be able to protect its trademarks, copyrights and other proprietary rights in order to competitively produce, distribute and license its television programs and published materials and market its merchandise. Accordingly, Corus devotes the Company's resources to the establishment and protection of trademarks, copyrights and other proprietary rights on a worldwide basis. However, from time to time, various third parties contest or infringe upon the Company's intellectual property rights. The Company reviews these matters to determine what, if any, actions may be required or should be taken, including legal action or negotiated settlement. There can be no assurance that the Company's actions to establish and protect trademarks, copyrights and other proprietary rights will be adequate to prevent imitation or unauthorized reproduction of the Company's products by others or prevent third parties from seeking to block sales, licensing or reproduction of these products as a violation of their trademarks, copyrights and proprietary rights.

Moreover, there can be no assurance that others will not assert rights in, or ownership of, the Company's trademarks, copyrights and other proprietary rights, or that the Company will be able to successfully resolve these conflicts. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States or Canada.

Technological developments

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

Interest rate and foreign exchange risk
Corus has the following financial exposures to risk in its day-to-day operations:

Interest rates
The Company utilizes long-term financing extensively in its capital structure, which includes banking facilities, as more fully described in note 9 to the consolidated financial statements.

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and LIBOR.

The Company manages its exposure to floating interest rates through maintaining a balance of fixed rate and floating rate debt. As at August 31, 2010, 70% of the Company's consolidated long-term debt was fixed with respect to interest rates.

Foreign exchange
A portion of the Company's revenues and expenses is in currencies other than Canadian dollars and, therefore, is subject to fluctuations in exchange rates. Approximately 7% of Corus' total revenues were in foreign currencies, the majority of which was U.S. dollars.

The impact of foreign exchange gains and losses are described in note 21 to the consolidated financial statements.

Contingencies
The Company and its subsidiaries are involved in litigation arising in the ordinary course and conduct of its business. The Company recognizes liabilities for contingencies when a loss is probable and capable of being estimated. As at August 31, 2010, there were no actions, suits or proceedings pending or against the Company or its subsidiaries which would, in management's estimation, likely be determined in such a manner as to have a material adverse effect on the business of the Company.

OUTLOOK
Corus' results for fiscal 2010 were within its stated guidance range for segment profit, and exceeded its stated guidance range for free cash flow. Segment profit for fiscal 2010 was negatively impacted by additional regulatory fees and tariffs. In the absence of these increases, the Company would have exceeded its stated guidance range.

At its annual Investor Day in September 2010, the Company updated investors on the Company's fiscal 2011 strategic priorities and provided near-term financial guidance for the 2011 fiscal year. In particular, the Company announced its fiscal 2011 guidance targets of consolidated segment profit of $285.0 million to $295.0 million, and free cash flow of $100.0 million or higher.

The free cash flow guidance for fiscal 2011 is significantly higher than the actual results for fiscal 2010, which reflects reduced capital expenditures related to Corus Quay.

To view the Investor Day presentation, please visit the Company's website at www.corusent.com.

FINANCIAL POSITION

Total assets at August 31, 2010 were $2.06 billion, compared to $1.87 billion at August 31, 2009. The following discussion describes the significant changes in the consolidated balance sheet since August 31, 2009.

Current assets increased by $41.7 million. Cash and cash equivalents decreased by $3.0 million. Refer to the discussion of cash flows in the next section. Accounts receivable increased by $28.4 million from year-end and $4.2 million from the previous quarter. The accounts receivable balance typically grows significantly 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 decreased due to the timing of income tax installment payments.

Tax credits receivable increased as a result of accruals related to film production. Investments and other assets did not change significantly from the prior year. Capital assets increased by $85.1 million, as spending on Corus Quay ramped up significantly in the second half of the fiscal year. Broadcast licenses and goodwill balances increased as a result of the acquisition of two specialty television services in the first quarter. Program and film rights (current and non-current) increased by $9.6 million, as additions of acquired rights of $170.1 million were offset by amortization during the period. In particular, investments in programming were made relating to the launch of Nickelodeon (Canada), W Movies and the Sundance Channel in the first and second quarters. Film investments increased by $8.3 million, as net film spending of $66.9 million was offset by film amortization and accruals for tax credits. The Nelvana studio has more episodes in production than at the same period last year.

Accounts payable and accrued liabilities increased by $32.4 million as a result of higher accruals for regulatory fees and tariffs, restructuring charges, short-term incentive accruals and the timing of general accounts payable.

Long-term debt increased by $40.1 million. The Company utilized its debt to finance the acquisition of two specialty television services in the first quarter. Other long-term liabilities increased by $18.1 million due to increased accruals for program rights, trademark intangibles and capital leases. In addition, units granted under the Company's long-term incentive plan were modified from equity-based to cash-based awards in the third quarter, and balances accrued were transferred from contributed surplus to other long-term liabilities. These increases were offset by the extinguishment of the liability associated with the Company's interest rate swap agreements. Net future tax liability (including current future tax asset) decreased by $9.0 million primarily due to a change in long-term Ontario provincial tax rates.

The exercise of employee stock options added $12.0 million to share capital and the issuance of shares from treasury under the Company's new dividend reinvestment plan added $3.7 million to share capital. Contributed surplus decreased by $5.5 million. Units that had vested under the Company's long-term incentive plan were paid in cash in the first quarter. The remaining outstanding units were confirmed to be cash-based awards in the third quarter and the balances were transferred to other long-term liabilities.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

Overall, the Company's cash and cash equivalents position decreased by $3.0 million in fiscal 2010, compared to a decrease of $8.7 million in the prior year. Free cash flow for fiscal 2010 was $22.9 million, compared to free cash flow of $93.4 million in the prior year. After adding back the impact of business combinations, adjusted free cash flow in fiscal 2010 is $62.9 million. This decrease in free cash flow reflects higher capital expenditures related to Corus Quay. Refer to the Key Performance Indicators for a reconciliation of free cash flow to consolidated statements of cash flows.

Cash provided by operating activities in fiscal 2010 was $144.1 million, compared to $113.2 million last year. This increase is related primarily to an increase of $12.9 million in segment profit, and significantly higher add-backs for amortization of program rights and film investments.

Cash used in investing activities in fiscal 2010 was $121.1 million, compared to cash used of $19.9 million last year. Capital expenditures are higher in the current year, as the Company incurred costs related to Corus Quay in fiscal 2010. Included in the current year is $77.4 million in Corporate capital expenditures related to Corus Quay. In addition, in the first quarter of fiscal 2010, the Company completed the acquisition of two specialty television services for cash of $40.0 million.

Cash used in financing activities in fiscal 2010 was $25.9 million, compared to cash used of $102.1 million in the prior year. In the current 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.

Liquidity
As at August 31, 2010, the Company has available $290.0 million under a revolving term credit facility that matures on February 10, 2014. Interest rates on the Company's facilities fluctuate with Canadian bankers' acceptances and LIBOR.

These borrowings combined with cash generated from operations have been the primary funding sources for operations over the last several years. The nature of the Company's business is such that significant expenditures are required to acquire program rights and to produce and acquire film assets for Television's broadcasting and distribution businesses. In addition, in fiscal 2010 the Company incurred significant capital expenditures related to the construction of Corus Quay. For the past three years, these expenditures have been financed from cash generated from operations. The Company continues to maintain a positive working capital position.

As at August 31, 2010, the Company had a cash and cash equivalents balance of $8.0 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.

In planning for fiscal 2010, the Company made one of its priorities to assess its overall long-term debt structure in order to improve its financial flexibility. The Company achieved this objective with the issuance of $500.0 million in senior unsecured guaranteed notes due 2017 paying interest at 7.25%.

Net debt to segment profit
As at August 31, 2010, net debt was $683.9 million, up from $640.8 million at August 31, 2009. Net debt to segment profit at August 31, 2010 was 2.6 times, unchanged from August 31, 2009. This ratio remains below management's stated long-term optimal range of 3.0 to 3.5 times.

Off-balance sheet arrangements and derivative financial instruments
The Company has guarantees and general indemnification commitments to counterparties. Historically, the Company has not made any significant payments with respect to these guarantees and indemnification provisions, and management believes that the risk of loss is low.

The Company has used derivative financial instruments to manage risks from fluctuations in interest rates. These instruments include interest rate swap agreements. All such instruments are only used for risk management purposes. The net receipts or payments arising from financial instruments relating to the management of interest rate risks are recognized in interest expense over the term of the instrument. The carrying values of derivative financial instruments are adjusted to reflect their current market value.

During fiscal 2010, the Company terminated its interest rate swap agreements and as at August 31, 2010 has no outstanding derivative financial instruments.

Contractual commitments
Corus has the following contractual obligations:

[thousands of Canadian dollars]	Total	Less than one year	One to three years	Four to five years	After five years
Long-term debt	691,891	–	191,891	–	500,000
Interest on notes	233,832	36,250	72,500	72,500	52,582
Operating leases	428,922	24,145	46,790	46,413	311,574
Program rights purchase commitments	360,514	116,697	109,527	44,026	90,264
Capital leases	25,260	8,450	15,182	1,628	–
Other obligations	13,964	1,730	3,578	3,735	4,921

In addition to the financial liabilities in the table above, the Company will also pay interest on any bank debt outstanding in future periods. In fiscal 2010, the Company incurred interest on bank debt of $16.5 million (2009 – $29.4 million; 2008 – $33.0 million).

Pending transaction

In April 2010, the Company entered into an agreement, conditional upon CRTC and Commissioner of Competition approval of the transaction in its current form, to sell certain Quebec radio stations for $80 million to Cogeco Inc. Should the regulatory approvals not be obtained, Cogeco may elect not to close the transaction.

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

During the year, the Company received cable service subscriber, programming and advertising fees of $124.9 million (2009 – $114.9 million), production and distribution revenue of $1.2 million (2009 – $0.5 million) and administrative and other fees of $5.4 million (2009 – $7.2 million) from related parties. In addition, the Company paid cable and satellite system distribution access fees of $4.6 million (2009 – $6.0 million) and administrative and other fees of $3.5 million (2009 – $2.8 million) to related parties. As at August 31, 2010, the Company had $29.5 million (2009 – $23.0 million) receivable from related parties.

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

Certain officers of the Company are currently indebted to the Company in connection with the purchase of Class B Non-Voting Shares and relocation housing loans. The loans granted by the Company do not bear interest. The aggregate amount of such indebtedness as of August 31, 2010 was $0.5 million.

OUTSTANDING SHARE DATA

As at October 31, 2010, 3,440,128 Class A Voting Shares and 77,780,932 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.

IMPACT OF NEW ACCOUNTING POLICIES

Goodwill and intangible assets

Effective September 1, 2009, the Company adopted CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaced Section 3062, "Goodwill and Other Intangible Assets". Section 3064 gives guidance on the recognition of intangible assets as well as the recognition and measurement of internally developed intangible assets. In addition, Section 3450, "Research and Development Costs" was withdrawn from the CICA Handbook. Adopting this accounting change did not have a significant impact on the Company's financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in Canada for publicly accountable profit-oriented enterprises for fiscal years beginning on or after January 1, 2011. The Company will be required to report using IFRS beginning September 1, 2011. The Company has implemented an IFRS project, and has committed adequate internal and external resources towards this project, including assembling a project team with a dedicated project team leader that includes senior levels of management. Regular progress reporting to senior management and to the Audit Committee on the status of the IFRS project has been established.

Although the Company has completed preliminary assessments of accounting and reporting differences, impacts on systems and processes, it has not yet finalized these assessments. As the Company finalizes its determination of the significant impacts on its financial reporting it intends to disclose such impacts in future Management's Discussion and Analysis.

In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of the adoption of IFRS at the changeover date. The International Accounting Standards Board ("IASB") will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all IFRS applicable at the conversion date are known.

The Company's adoption of IFRS will require the application of IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 does include certain mandatory exceptions and limited optional exemptions in specified areas of certain standards from this general requirement. Management is assessing the exemptions available under IFRS 1 and their impact on the Company's future financial position. On adoption of IFRS, the exemptions being considered by the Company that could result in material impacts are as follows:

Exemption	Application of exemption
Business combinations	The Company expects to elect not to restate any business combinations that occurred prior to September 1, 2010.
Cumulative translation differences	The Company expects to elect to reset cumulative translation differences for foreign operations to zero at September 1, 2010.

Management is in the process of quantifying the expected material differences between IFRS and the current accounting treatment under Canadian GAAP. Set out below are the key areas where changes in accounting policies are expected that may impact the Company's consolidated financial statements. The list and comments should not be regarded as a complete list of changes that will result from the transition to IFRS. It is intended to highlight those areas management believes to be most significant. However, the IASB has significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's consolidated financial statements. Consequently, management's analysis of changes and policy decisions have been made based on its expectations regarding the accounting standards that we anticipate will be effective at the time of transition. The future impacts of IFRS will also depend on the particular circumstances prevailing in those years. At this stage, management is not able to reliably quantify the impacts expected on the Company's consolidated financial statements for these differences. Refer to the section entitled "Cautionary statement regarding forward-looking statements".

Differences with respect to recognition, measurement, presentation and disclosure of financial information are expected to be in the following key accounting areas:

Key accounting area	Differences from Canadian GAAP, with potential impact for the Company
Presentation of Financial Statements (IAS 1)	Additional disclosures in the notes to financial statements.
Property, Plant and Equipment (IAS 16)	Componentization of significant real estate for separate amortization over a shorter useful life. Remaining carrying value of underlying buildings subject to componentization amortized over a longer useful life.
Impairment of Assets (IAS 36)	Grouping of assets in cash generating units (CGU's) on the basis of independent cash inflows for impairment testing purposes, using a discounted cash flow method (DCF) in a single-step approach. Goodwill allocated to and tested in conjunction with its related CGU or group of CGU's that benefit from collective synergies. Under certain circumstances, previous impairment taken (other than goodwill) required to be reversed.
Interests in Joint Ventures (IAS 31)	Joint venture interests accounted for using the equity method.
Income Taxes (IAS 12)	Recognition and measurement criteria for deferred tax assets and liabilities may differ.
Intangible Assets (IAS 38)	Reinstatement of amortization of indefinite-lived intangibles
Business Combinations and Minority Interests (IFRS 3R)	Acquisition-related and restructuring costs expensed as incurred and contingent consideration recorded at its fair value on acquisition date; subsequent changes in fair value of a contingent consideration classified as a liability recognized in earnings. Changes in ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Non-controlling interests presented as a separate component of shareholders' equity.

This is not an exhaustive list of all of the changes that could occur during the transition to IFRS. At this time, the comprehensive impact of the changeover on the Company's future financial position and results of operations is not yet determinable. Management expects to complete this assessment in time for parallel recording of financial information in accordance with IFRS in fiscal 2011.

The Company continues to monitor and assess the impact of evolving differences between Canadian GAAP and IFRS, since the IASB is expected to continue to issue new accounting standards during the transition period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the applicable IFRS at the conversion date are known.

The Company's IFRS conversion project is progressing according to schedule.

Other

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations," Section 1601, "Consolidated Financial Statements," and Section 1602, "Non-controlling Interests." These new standards will be effective for fiscal years beginning on or after January 1, 2011 but may be early adopted. The Company is currently evaluating the effects of adopting these changes.

CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant assumptions made by management in the preparation of the Company's consolidated financial statements include future revenue projections for investments in film and television programs; provisions for doubtful accounts to reflect credit exposures; valuation allowances and impairment assessments for various assets including investments in film and television programs; property, plant and equipment; long-term investments; current and future income taxes; broadcast licenses and goodwill. Actual results could differ from those estimates. The policies described below are considered to be critical accounting estimates, as they require significant estimation or judgment.

Film investments

The individual-film-forecast-computation method is used to determine amortization. Under this method, capitalized costs for an individual film or television program are amortized in the proportion that current period actual revenues bear to management's estimates of the total revenue expected to be received from such film or television program over a period not to exceed 10 years from the date of delivery. As a result, if revenue estimates change with respect to a film or television program, the Company may be required to write down all or a portion of the unamortized costs of such film or television program, therefore impacting direct cost of sales, general and administrative expenses, and profitability.

Broadcast licenses and goodwill
The cost of acquiring media broadcasting, production/distribution and publishing businesses is allocated to the fair value of related net identifiable tangible and intangible assets acquired. Net identifiable intangible assets acquired consist primarily of broadcast licenses. The excess of the cost of acquiring these businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill.

Broadcast licenses are considered to have an indefinite life based on management's intent and ability to renew the licenses without substantial cost and without material modification of the existing terms and conditions of the license. No assurance can be given that the Company will be able to renew its licenses or that substantial cost or material modification of the existing terms and conditions will not be incurred.

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

As a result of a number of factors the Company recorded an impairment charge of $175.0 million related to these intangibles in fiscal 2009. No assurance can be given that the Company will not have to record further impairment charges in the future.

Income taxes
The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws which are expected to be in effect when the differences are expected to reverse. Certain assumptions are required in order to determine the provision for income taxes, including filing positions on certain items and the realization of future tax assets.

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

The recognition of future tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. No assurance can be given that future earnings will be sufficient to realize the future benefit.

CONTROLS AND PROCEDURES

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

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

Evaluation of disclosure controls and procedures

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

The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in National Instrument 52-109 and in Rules 13a-15(e) and 15d-15(e) under the *Securities Exchange Act of 1934* , as amended [the "Exchange Act"]), have concluded that, as at August 31, 2010, the Company's disclosure controls and procedures were effective.

Management's annual report on internal control over financial reporting

As part of the Form 52-109 certification, the Chief Executive Officer and Chief Financial Officer must also certify that they are responsible for establishing and maintaining internal control over financial reporting and have designed such internal control over financial reporting (or caused it to be designed under their supervision).

The Company's Chief Executive Officer and Chief Financial Officer have concluded that, as at August 31, 2010, the Company has designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, Corus' management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting, as at August 31, 2010, based on the framework set forth in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on its evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective as of that date.

Attestation report of the registered public accounting firm

Ernst & Young LLP, an independent registered public accounting firm, who has audited, and reported on, the Company's consolidated financial statements for the year ended August 31, 2010, as included in this annual report, has also issued a report, under Auditing Standard No. 5 of the Public Company Accounting Oversight Board (United States), on the operating effectiveness of internal control over financial reporting as at August 31, 2010.

Changes in internal controls over financial reporting

There were no changes in the Company's internal control over financial reporting that occurred during fiscal 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

ADDITIONAL INFORMATION

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

Consent of Independent Registered Public Accounting Firm

We consent to the use in this Annual Report on Form 40-F of our audit reports dated November 5, 2010 on the consolidated financial statements of the Corus Entertainment Inc. as at August 31, 2010 and 2009, and for each of the years in the three-year period ended August 31, 2010, and the effectiveness of internal controls over financial reporting of Corus Entertainment Inc. as at August 31, 2010.

Toronto, Canada.	/s/ Ernst & Young LLP
November 5, 2010.	Chartered Accountants
	Licensed Public Accountants

EXHIBIT 99.4

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

I, John M. Cassaday, certify that:

1. I have reviewed this annual report on Form 40-F of Corus Entertainment Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: November 5, 2010

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

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

I, Thomas C. Peddie, certify that:

1. I have reviewed this annual report on Form 40-F of Corus Entertainment Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: November 5, 2010

/s/ Thomas C. Peddie

Name: Thomas C. Peddie
Title: Executive Vice President and
Chief Financial Officer

EXHIBIT 99.5

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

Corus Entertainment Inc. (the "Company") is filing with the U.S. Securities and Exchange Commission on the date hereof, its annual report on Form 40-F for the fiscal year ended August 31, 2010 (the "Report").

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

(i) the Report fully complies with the requirements of section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2010

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

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

Corus Entertainment Inc. (the "Company") is filing with the U.S. Securities and Exchange Commission on the date hereof, its annual report on Form 40-F for the fiscal year ended August 31, 2010 (the "Report").

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

(i) the Report fully complies with the requirements of section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5,2010

By: /s/ Thomas C. Peddie
Thomas C. Peddie
Executive Vice President and
Chief Financial Officer

Policies and Procedures
Code of Conduct
Last Updated: July 14, 2010

Definitions

Term	Definition
Manager	As referenced in this policy, a manager is the person to whom an employee directly reports.

Overview

At Corus, we are committed to fair dealing, honesty and integrity in all aspects of our business conduct. We take this responsibility to our employees, shareholders and other stakeholders very seriously. The Code of Conduct is vital to implement these responsibilities in the workplace and in dealings with the public and our stakeholders. It also aims to demonstrate to our stakeholders and the public the Company's commitment to conduct itself ethically.

Policy

The Code of Business Conduct applies to all employees and members for the Board of Directors of Corus Entertainment Inc. and our subsidiary companies (referred to collectively in this Code as "Corus" or the "Company"). For purposes of rules promulgated under section 406 of the Sarbanes Oxley Act of 2002, portions of this code shall comprise the Company's "code of ethics" for senior executives and financial officers.

Each employee and director of Corus is expected to read and comply with the entire Code. Failure to abide by this Code will lead to disciplinary measures appropriate to the violation, up to and including dismissal.

All new employees must sign the Code of Conduct within their first two weeks of employment with Corus. ALL employees must review and re-sign the policy every year.

The complete Code of Conduct can be found on Corus Central and on our Orientation Website.

Practices and Procedures

New employees are made aware of the Code of Conduct in two places:
- It is included in their offer letter package for their signature
- They are expected to review and answer questions about the Code as part of the Corus on-line orientation program

Employees will be notified when the time comes for an additional electronic review and signing of the code.

Any questions about the Code of Conduct should be directed to Human Resources.

Employees should contact Human Resources or their direct Manager immediately if they are aware of conduct inconsistent with the Code. Managers should contact Human Resources if applicable.

The Code of Conduct

To Whom Does the Code Apply?

The Code of Business Conduct (the "Code") applies to all employees and members of the Board of Directors of Corus Entertainment Inc. or our subsidiary companies (referred to collectively in this Code as "Corus" or the "Company") as well as all long term independent contractors. For purposes of rules promulgated under section 406 of the Sarbanes Oxley Act of 2002, portions of this code shall comprise the Company's "code of ethics" for senior executives and financial officers. Each employee and member of the board of Corus is expected to read and comply with the entire Code of Business Conduct. If you have any questions concerning the Code, please contact the Vice-President of Corporate and Regulatory Affairs, General Counsel or the Vice-President of Human Resources. Failure to abide by this Code will lead to disciplinary measures appropriate to the violation, up to and including dismissal.

Why do we have a Code of Business Conduct?

At Corus, we are committed to fair dealing, honesty and integrity in all aspects of our business conduct. We take this responsibility to our employees, shareholders and other stakeholders very seriously. The Code is vital to implement these responsibilities in the workplace and in dealings with the public and our stakeholders. It also aims to demonstrate to our stakeholders and the public the Company's commitment to conduct itself ethically.

Code of Business Conduct

Compliance with Legal and Ethical Standards

Corus employees and directors will act ethically with high standards of integrity and abide by the principles of lawful conduct in all their business dealings. No one in the Company is permitted to commit or condone any illegal or unethical act, or to instruct other employees to do so. Any doubt as to the legality of any course of action should be discussed with your immediate supervisor or Corus' General Counsel as necessary.

Our Responsibility to Fellow Employees

Employees must be treated with dignity, respect and fairness at all times. Corus is committed to high standards of ethics in all relations with and among its employees.

Corus is committed to fairness in the workplace and recognizes that a diverse workforce allows us to serve our stakeholders most effectively. Unlawful discrimination, harassment or violence in the workplace will not be tolerated.

Specifically, Corus will not tolerate discrimination or harassment prohibited by applicable legislation including sex, sexual orientation, race, ancestry, nationality, place of origin, colour, ethnic origin, citizenship, creed, religious beliefs, age, record of offences (pardoned criminal conviction), marital status, family status, same-sex partnership status and physical or mental disability.

In addition to all forms of harassment prohibited by legislation, Corus will not tolerate any form of personal harassment (such as threatening behaviour, bullying, taunting or ostracizing co-workers etc.) which may occur as a result of an employee's position in the Company or because of an association with a group outside the Company, or perhaps because someone simply dislikes the individual. Personal harassment may also arise out of someone abusing their position of authority or power.

Corus is committed to keeping its workplaces free from hazards. We are all responsible to follow government approved health and safety guidelines for maintaining a safe workplace and to immediately report any accident, injury, unsafe practice and condition to your immediate supervisor.

Employment Practices

The Company is committed to ensuring that equal opportunity exists for all employees in all aspects of employment. Merit will be the principle on which all employment and promotion opportunities will be based.

Job Performance and General Conduct

Employees will carry out their job responsibilities to the best of their ability. This includes among other things: accepting supervisory direction, promotion, teamwork and maintaining the required quality and quantity of work.

Employees will conduct themselves in a professional manner when dealing with staff members, customers and the public at large.

Attendance

The company is committed to promoting and maintaining high standards of attendance and employees are expected to be at work on time each scheduled day. When illness or emergencies necessitate absence or lateness, employees are expected to notify their supervisor in advance of their regular hours of work.

Drugs and Alcohol

The use, possession, distribution, offering or sale of illicit drugs, illicit paraphernalia or non-prescribed drugs for which a prescription is legally required, while on Company business or on company premises (including Company vehicles) is forbidden.

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

Intellectual Property Assignment

Employees of Corus agree to keep confidential and not to disclose to others, confidential information including any audio, video, inventions, drawings, algorithms, computer codes in both source code and object code, customer information, customer lists, data of Corus and trade secrets related to the business of Corus or a related entity ("Inventions").

All such works or inventions so produced by employees shall be owned by Corus and employees waive their rights in any copyright to such work and warrant that such work is original and shall not contain any virus or other harmful code.

Employees agree to sign all documents to enable Corus to secure patent, trademark, copyright, industrial design or other intellectual property rights in the works or inventions and to transfer legal title therein.

Appropriation of Company Assets

Employees and directors have a responsibility to protect the Corus assets entrusted to them from loss, damage, misuse or theft. Corus assets such as funds, products, electronic devices and services, including, but not limited to, computers, computer-related equipment, products and services, may only be used for Company business purposes and other purposes approved by management. The Company's name, property (including intellectual) and goodwill must not be used for personal advantage.

Proper Maintenance of Records

Corus requires honest and accurate recording and reporting of information in order to make informed and responsible business decisions. Corus' books and records should accurately reflect all business transactions. Undisclosed or unrecorded revenues, expenses, assets or liabilities are prohibited.

For example, if you are responsible for accounting or record-keeping, you must be diligent in enforcing proper accounting and Company established practices. You may not alter, conceal or falsify any document or record. Each Corus business unit will adopt an approved record retention policy consistent with Corus' documented business policies and applicable legal and regulatory requirements.

Information Disclosure

Employees are required to protect Corus' confidential and proprietary information from unauthorized disclosure and use. This applies to information about customers and fellow employees as well as confidential and proprietary information about the Company's own affairs. Proprietary information includes any information that is not generally known to the public and is helpful to Corus, or would be helpful to competitors. Employees may not use confidential information or trade secrets gained by virtue of their employment with Corus for personal gain or for any purpose other than specific job related duties.

Employees will safeguard all proprietary information by marking it accordingly, keeping it secure, and limiting access to those who have a need to know such information in order to do their jobs.

When an employee leaves Corus for any reason, confidential and proprietary information remains with and is the exclusive property of the Company and is not to be used nor disclosed in any way by the departing employee following the termination of his or her employment with the Company.

Insider Trading

Unauthorized disclosure of internal information relating to Corus Entertainment could cause competitive harm to Corus and in some cases could result in liability under insider trading legislation for both Corus and the person disclosing the information. It is the duty of all persons to whom this statement applies to maintain the confidentiality of information belonging to or relating to Corus Entertainment. Employees should not disclose internal information about Corus to others outside of the company without express authorization or as required by law.

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

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

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

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

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

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

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

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

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

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

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

<u>Conflicts of Interest</u>

All business decisions and actions must be based on the best interest of Corus, and must not be motivated by personal considerations or relationships. There is an infinite list of potential conflicts that could arise over the course of employment. The general rule is that employees and directors must avoid any activity that compromises, or could reasonably be seen to compromise, their judgment, causes them to show undue favouritism to any party or causes them to receive a benefit of some kind. When in doubt it is best to disclose a potential conflict of interest. General guidelines for a better understanding of the most common examples of situations that may cause a conflict of interest are listed below.

<u>Outside Business Activities</u>

Corus employees are encouraged to participate in outside voluntary or community activities. Employees other than senior officers, are not prohibited from accepting part-time employment outside of Corus. However, neither the activity nor the part-time position must interfere with the employee's responsibilities to Corus or the employee's commitment, attention or business judgment required in performing those responsibilities.

<u>Gifts or Favours</u>

Accepting gifts or favours, other than of nominal value ($500 or less), from customers or suppliers or prospective customers or suppliers, is a conflict of interest. Additionally, frequent gifts from one source of any value should not be accepted. Employees may not engage in conduct that could be interpreted as directly or indirectly seeking, receiving or providing a bribe or kickback.

A conflict of interest may also arise in the giving of gifts or favours. Corus gifts must be legal and reasonable. Corus will not provide any gift if it is prohibited by law or by the policy of the recipient's organization.

<u>Investments</u>

Corus employees may not allow their personal investments to influence, or appear to influence, their independent judgment on behalf of Corus.

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

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

Contra Agreements for Personal Use

Corus employees may not enter into contra agreements that result in a personal benefit. Any legitimate contra agreement is subject to approval as outlined in the Contra Policy available on the Corus intranet site.

Business Communications

The Company's electronic devices and services, including, but not limited to, computers, computer-related equipment, products or services are the Company's property and should be used primarily for business purposes. Incidental appropriate personal use is permitted provided it does not interfere with the normal course of business.

The Company's electronic devices, specifically computers, should not be used to download any third party or employee confidential information for any purposes other than business related purposes. Computers should not be used to download any offensive or pornographic materials from the Internet. All downloadable material should be for business purposes and should comply with the Company's harassment policy, which is available on the Corus Entertainment intranet site. Corus computers should also not be used to download copyrighted material from the Internet including music and software.

The Company owns all information contained on the Company's computer networks. Therefore any information an employee or director transmits on these services should not be considered private and confidential.

Behaviour on Social Networking Websites, Blogs and Chat Rooms

It is acceptable to express personal views, to participate in chat rooms and on social networking sites, and to maintain a blog ("Online Activity"), provided that any and all Online Activity conforms with the following:

1. It is clear that views expressed in any and all Online Activity are those of the employee only, and not those of Corus;

2. The Online Activity does not include any confidential, non-public, proprietary or personal information, trade secrets or other information about the Company, its business, employees, customers, suppliers, partners, affiliates or competitors, including but not limited to comments about its services products operational performance, financial results or stock performance;

3. The Online Activity does not involve the disparaging of Corus or any of its employees, or otherwise negatively impacts the reputation of the Company, its services, its products, customers, suppliers, partners, affiliates, competitors or any of its employees, officers or directors;

4. The Online Activity does not contain any of Corus' copyrighted material or any of its trade-marks or logos; and

5. The employee engaging in the Online Activity does not in any way identify him or herself with Corus, through the use of visible monikers.

6. It is not done on company time or while using Corus-owned equipment.

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

Our Responsibilities to the Community and the Environment

Corus is committed to supporting various local programs and initiatives and fostering growth within the Canadian broadcasting and entertainment fields through strategic partnerships and innovative business ventures.

The Company is committed to the conservation of resources in our business operations. All employees should use their reasonable efforts to make efficient use of all resources and to reduce, re-use and recycle supplies and materials wherever and whenever possible.

The health and well-being of all employees is a responsibility of everyone who works at Corus. Any circumstance relating to Corus' operations or activities which poses a real or potential health or safety risk must be reported promptly to your supervisor or to the Vice-President of Human Resources.

Communicating with External Resources

Corus aims to achieve complete, accurate, fair, understandable and timely communications with all of its stakeholders and the public, including filings with securities and regulatory authorities. In order to protect yourself and the Company, requests for information should be handled in the following manner:

- **financial information requests** - directed to the Chief Financial Officer
- **media requests -** directed to the Vice-President, Communications
- **requests from government agencies and regulators** - directed to the General Counsel
- **employee information or human resources requests -** directed to the Vice-President of Human Resources

The legal department should be consulted before handling any non-routine requests for information. All information provided must be truthful and accurate.

Corus and its employees are committed to honest and ethical communications and dealings with officials at all levels of government.

Our Responsibility with Respect to Privacy

Corus is committed to controlling the collection, use and disclosure of personal information.

As a member of the Canadian Association of Broadcasters (CAB) and in accordance with the standards set out in the Personal Information Protection and Electronic Documents Act (Canada) (the "Privacy Act"), Corus developed a Privacy Policy outlining our commitment to maintaining the accuracy, confidentiality, security and privacy of third parties and employee personal information.

Reporting Concerns

Taking action to prevent problems is part of the Corus culture. If you become aware of an existing or possible violation of the Code, you should promptly notify the appropriate person.

Your concerns can be expressed on a confidential or anonymous basis to either the Vice-President & General Counsel; the Vice-President of Human Resources or on matters relating to accounting or auditing related issues to the Chairperson of the Audit Committee.

The concern should be submitted in a sealed envelope addressed to the appropriate individual. The envelope should be marked "Confidential Internal Corus Concern".

Retaliation against any employee who honestly reports a concern to Corus about existing or possible violation of the Code will not be tolerated. It is unacceptable to file a report knowing it is false.

A copy of this policy can be obtained through the offices of the General Counsel or the Executive Vice-President of Human Resources or by visiting our website at www.corusentertainment.com.