WildBrain Ltd.

Consolidated Financial Statements
June 30, 2023
(expressed in thousands of Canadian dollars)

September 12, 2023

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of WildBrain Ltd. (the "Company") are the responsibility of management and have been approved by the Board of Directors (the "Board"). 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 Audit Committee reviews the Company's consolidated financial statements and recommends their approval by the Board.

The Audit Committee is appointed by the Board and all of its members are independent directors. It meets with Company's management and reviews internal control and financial reporting matters to ensure that management is properly discharging its responsibilities before submitting the consolidated financial statements to the Board for approval.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. When alternative methods of accounting exist, management has chosen those it deems most appropriate in the circumstances. The consolidated financial statements include amounts based on informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the consolidated financial statements, management must make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

(signed) *"Josh Scherba"*
President and Chief Executive Officer
Toronto, Ontario

(signed) *"Aaron Ames"*
Chief Financial Officer
Toronto, Ontario

Independent auditor's report

To the Shareholders of WildBrain Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of WildBrain Ltd. and its subsidiaries (together, the Company) as at June 30, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at June 30, 2023 and 2022;
- the consolidated statements of (loss) income for the years then ended;
- the consolidated statements of comprehensive (loss) income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended June 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and intangible asset with indefinite useful life of the WildBrain Television cash generating unit (CGU) *Refer to note 3 – Summary of significant accounting policies, judgments and estimation uncertainty, note 10 – Intangible assets and note 11 – Goodwill to the consolidated financial statements.* As at June 30, 2023, subsequent to impairment, the Company had an indefinite life intangible asset of $67.8 million and no remaining goodwill related to the Company's WildBrain Television CGU. Goodwill and indefinite life intangible assets are tested for impairment annually or more frequently if events or circumstances indicate that the assets might be impaired. In assessing the goodwill and indefinite life intangible assets for impairment, management groups assets into CGUs and compares the carrying values of the CGUs to their recoverable amounts. The recoverable amount is the higher of fair value less costs of disposal (FVLCD) and value-in-use (VIU). Management applied the VIU model to determine the recoverable amount of the WildBrain Television CGU. The VIU of the WildBrain Television CGU was determined by discounting three-year cash flow projections prepared from business plans reviewed by senior management, extended for two additional years using industry outlook growth rate assumptions for a total forecast period of five years. The cash flow projections reflect	Our approach to addressing the matter included the following procedures, among others: • Evaluated how management determined the recoverable amount of the WildBrain Television CGU, which included the following: – Tested the appropriateness of the method used for determining the VIU for the WildBrain Television CGU and the mathematical accuracy of the discounted cash flow model. – Tested the significant assumptions used by management in the discounted cash flow model. The following procedures were performed: o compared the fiscal year 2024 detailed revenue and profit forecast to historical results and external industry data; o for the fiscal year 2024, we also compared the detailed revenue forecast to underlying contracts with broadcasters and historical subscription level trends; o assessed the reasonableness of the revenue and profit in management's detailed cash flow forecast for years 2 to 5 by comparing the implied revenue and EBITDA growth rates to external industry data; and o assessed the reasonableness of the forecast capital expenditures in

Key audit matter	How our audit addressed the key audit matter
management's expectations and best estimate of revenue, profit and capital expenditures, based on past experience and future expectations of operating performance. Cash flows beyond the five-year period were extrapolated using a terminal growth rate. The discount rate applied to the cash flow projections was derived from the Company's weighted average cost of capital and other external sources. Management recognized an impairment charge of $33.2 million against goodwill for the WildBrain Television CGU for the year ended June 30, 2023. We considered this a key audit matter due to (i) the significance of the goodwill and indefinite life intangible asset balances of the Wildbrain Television CGU prior to the impairment charge; and (ii) the significant judgment made by management in determining the recoverable amount of the Wildbrain Television CGU, including the use of significant assumptions related to the cash flow projections, terminal growth rates and discount rates. This has resulted in a high degree of subjectivity and audit effort in performing procedures to test the significant assumptions. Professionals with specialized skill and knowledge in the field of valuation also assisted us in performing our procedures.	management's cash flow forecast by comparing to the historical levels. – Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the discount rate and terminal growth rate used in the discounted cash flow model. – Tested the underlying data used in the discounted cash flow model. • Tested the disclosures made in the consolidated financial statements, particularly with regard to the significant assumptions used by management in the discounted cash flow model related to the WildBrain Television CGU.
Valuation of investment in film and television programs as well as acquired and library content *Refer to note 3 – Summary of significant accounting policies, judgments and estimation uncertainty, note 7 – Investment in film and* television *programs and note 8 – Acquired and library content to the consolidated financial statements.*	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the net realizable values and recoverable amounts of the Investment in film and television programs and Acquired and library content assets, which included the following: – For a sample of titles, tested the reasonableness of estimated future revenues by:

Key audit matter	How our audit addressed the key audit matter
At June 30, 2023, the carrying amount of the Company's Investment in film and television programs and Acquired and library content was $175.7 million and $85.5 million, respectively. Investment in film and television programs represent the balance of costs of film and television programs which have been produced by the Company or for which the Company has invested in distribution rights and the Company's right to participate in certain future cash flows of film and television programs produced and distributed by other unrelated parties. Investments in film and television programs are accounted for as inventory, classified within current assets and measured at the lower of cost and net realizable value. The net realizable value is determined using estimates of future revenues net of future costs based on the contractual participation royalties. A write-down is the amount by which the costs exceed the estimated net realizable value of the film or television program. Acquired and library content represents the balance of acquired film and television programs and is accounted for as an intangible asset and classified as a long-term asset. Acquired and library content is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use, being the present value of the expected future cash flows of the asset. For titles with an indicator of impairment, management calculated the recoverable amounts using the value-in-use model and discounting the forecast cash flows of revenue and contractual participation royalties. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.	o inspecting license contracts with customers for future periods, when available, along with future availability of rights; and o comparing forecast revenues to actual revenues generated by previous seasons of the title or other similar productions. – Tested the reasonableness of forecast future costs by agreeing them to the contractual participation royalties. – Tested the underlying data used in the net realizable value and recoverable amount calculations, and the mathematical accuracy of the models. • Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the discount rates applied by management in the discounted cash flow models used to determine the recoverable amounts for Acquired and library content, based on available data of comparable companies.

Key audit matter	How our audit addressed the key audit matter
Management recognized an impairment charge of $6.6 million for the Company's Investment in film and television programs in addition to an impairment charge of $1.8 million for the Company's Acquired and library content in the year ended June 30, 2023. We considered this a key audit matter due to the magnitude of the Investment in film and television programs and Acquired and library content balances, the level of judgment required of management in determining the net realizable values and recoverable amounts and the audit effort and subjectivity involved in performing audit procedures to test these net realizable values and recoverable amounts. Professionals with specialized skill and knowledge in the field of valuation also assisted us in performing our procedures.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and Financial Condition and Results of Operation.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Donald M. Flinn.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Halifax, Nova Scotia
September 12, 2023

WildBrain Ltd.

Consolidated Balance Sheets

As at June 30, 2023 and 2022

(expressed in thousands of Canadian dollars)

	June 30, 2023	June 30, 2022
	$	$
Assets		
Current assets		
Cash	**80,348**	59,899
Restricted cash	**—**	8,835
Amounts receivable (note 6)	**303,378**	249,660
Prepaid expenses and other	**7,624**	8,583
Investment in film and television programs (note 7)	**175,692**	163,563
	567,042	490,540
Long-term amounts receivable (note 6)	**57,711**	84,790
Acquired and library content (note 8)	**85,470**	92,732
Property and equipment (note 9)	**34,237**	39,287
Derivative assets (note 12)	**337**	8,845
Intangible assets (note 10)	**447,754**	448,947
Goodwill (note 11)	**21,435**	54,033
	1,213,986	1,219,174
Liabilities		
Current liabilities		
Bank indebtedness (note 14)	**7,000**	9,087
Accounts payable, accrued and derivative liabilities (note 13)	**171,464**	180,956
Deferred revenue	**75,549**	58,116
Interim production financing (note 14)	**86,891**	84,235
Current portion of lease liabilities	**9,132**	10,183
Current portion of long-term debt (note 14)	**3,773**	26,335
	353,809	368,912
Long-term debt (note 14)	**490,205**	477,804
Long-term lease liabilities	**22,917**	26,056
Derivative liabilities (note 22)	**339**	2,360
Other long-term liabilities	**14,444**	20,878
Deferred income taxes (note 18)	**6,949**	7,761
	888,663	903,771
Shareholders' Equity		
Equity attributable to shareholders of the Company	**76,041**	79,428
Non-controlling interest	**249,282**	235,975
	325,323	315,403
	1,213,986	1,219,174

The accompanying notes form an integral part of these consolidated financial statements.

WildBrain Ltd.

Consolidated Statements of (Loss) Income

For the years ended June 30, 2023 and 2022

(expressed in thousands of Canadian dollars, except for amounts per share)

	June 30, 2023	June 30, 2022
	$	$
Revenues (note 26)	**532,871**	507,223
Expenses (note 21)		
Direct production costs and expense of film and television produced	**291,341**	285,662
Amortization of acquired and library content (note 8)	**9,701**	10,241
Amortization of property and equipment and intangible assets	**24,556**	23,979
Write-down of investment in film and television programs, acquired and library content, goodwill, and property and equipment (notes 7, 8, 9 and 11)	**41,619**	788
Selling, general and administrative	**111,003**	104,129
Share-based compensation (note 16)	**8,323**	7,414
Finance costs, net (note 20)	**50,357**	30,486
Change in fair value of embedded derivatives	**(21,798)**	(13,716)
Foreign exchange loss	**10,716**	21,754
Reorganization, development and other expense (note 21)	**17,211**	6,281
	543,029	477,018
(Loss) Income before taxes	**(10,158)**	30,205
Provision for (recovery of) income taxes (note 18)		
Current	**5,564**	347
Deferred	**1,817**	(1,904)
	7,381	(1,557)
Net (loss) income for the year	**(17,539)**	31,762
Net income attributable to non-controlling interests	**28,014**	26,122
Net (loss) income attributable to shareholders of the Company	**(45,553)**	5,640
Basic (loss) earnings per common share (note 23)	**(0.26)**	0.03
Diluted loss per common share (note 23)	**(0.26)**	(0.01)

The accompanying notes form an integral part of these consolidated financial statements.

WildBrain Ltd.

Consolidated Statements of Comprehensive (Loss) Income

For the years ended June 30, 2023 and 2022

(expressed in thousands of Canadian dollars)

	June 30, 2023	June 30, 2022
	$	$
Net (loss) income for the year	**(17,539)**	31,762
Other comprehensive income		
Items that may be subsequently reclassified to the consolidated statements of (loss) income		
Foreign currency translation adjustment	**13,239**	8,028
Comprehensive (loss) income for the year	**(4,300)**	39,790

The accompanying notes form an integral part of these consolidated financial statements.

WildBrain Ltd.

Consolidated Statements of Changes in Equity

For the years ended June 30, 2023 and 2022

(expressed in thousands of Canadian dollars)

	Common shares	Contributed surplus	Accumulated other comprehensive loss	Deficit	Non-controlling interest	Total
	$	$	$	$	$	$
Balance - July 1, 2021	367,359	39,044	(21,391)	(316,424)	234,325	302,913
Net income for the year	—	—	—	5,640	26,122	31,762
Other comprehensive (loss) income for the year	—	—	(1,109)	—	9,137	8,028
Comprehensive (loss) income for the year	—	—	(1,109)	5,640	35,259	39,790
Common shares issued, net of issuance costs and deferred taxes	1,375	(2,479)	—	—	—	(1,104)
Share-based compensation	—	7,414	—	—	—	7,414
Distributions to non-controlling interests	—	—	—	—	(33,609)	(33,609)
Balance - June 30, 2022	368,734	43,979	(22,500)	(310,784)	235,975	315,404
Balance - July 1, 2022	**368,734**	**43,979**	**(22,500)**	**(310,784)**	**235,975**	**315,404**
Net (loss) income for the year	**—**	**—**	**—**	**(45,553)**	**28,014**	**(17,539)**
Other comprehensive income for the year	**—**	**—**	**6,724**	**—**	**6,515**	**13,239**
Comprehensive income (loss) for the year	**—**	**—**	**6,724**	**(45,553)**	**34,529**	**(4,300)**
Common shares issued, net of issuance costs and deferred taxes	**7,310**	**(9,760)**	**—**	**—**	**—**	**(2,450)**
Conversion of exchangeable debentures	**29,568**	**—**	**—**	**—**	**—**	**29,568**
Share-based compensation	**—**	**8,323**	**—**	**—**	**—**	**8,323**
Distributions to non-controlling interests	**—**	**—**	**—**	**—**	**(21,222)**	**(21,222)**
Balance - June 30, 2023	**405,612**	**42,542**	**(15,776)**	**(356,337)**	**249,282**	**325,323**

The accompanying notes form an integral part of these consolidated financial statements.

WildBrain Ltd.
Consolidated Statements of Cash Flows
For the years ended June 30, 2023 and 2022

(expressed in thousands of Canadian dollars)

	June 30, 2023	June 30, 2022
Cash provided by (used in)	**$**	**$**
Operating activities		
Net (loss) income for the year	**(17,539)**	31,762
Charges (credits) not involving cash		
Amortization of property and equipment	**11,694**	13,378
Amortization of intangible assets	**12,862**	10,601
Amortization of acquired and library content	**9,701**	10,241
Accretion expense and amortization of deferred financing fees	**15,083**	12,813
Unrealized foreign exchange loss	**4,826**	16,667
Share-based compensation	**8,323**	7,414
Change in fair value of embedded derivatives	**(21,798)**	(13,716)
Change in fair value of interest rate swap and forward contract	**(967)**	(9,086)
Interest income	**(2,655)**	(3,041)
Interest expense	**38,896**	29,800
Deferred tax expense (recovery)	**1,817**	(1,904)
Write-down of investment in film and television programs	**6,568**	1,208
Write-down of acquired and library content	**1,827**	—
Reversal of right-of-use asset impairment (note 21)	**—**	(420)
Write-down of goodwill	**33,224**	—
Net investment in film and television programs (note 25)	**(12,073)**	(24,197)
Net change in non-cash balances related to operations (note 25)	**4,401**	(48,420)
Cash provided by operating activities	**94,190**	33,100
Financing activities		
Common shares issued, net of issuance costs and payroll taxes remitted	**(2,450)**	(1,104)
Distributions to non-controlling interests	**(21,222)**	(33,609)
(Repayment of) proceeds from bank indebtedness	**(2,087)**	9,087
Repayment of long-term debt	**(3,849)**	(3,620)
Payment of debt issue costs	**(515)**	—
Interest paid on long-term debt and lease liabilities	**(35,417)**	(26,256)
Realized foreign exchange on long term debt repayment	**(30)**	34
Repayment of obligations under finance leases	**(10,357)**	(9,495)
Proceeds from interim production financing, net (note 25)	**2,656**	18,832
Cash used in financing activities	**(73,271)**	(46,131)
Investing activities		
Acquisition of acquired and library content (note 5)	**(1,841)**	(300)
Acquisition of property and equipment (note 9)	**(478)**	(2,995)
Acquisition of intangible assets (note 10)	**(6,086)**	(7,544)
Cash used in investing activities	**(8,405)**	(10,839)
Effect of foreign exchange rate changes on cash	**(900)**	545
Net change in cash and restricted cash during the year	**11,614**	(23,325)
Cash and restricted cash - Beginning of the year	**68,734**	92,059
Cash and restricted cash - End of the year	**80,348**	68,734

Supplemental information (note 25)

The accompanying notes form an integral part of these consolidated financial statements.

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

1 Nature of business

WildBrain Ltd. (the "Company" or "WildBrain"), was incorporated on February 12, 2004 under the laws of the Province of Nova Scotia, Canada, and continued on April 25, 2006 under the Canada Business Corporation Act. The Company is a public company whose common shares are traded on the Toronto Stock Exchange ("TSX") under the symbol 'WILD'.

The Company develops, produces and distributes films and television programs for domestic and international markets; licenses its brands in the domestic and international markets; broadcasts films and television programs in the domestic market; sells advertising on various ad-supported video-on-demand platforms; and manages copyrights, licensing and brands for third parties. The address of the Company's head office is 25 York Street, Unit 1201, Toronto, Ontario, M5J 2V5.

2 Basis of preparation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), on a going concern basis. The accounting policies applied in these consolidated financial statements were based on IFRS issued and outstanding as at June 30, 2023.

These consolidated financial statements have been authorized for issuance by the Board of Directors on September 12, 2023.

3 Summary of significant accounting policies, judgments and estimation uncertainty

The significant accounting policies used in the preparation of these consolidated financial statements are described below:

Basis of measurement

The consolidated financial statements have been prepared under a historical cost basis, except for certain financial assets and financial liabilities, including derivative instruments that are measured at fair value.

Consolidation

The consolidated financial statements include the accounts of the Company and all entities that it controls. WildBrain controls an entity: i) when it has the power to direct the activities of the entity that have the most significant impact on the entity's risks and/or returns; ii) where it is exposed to significant risks and/or returns arising from the entity; and iii) where it is able to use its power to affect the risks and/or returns to which it is exposed. The consolidated financial statements of all subsidiaries are prepared for the same reporting period, using consistent accounting policies. Intercompany accounts, transactions, income and expenses and unrealized gains and losses resulting from transactions among the consolidated companies have been eliminated upon consolidation.

Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases. Non-controlling interest represents the portion of a subsidiary's income and losses and net assets that is not held by the Company.

Cash and restricted cash

Cash and cash equivalents consist of cash held in current operating bank accounts, term deposits and fixed income securities with an original term to maturity of 90 days or less. Cash equivalents are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Restricted cash consists of cash or cash equivalents that are not available for general use by the Company or its subsidiaries due to legal or contractual restrictions.

Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements of each consolidated entity of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Primary and secondary indicators are used to determine the functional currency (primary indicators have priority over secondary indicators). The primary indicator which applies to the Company is the currency that mainly influences revenues and expenses. Secondary indicators include the currency in which funds from financing activities are generated. The Company operates material subsidiaries in three currency jurisdictions including the Canadian dollar, US dollar, and UK pound sterling. An assessment of the primary and secondary indicators for each subsidiary is performed to determine the functional currency of the subsidiary, then translated to Canadian dollars, the Company's presentation currency. The financial statements of consolidated entities that have a functional currency other than Canadian dollars (foreign operations) are translated into Canadian dollars as follows:

(a) assets and liabilities - at the closing rate as at the date of the consolidated balance sheet; and
(b) income and expenses - at the average rate for the year.

All resulting exchange differences are recognized in other comprehensive income as foreign currency translation adjustments.

When the Company disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income (loss) related to the foreign operation are recognized in profit or loss. If the Company disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary is reallocated between controlling and non-controlling interests.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation, at year-end exchange rates, of monetary assets and liabilities denominated in currencies other than the functional currency are recognized in the Consolidated Statements of (Loss) Income.

Revenue recognition

Revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer by applying the following five steps:

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue excludes sales taxes and other amounts that are collected on behalf of third parties and is recorded when control of a product or service is transferred to a customer.

For initial broadcast license rights related to proprietary production titles, an assessment is made at the execution of each contract to determine whether: i) the performance obligations are satisfied over time, or ii) the performance obligations are satisfied at a point in time. Performance obligations are satisfied over time during the production of the title when the customer can exert control over the production process and the Company's ability to generate other revenues from the title are limited based on the remaining rights held and the nature of the show. Revenue is recognized using the percentage-of-completion method when performance obligations are satisfied over time. Performance obligations not satisfied over time are satisfied at a point in time, which generally occurs when the production is completed, available to the customer and the customer has the contractual right to broadcast or stream the content. When performance obligations are satisfied at a point in time, revenue is recognized when all of the aforementioned recognition criteria are met.

Revenue from the sale of broadcast license rights to third parties is recognized when the licensed content is available to the customer and the customer has the contractual right to broadcast or stream the content.

Revenue from production services for third parties is recognized using the percentage-of-completion method. Percentage-of-completion recognizes revenues based upon the proportion of costs incurred in the current period to total expected costs.

Royalty revenue is accrued for royalty streams when the amount of revenue can be reliably measured based on relevant agreements and statements received from third party agents, and the underlying sales activity generating the royalty revenue has occurred. Recovery of royalties from third parties' unauthorized use of the Company's brands and content are recognized in revenue when an agreement is reached, the amount of revenue can be reliably measured and collection is reasonably assured.

Minimum guarantees received on its merchandising and consumer brand licenses are considered a right-to-access license and are deferred and recognized as revenue over the term of the license period. Minimum guarantees received on licenses that are determined to be a right-to-use license are recognized as revenue when the customer is able to and has the contractual right to use the license. License renewals or extensions are recognized when the licensed content becomes available under the renewal or extension.

Revenue from the management of copyrights, licensing and brands for third parties through representation agreements is recognized when the amount of revenue can be reliably measured and the services have been performed.

Amounts received or advances currently due pursuant to a contractual arrangement, which have not yet met the criteria established to be recognized as revenue, are recorded as deferred revenue.

Revenue is recognized at the transaction price, which is adjusted for the consideration of the time value of money if the timing of payments provides the customer with a significant financing component.

Revenue from paid media and direct ad sales services for third parties are recognized as revenue, when the amount of revenue can be reliably measured and the services have been performed.

Principal versus agent revenue

The Company evaluates each arrangement with third parties to determine whether revenue should be reported on a gross or net basis by determining whether the nature of its promise is a performance obligation to provide the specified goods or services itself (principal) or to arrange for those goods or services to be provided by the other party (agent). An assessment of each specified good or service promised to the customer is made separately. Where the Company acts as the principal in an arrangement, revenues are reported on a gross basis and revenues and expenses are classified accordingly in the consolidated statement of income (loss). Conversely, where the Company acts as the agent in an arrangement, revenues are reported on a net basis and presented net of any related expenses or costs.

The most significant considerations to determine whether the Company acts as principal or agent include: i) whether the Company controls the specified good or service before it is transferred to the customer; ii) whether the Company is primarily responsible for fulfilling the promise to provide the specified good or service and the acceptability of such good or service; iii) whether the entity has inventory risk (or equivalent); and iv) whether the entity has latitude in establishing prices for the specified good or service.

Investment in film and television programs

Investment in film and television programs represents the balance of costs of film and television programs which have been produced by the Company or for which the Company has invested in distribution rights and the Company's right to participate in certain future cash flows of film and television programs produced and distributed by other unrelated parties.

Costs of investing in and producing film and television programs are capitalized. The costs are measured net of federal and provincial program contributions earned and are charged to income using a declining balance method of amortization. For film and television programs produced by the Company, capitalized costs include all direct production and financing costs incurred during production that are expected to benefit future periods. Financing costs are capitalized to the costs of a film or television program until substantially all of the activities necessary to prepare the film or television program for delivery are complete. Production financing provided by third parties that acquire participation rights is recorded as a reduction of the cost of production.

The rates used for the declining balance method of amortization range from 40% to 100% at the time of initial episodic delivery and at rates ranging from 10% to 30% annually thereafter. The determination of rates is based on the expected economic useful life of the film or television program, and includes factors such as the ability to license rights to broadcast rights, programs in development and availability of rights to renew licenses for episodic television programs in subsequent seasons, as well as the availability of secondary market revenue.

Investments in film and television programs are accounted for as inventory and classified within current assets. The normal operating cycle of the Company can be greater than 12 months.

The investment in film and television programs is measured at the lower of cost and net realizable value. The net realizable value is determined using estimates of future revenues net of future costs. A write-down is recorded equivalent to the amount by which costs exceed the estimated net realizable value of the film or television program.

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

Acquired and library content

Acquired and library content represents the balance of acquired film and television programs. Acquired and library content typically has minimal ongoing costs to maintain the content and is charged to Consolidated Statements of (Loss) Income using the declining balance method of amortization.

The rates used for the declining balance method of amortization is 10% annually. The determination of rates is based on the expected economic useful life of the film or television program and includes factors such as the availability of rights to renew licenses for television programs in various territories, as well as the availability of secondary market revenue.

Acquired and library content is accounted for as an intangible asset and classified within long-term assets.

Acquired and library content is tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use, being the present value of the expected future cash flows of the asset. For titles with an indicator of impairment, management calculated the recoverable amounts using the value-in-use model and discounting the forecast cash flows of revenue and contractual participation royalties. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Broadcast rights

Program and film rights for broadcasting are purchased on a fixed cost basis. The asset and liability for fixed cost purchases are recognized at the time the rights are known and determinable, and if they are available for airing. The cost of fixed program and film rights is expensed over the lesser of the availability period and the maximum period that varies depending upon the type of program, generally ranging from 24 to 60 months based on the expected pattern of consumption of the economic benefit.

In the event that the recognition criteria for fixed cost purchases described above are not met and the Company has already paid amounts to obtain future rights, such amounts are considered as prepaid program and film rights and are included as prepaids on the consolidated balance sheet.

Broadcast rights are tested for impairment on a title-by-title basis if events or changes in circumstances indicate that the carrying amount may exceed its recoverable amount. Any shortfall between the recoverable amount from future cash flows from the distribution rights and the carrying value is written off as an impairment expense on the Consolidated Statements of (Loss) Income in the period in which the decline in value becomes evident.

Accrued participation payables

Included in accounts payable and accrued liabilities are accrued participation payables. Accrued participation payables reflect the legal liability due as at the consolidated balance sheet date, calculated as the participation owing on cash collected and accounts receivable amounts.

Debt issue costs and debt modification

Debt issue costs related to bank indebtedness are recorded as a deferred charge and amortized, using the straight-line method, over the term of the related bank indebtedness and the expense is included in finance costs in the Consolidated Statements of (Loss) Income. Debt issue costs related to long-term debt, with the exception of revolving facilities, are recorded as a reduction to the carrying amount of long-term debt and amortized using the effective interest method and the expense is included in finance costs.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially different, such an exchange or substantial modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Consolidated Statements of (Loss) Income. Transaction costs related to the original financial liability are expensed in the event of an exchange or substantial modification, or if the terms of a modification are not substantially different, the transaction costs related to the original financial liability are combined with the new carrying amount, and amortized over the new term of the financial liability using the effective interest rate method.

Business combinations

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Company is recognized at fair value as at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized either in Consolidated Statements of (Loss) Income or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the fair value of consideration transferred over the fair value of identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in Consolidated Statements of (Loss) Income.

Development costs

Development costs include costs of acquiring film rights to books, stage plays or original screenplays and costs to adapt such projects. Such costs are capitalized and included in investment in film and television programs upon commencement of production. Advances or contributions received from third parties to assist in development are deducted from these costs. Projects in development are written off as development expenses at the earlier of the date determined not to be recoverable or when projects under development are abandoned, or three years from the date of the initial recognition of the investment, if there have been no active development milestones or significant development expenditures within the last year.

Property and equipment

Property and equipment are carried at historical cost, less accumulated amortization and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the Consolidated Statements of (Loss) Income during the period in which they are incurred. Amortization is provided, commencing when the asset is available for use, over the estimated useful life of the asset, using the following annual rates and methods:

Buildings	4% declining balance
Furniture, fixtures and other equipment	20% declining balance
Computer equipment	30% declining balance
Post-production equipment	30% declining balance
Computer software	2 years straight-line
Website design	2 years straight-line
Leasehold improvements	Straight-line over the term of lease
Right-of-use assets	Straight-line over the term of lease

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates each such part separately. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on the sale or disposal of property and equipment are determined by comparing the proceeds with the carrying amount of the asset.

Right-of-use ("ROU") assets and lease liabilities

ROU assets

The Company recognizes ROU assets at the commencement date of the lease. ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized at the inception of the lease, initial direct costs incurred, and lease payments made at or before the lease commencement date less any lease incentives received.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

ROU assets are tested for recoverability when an indicator of impairment exists. Impairment is assessed at the lowest cash-generating-unit level ("CGU"), and is measured by comparing the recoverable amount to its carrying value and recording an impairment where the carrying value exceeds the recoverable amount.

ROU assets are included in property and equipment in the Consolidated Balance Sheet.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, considering all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company re-assesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased for accretion expense and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification to the lease or a change in the assessment to purchase the underlying asset.

Lessor accounting

Where the Company enters into a lease agreement and a significant portion of risks and rewards of ownership incremental to the underlying asset is retained by the Company as lessor, such leases are classified as operating leases. Payments received under operating leases (net of any incentives received from the lessor) are recorded as income when received or receivable.

Where the Company transfers a significant portion of risks and rewards of ownership incremental to the underlying asset to the lessee, such leases are classified as finance leases. The Company recognizes a receivable at an amount equal to its net investment in the lease.

Goodwill

Goodwill represents the cost of acquired businesses in excess of the fair value of net identifiable assets acquired at the date of acquisition. Goodwill is carried at cost less any accumulated impairment losses and is not subject to amortization. Goodwill and indefinite life intangible assets are tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. Goodwill is allocated to a CGU, or group of CGUs, which is the lowest level within an entity at which the goodwill is monitored for internal management purposes which is not higher than an operating segment. Impairment is tested by comparing the recoverable amount of goodwill assigned to a CGU or group of CGUs to its carrying value.

Intangible assets

Intangible assets are carried at cost. Amortization is provided on a straight-line basis over the estimated useful life of the assets, using the following annual rates and methods:

Broadcaster relationships	7 to 10 years straight-line
Customer relationships	10 years straight-line
Customer representation agreements	5 years straight-line
Brands	10 to 20 years straight-line or indefinite life
Production and distribution rights	10 to 25 years straight-line
Production backlog	2 to 3 years straight-line
Non-compete contracts	3 years straight-line
Trademarks	5 years straight-line
Production and other software	5 years straight-line

Intangible assets with indefinite life are not amortized. The assessment of whether the underlying asset continues to have an indefinite life is reviewed annually to determine whether an indefinite life continues to be supportable, and if not, the change in useful life from indefinite to finite is made on a prospective basis.

Broadcast licenses

Broadcast licenses are considered to have an indefinite life based on management's intent and ability to renew the licenses without significant cost and without material modification of the existing terms and conditions of the license. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Broadcast licenses are tested for impairment annually or more frequently if events or circumstances indicate they may be impaired.

Broadcast licenses by themselves do not generate cash flows and therefore, when assessing these assets for impairment, the Company looks to the CGUs to which the asset belongs.

Impairment of non-financial assets

Property and equipment and definite life intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are not amortized are subject to an annual impairment test. For the purposes of measuring recoverable amounts, assets are grouped into CGUs. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use, being the present value of expected future cash flows of the relevant CGU. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, including investment in films and property and equipment, are added to the cost of those assets until such time as the assets are substantially complete and ready for use. All other borrowing costs are recognized as a finance expense in the Consolidated Statements of (Loss) Income in the period in which they are incurred.

Government financing and assistance

The Company has access to several government programs, including tax credits that are designed to assist film and television production and distribution in Canada. The Company records government assistance when the related costs have been incurred, and there is reasonable assurance that the Company will comply with the conditions and they will be received. Amounts received or receivable in respect of production assistance are recorded as a reduction of the production costs of the applicable production. Government assistance with respect to distribution rights is recorded as a reduction of investment in film and television programs. Government assistance towards current expenses is recorded as a reduction of the applicable expense item.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the Consolidated Statements of (Loss) Income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous periods. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate based on amounts expected to be paid to the tax authorities.

Deferred tax is recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements, as well as the benefit of losses that are probable to be realized and are available for carry forward to future years to reduce income taxes. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted as at the consolidated balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.
The effect of a change in tax rates on deferred tax assets and liabilities is included in Consolidated Statements of (Loss) Income in the period that the change is substantively enacted, except to the extent it relates to items previously recognized outside Consolidated Statements of (Loss) Income, in which case the rate change impact is recognized in a manner consistent with how the items were originally recognized.

Share-based compensation

The Company issues stock options, performance share units ("PSUs") and restricted share units ("RSUs") which are accounted for as equity-settled awards. Upon vesting, these awards are settled by the Company with common shares from treasury. The costs of equity-settled awards are measured using the Black-Scholes valuation model using management's inputs and assumptions. Share-based compensation expense for equity-settled awards are recognized over the vesting period of each award, with a corresponding increase to contributed surplus, based on the vesting period that has elapsed and the Company's best estimate of the number of equity instruments that will ultimately vest. Awards are expensed over the vesting period, and expense incurred on awards that ultimately do not vest is reversed.

The Company also issues deferred share units ("DSUs") to directors and certain eligible employees to defer receipt of a portion of or all of their board fees or other cash bonus amounts. DSUs fully vest upon grant and cannot be redeemed until the recipient is no longer a director or employee of the Company. On the grant date, the Company recognizes a share-based compensation expense for the fair value of the awards with a corresponding increase to contributed surplus.

Earnings (loss) per share

Basic earnings (loss) per share (“EPS”) is calculated by dividing the net income (loss) for the year attributable to equity owners of the Company by the weighted average number of common shares outstanding during the year. Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for potentially dilutive instruments. The Company’s potentially dilutive common shares comprise of stock options, RSUs, PSUs, warrants, exchangeable and convertible debentures. The number of shares included with respect to options, RSUs, PSUs, warrants and other similar instruments is computed using the treasury stock method. The dilutive effect of the Company's exchangeable and convertible debentures is determined using the if-converted method.

Financial instruments

Financial instruments are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9, Financial Instruments, contains three primary measurement categories for financial assets: measured at fair value through profit and loss ("FVPL"), amortized cost, and fair value through other comprehensive income ("FVOCI").

- Embedded derivatives component of the senior unsecured convertible debentures, foreign currency forwards, and exchangeable debentures are classified as FVPL, and are initially measured at fair value less transaction costs. They are subsequently measured at fair value and net gains/losses are recognized in the Consolidated Statements of (Loss) Income.

- Cash, restricted cash, amounts receivables, long-term amounts receivables, accounts payable and accrued liabilities, interim production financing, long-term debt, senior unsecured convertible and exchangeable debentures and other liabilities are classified as 'amortized cost', and initially measured at fair value. They are subsequently measured at amortized cost, with amounts receivable reassessed using the customer's historical default experience and expected future credit losses under the 'expected credit loss' ("ECL") model.

- There are no financial assets classified as FVOCI.

Impairment of financial assets

The Company assesses for indicators of impairment at the end of each reporting period using the ECL impairment model. It uses quantitative and qualitative analysis, based on the Company's historical credit collection data and forward-looking customer credit risk information, to estimate credit loss allowance as at the end of each reporting period.

Accounting pronouncements issued but not yet effective

i) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1). The amendments address inconsistencies with how entities classify current and non-current liabilities. The amendments serve to address whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current in the Consolidated Balance Sheets. The amendments are effective on January 1, 2024. The Company intends to adopt the amendments in its Consolidated Financial Statements or the annual period beginning July 1, 2023. The adoption of these amendments are not expected to have a material impact on the Consolidated Financial Statements.

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

ii) Non-current Liabilities with Covenants (Amendments to IAS 1)

In October 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1). The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments are effective for annual periods beginning on or after January 1, 2024. The Company intends to adopt these amendments in its Consolidated Financial Statements for the annual period beginning July 1, 2023. The adoption of these amendments are not expected to have a material impact on the Consolidated Financial Statements.

All other IFRSs and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the Consolidated Financial Statements.

Significant accounting judgments and estimation uncertainty

The preparation of consolidated financial statements under IFRS requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable. Actual results may differ materially from these estimates.

The following is a summary of estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities:

(i) Income taxes and deferred income taxes

Deferred tax assets and liabilities require management's judgment in determining the amounts to be recognized. In particular, judgment is used when assessing the extent to which deferred tax assets should be recognized with respect to the timing of deferred taxable income.

The current income tax provision for the year requires judgment to interpret tax laws and regulations in different tax jurisdictions. Estimates are used in determining the provision for current income taxes and amounts recorded for uncertain tax positions which are recognized in the consolidated financial statements. The Company considers the estimates, assumptions and judgments to be reasonable but this can involve complex issues which may take an extended period to resolve. The final determination of the amounts to be paid related to the current year's tax provisions could be different from the estimates reflected in the consolidated financial statements. The Company's tax filings also are subject to audits, the outcome of which could change the amount of current and deferred tax assets and liabilities.

(ii) Investment in film and television programs/acquired and library content

The costs of investing in and producing film and television programs are capitalized, net of federal and provincial program contributions earned.

Investment in film assets are amortized using the declining balance method with rates of amortization ranging from 40% to 100% at the time of initial episodic delivery and at rates ranging from 10% to 30% annually thereafter. Management estimates these rates based on the expected economic useful life of the film or television program, and includes factors such as the ability to license for broadcast rights, programs in development and availability of rights to renew licenses for episodic television programs in subsequent seasons, as well as the availability of secondary market revenue. Estimation uncertainty relates to management's ability to estimate the expected economic useful life of the film or television program.

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

(iii) Impairment of goodwill, indefinite life intangible assets and non-financial assets

Management estimates the recoverable amount of each CGU with goodwill, indefinite life intangible assets and non-financial assets when an indicator of impairment exists. Goodwill and indefinite life intangible assets are also tested annually at year-end for impairment. Recoverable amount is estimated at the greater of a CGU's value-in-use or fair value less costs to sell and the excess of carrying amount over the recoverable amount is recorded as an impairment charge in the period.

Value-in-use is based on the expected future cash flows of an asset or CGU discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The impairment test calculations are based on detailed budgets and forecasts which are prepared for each CGU to which the assets are allocated. These budgets and forecasts generally cover a period of five years with a long-term growth rate applied to the terminal year. Key areas of estimation uncertainty relate to management's assumptions about future operating results, long-term growth rates and the discount rate. Actual results could vary from these estimates which may cause significant adjustments to the Company's goodwill, indefinite life intangible assets and non-financial assets in subsequent reporting periods.

Fair value less costs to sell is based on market comparable valuation multiples or completed transactions, including the Company's own discussions with third parties of indicative fair value and other relevant market data. The Company is required to exercise judgment and make assumptions to determine its best estimate of fair value.

(iv) Measurement of ECL allowance

Management estimates the ECL allowance for trade accounts receivable based on an assessment of accounts receivable aging, management's collection experience with the customer and the probability that these balances will not be collected.

(v) Revenue recognition of proprietary production

For the Company's proprietary production revenues, an assessment is made at the inception of each contract to determine whether performance obligations are satisfied over a period of time, or at a point in time. Management exercises judgment in assessing the facts and circumstances of each arrangement, including the ongoing ability to control the asset, the rights retained, and the nature of the Company's performance obligations. Contracts, where performance obligations are satisfied over a period of time, are recognized using the percentage of completion method of revenue completion, while contracts where performance obligations are satisfied at a point in time are recognized when all performance obligations are completed, as described above under the Company's policy on revenue recognition.

4 Compensation of key management

Key management includes all directors, including both executive and non-executive directors, as well as the Chief Executive Officer, Chief Financial Officer and President. The compensation earned by key management is as follows:

	June 30, 2023 $	June 30, 2022 $
Salaries and employee benefits	**4,003**	4,071
Share-based compensation	**5,554**	2,740
Termination and other benefits	**6,352**	—
	15,909	6,811

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

5 Acquisitions of assets

In March 2022, the Company acquired certain brand representation rights with respect to the Peanuts property in various Asia Pacific territories beginning July 2022. The total purchase price was $10,703 of which $3,552 was paid on March 31, 2022, and equal installments of $507 were paid monthly from April 2022 through to December 2022. The remaining $2,588 was paid in the quarter ended March 31, 2023, upon achievement of certain financial performance conditions. The transaction is considered an asset acquisition and the entire purchase price has been allocated to intangible assets - brand representation rights.

In September 2022, the Company acquired the rights, title and interest of a children's entertainment property for an aggregate price of $1,841. These assets were classified as acquired and library content in the consolidated balance sheets.

6 Amounts receivable

	June 30, 2023 $	June 30, 2022 $
Trade receivables	**227,371**	182,476
Less: ECL allowance on trade receivables	**(8,935)**	(10,435)
Trade receivables, net of loss allowance	**218,436**	172,041
Interest rate swap(1)	**9,385**	—
Sales tax receivable	**1,113**	1,199
Federal and provincial film tax credits and other government assistance	**74,444**	76,420
Short-term amounts receivable	**303,378**	249,660
Long-term amounts receivable	**57,711**	84,790
Total amounts receivable	**361,089**	334,450

(1) During the fourth quarter of fiscal 2021, the Company entered into a 3-year term interest rate swap maturing on June 28, 2024, which secures US$165,000 of Term Facility from an interest rate of SOFR plus 4.25% to a fixed interest rate of 5.24% (note 22(b)).

The aging of trade receivables is as follows:

	June 30, 2023 $	June 30, 2022 $
Less than 60 days	**180,117**	146,690
Between 60 and 90 days	**6,836**	4,470
Over 90 days	**40,418**	31,316
	227,371	182,476

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

A continuity of ECL allowance on trade receivables as follows:

	June 30, 2023 $	June 30, 2022 $
Opening balance	**10,435**	8,236
Loss allowance on trade receivables	**658**	3,790
Write-offs during the year	**(2,193)**	(1,224)
Recoveries of receivables previously provided for	**(280)**	(117)
Foreign exchange	**315**	(250)
Ending balance	**8,935**	10,435

7 Investment in film and television programs

	June 30, 2023 $	June 30, 2022 $
Development costs	**5,971**	4,872
Productions in progress		
Cost, net of government and third party assistance	**47,741**	44,506
Productions completed and released		
Cost, net of government and third party assistance	**831,829**	715,608
Accumulated expense	**(668,262)**	(568,020)
Accumulated write-down of investment in film and television programs	**(60,357)**	(53,789)
	103,210	93,799
Program and film rights - broadcasting[1]		
Cost	**182,631**	175,551
Accumulated expense	**(158,124)**	(149,428)
Accumulated write-down of program and film rights	**(5,737)**	(5,737)
	18,770	20,386
	175,692	163,563

(1) All program and film rights - broadcasting relate to WildBrain Television.

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

The continuity of investment in film and television programs is as follows:

	June 30, 2023 $	June 30, 2022 $
Net opening investment in film and television programs	**163,563**	147,783
Increase in development costs	**1,099**	203
Cost of productions (completed and released and productions in progress), net of assistance	**112,832**	71,115
Expense of investment in film and television programs	**(100,242)**	(50,457)
Write-down of investment in film and television programs	**(6,568)**	(1,208)
Increase of program and film rights - broadcasting	**7,080**	12,166
Expense of program and film rights - broadcasting	**(8,696)**	(8,830)
Foreign exchange	**6,624**	(7,209)
	175,692	163,563

During the year ended June 30, 2023, interest of $2,240 (June 30, 2022 - $1,115) was capitalized to investment in film and television programs.

During the year ended June 30, 2023, the Company recorded $6,568 write-down of investments in film and television programs (June 30, 2022 - $1,208).

8 Acquired and library content

	June 30, 2023 $	June 30, 2022 $
Net opening acquired and library content	**92,732**	100,653
Additions (note 5)	**1,841**	1,000
Write-down of acquired and library content	**(1,827)**	—
Amortization	**(9,701)**	(10,241)
Foreign exchange	**2,425**	1,320
Net closing acquired and library content	**85,470**	92,732

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

9 Property and equipment

	Furniture, fixtures and equipment $	Computer, post-production equipment and related software $	Leasehold improvements $	ROU assets - equipment $	ROU assets - premise $	Total $
For the year ended June 30, 2022						
Opening net book value	1,278	3,604	8,330	7,489	26,528	47,229
Additions[1]	286	2,028	297	5,309	(2,612)	5,308
Amortization	(191)	(2,161)	(2,960)	(3,044)	(5,022)	(13,378)
Impairment[2]	—	—	—	—	420	420
Foreign exchange	—	(192)	36	—	(136)	(292)
	1,373	3,279	5,703	9,754	19,178	39,287
At June 30, 2022						
Cost	7,279	42,361	17,558	19,277	36,668	123,143
Accumulated amortization	(5,930)	(39,391)	(11,803)	(9,523)	(17,644)	(84,291)
Foreign exchange	24	309	(52)	—	154	435
Net book value	1,373	3,279	5,703	9,754	19,178	39,287
For the year ended June 30, 2023						
Opening net book value	**1,373**	**3,279**	**5,703**	**9,754**	**19,178**	**39,287**
Additions[1]	**190**	**190**	**107**	**4,788**	**924**	**6,199**
Amortization	**(215)**	**(1,713)**	**(1,203)**	**(4,143)**	**(4,420)**	**(11,694)**
Foreign exchange	**—**	**137**	**70**	**—**	**238**	**445**
	1,348	**1,893**	**4,677**	**10,399**	**15,920**	**34,237**
At June 30, 2023						
Cost	**7,469**	**42,551**	**17,665**	**24,065**	**37,592**	**129,342**
Accumulated amortization	**(6,145)**	**(41,104)**	**(13,006)**	**(13,666)**	**(22,064)**	**(95,985)**
Foreign exchange	**24**	**446**	**18**	**—**	**392**	**880**
Net book value	**1,348**	**1,893**	**4,677**	**10,399**	**15,920**	**34,237**

(1) Additions during June 30, 2023 for ROU assets - premise include additions of $924 (June 30, 2022 - $1,391) offset by lease terminations of $nil (June 30, 2022 - $4,003)

(2) There was no impairment during June 30, 2023 (June 30, 2022 - ROU assets - premise include impairment of $299 for the leased premise located in the UK, which the Company was in the process of subleasing, offset by reversal of impairment of $719, resulted from the change in estimates used in calculating the recoverable amount for the leased premise located in Canada)

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

10 Intangible assets

	Broadcast licenses (1)	Broadcaster relationships	Customer relationships and representation agreements	Brands (2)	Production and distribution rights (3)	Software and Other (4)	Total
	$	$	$	$	$	$	$
For the year ended June 30, 2022							
Opening net book value	67,800	190	9,209	338,601	14,621	3,174	433,595
Additions	—	—	11,628	1,325	207	1,149	14,309
Amortization	—	—	(3,603)	(3,329)	(3,172)	(497)	(10,601)
Foreign exchange	—	—	(143)	12,998	(1,046)	(165)	11,644
Net book value	67,800	190	17,091	349,595	10,610	3,661	448,947
As at June 30, 2022							
Cost	67,800	7,362	43,466	391,060	33,715	13,223	556,626
Accumulated amortization and impairment	—	(7,216)	(26,280)	(40,508)	(17,947)	(9,486)	(101,437)
Foreign exchange	—	44	(95)	(957)	(5,158)	(76)	(6,242)
Net book value	67,800	190	17,091	349,595	10,610	3,661	448,947
For the year ended June 30, 2023							
Opening net book value	**67,800**	**190**	**17,091**	**349,595**	**10,610**	**3,661**	**448,947**
Additions(5)	**—**	**—**	**(1,392)**	**359**	**174**	**1,434**	**575**
Amortization	**—**	**—**	**(6,189)**	**(2,750)**	**(2,926)**	**(997)**	**(12,862)**
Foreign exchange	**—**	**—**	**795**	**9,518**	**705**	**76**	**11,094**
Net book value	**67,800**	**190**	**10,305**	**356,722**	**8,563**	**4,174**	**447,754**
As at June 30, 2023							
Cost	**67,800**	**7,362**	**42,074**	**391,419**	**33,889**	**14,657**	**557,201**
Accumulated amortization and impairment	**—**	**(7,216)**	**(32,469)**	**(43,258)**	**(20,873)**	**(10,483)**	**(114,299)**
Foreign exchange differences	**—**	**44**	**700**	**8,561**	**(4,453)**	**—**	**4,852**
Net book value	**67,800**	**190**	**10,305**	**356,722**	**8,563**	**4,174**	**447,754**

(1) All broadcast licenses relate to the operations of WildBrain Television.
(2) Included in Brands are $352,317 of indefinite life intangibles (June 30, 2022 - $342,897).
(3) Comprised of rights acquired by the Company to produce and/or distribute television content where the Company does not own the underlying intellectual properties.
(4) Comprised of software, production backlog and non-compete contracts.
(5) During the year ended June 30, 2023 there was a reduction of the original purchase price based on performance of certain representation agreements with respect to the Peanuts property in various Asia Pacific territories by $1,392 (June 30, 2022 - $nil).

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

11 Goodwill

The continuity of goodwill is as follows:

	June 30, 2023 $	June 30, 2022 $
Opening balance	**54,033**	53,164
Impairment	**(33,224)**	—
Foreign exchange	**626**	869
Ending balance	**21,435**	54,033

Impairment testing of goodwill and indefinite life intangible assets

Goodwill and indefinite life intangible assets, being the broadcast licenses and certain brands, are tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. The Company performs its goodwill impairment test annually as at June 30, in accordance with its policy described in note 3. Goodwill is tested for impairment at the lowest CGU level that goodwill is monitored. On this basis, management has determined that it has four CGUs: i) the Company's production, distribution and licensing of film and television programs business, being the Content Business excluding Peanuts (the "Content Business"); ii) Peanuts; iii) CPLG, which manages copyrights, licensing and brands for third parties; and iv) WildBrain Television. The Content Business and CPLG CGUs do not have any goodwill or indefinite life intangible assets, and therefore have not been tested for impairment.

In assessing goodwill and indefinite life intangible assets for impairment, the Company compares the carrying value of its CGU to its recoverable amount.

To determine the recoverable amount for each of its CGUs, the Company applied the following valuation methods:

CGU	Valuation methodology
Peanuts	Value-in-use
WildBrain Television	Value-in-use

Value-in-use

The value-in-use of the Company's WildBrain Television CGU and Peanuts CGU were determined by discounting three-year cash flow projections prepared from business plans reviewed by senior management, extended for two additional years using industry outlook growth rate assumptions for a total forecast period of five years. The projections reflect management's expectations and best estimate of revenue, profit, and, capital expenditures, based on past experience and future expectations of operating performance. Cash flows beyond the five-year period were extrapolated using terminal growth rates to determine the terminal value.

The discount rates applied to cash flow projections were derived from the Company's weighted average cost of capital and other external sources.

The following key assumptions were used:

CGU	Terminal growth rate	Pre-Tax discount rate
Peanuts Business	4.0 %	15.0 %
WildBrain Television	0.0 %	16.7 %

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

For the Peanuts Business CGU, key revenue assumptions includes management's assessment of future industry trends, based on internal sources. Gross margins for the Peanut Business were estimated using a combination of both forecast and historical margins.

For the WildBrain Television CGU, the key revenue assumptions included subscriber levels, rates per subscriber, and future advertising revenues. Subscriber levels were estimated based on management's assessment of future industry trends, while subscriber rates were based on existing agreements and management's estimates of future renewal rates. Advertising and promotion revenues were based upon management's assessment of future industry trends, based on internal and external sources. Gross margins for WildBrain Television were estimated using historical margins, while giving consideration to expected future content costs.

Cash flow adjustments for capital expenditures were based upon management's sustainable capital expenditure estimates, adjusted for presently planned capital expenditures required to achieve forecasted operating results.

The terminal growth rates were estimated based upon management's assessment of future industry trends for each specific CGU.

As at June 30, 2023, the Company completed it's annual impairment tests for goodwill and indefinite life intangible assets, and concluded that there was no impairment for the Peanuts Business CGU (June 30, 2022 - no impairment). The Company has conducted a sensitivity analysis on the key assumptions used to determine the recoverable amount for the Peanuts Business CGU. Management believes that any reasonable possible change in the key assumptions on which the estimates of recoverable amount is based would not cause the the carrying amount to exceed the recoverable amount of the related CGU.

There was, however, an impairment charge of $33,224 for WildBrain Television CGU (June 30, 2022 - no impairment) as it was determined that the carrying amount exceeded the recoverable amount. If the budgeted cash flow for each year used in the VIU calculation for the WildBrain Television CGU had been 5% lower than management's estimate at June 30, 2023, the impairment to the WildBrain Television CGU would have been approximately $1,495. If the pre-tax discount rate had been 0.5% higher than management's estimate (17.2% instead of 16.7%), the Company would have had to recognize an additional impairment for WildBrain Television CGU in the amount of $2,023.

12 Derivative Assets

	June 30, 2023	**June 30, 2022**
	$	**$**
Foreign currency forwards	**337**	—
Interest rate swap[(1)]	**—**	8,845
	337	8,845

(1) During the fourth quarter of fiscal 2021, the Company entered into a 3-year term interest rate swap maturing on June 28, 2024, which secures US$165,000 of Term Facility from an interest rate of SOFR plus 4.25% to a fixed interest rate of 5.24% (note 22(b)).

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

13 Accounts payable, accrued and derivative liabilities

The following table presents the Company's accounts payable, accrued and derivative liabilities:

	June 30, 2023 $	June 30, 2022 $
Accounts payable and accrued liabilities	**171,464**	161,849
Derivative liabilities (note 22)	**—**	19,107
	171,464	180,956

14 Credit facilities

	June 30, 2023 $	June 30, 2022 $
Bank indebtedness	**7,000**	9,087
Interim production financing	**86,891**	84,235
Term Facility, net of unamortized issue costs of $7,849 (June 30, 2022 - $9,260)	**360,976**	353,387
Exchangeable debenture, net of unamortized issue costs and conversion option of $nil (June 30, 2022 - $1,173)	**—**	22,662
Convertible Debentures, net of unamortized issue costs and conversion option of $6,998 (June 30, 2022 - $11,911)	**133,002**	128,090
Total	**587,869**	597,461
Amount due within 12 months	**(97,664)**	(119,657)
Amount due beyond 12 months	**490,205**	477,804

a) LIBOR transitioned to secured overnight financing rate ("SOFR")

LIBOR was discontinued at the end of calendar year 2021. As part of the refinancing of the Term facility and Bank Indebtedness ("Revolving Facility") in March 2021, alternative replacement rates for LIBOR were included in the agreement based on the secured overnight financing rate ("SOFR"), which is a benchmark interest rate for dollar denominated loans. The new SOFR benchmark rate replaces the discontinued LIBOR rate for the Revolving Facility.

The Company's interim production credit facilities with various financial institutions and other entities, bearing interest based on LIBOR will be replaced with SOFR.

b) Bank indebtedness

On October 21, 2022, the Company amended its credit agreement to increase its Revolving Facility from US$30,000 to US$40,000, with an interest rate of SOFR plus 4%, based on the applicable form of borrowing. The Revolving Facility does not carry a financial maintenance covenant, except when amounts are drawn and outstanding. The Revolving Facility matures on the earlier of March 26, 2026 or three months prior to the maturity of the Company's convertible debentures dated September 30, 2024, except where converted. As at June 30, 2023, $7,000 (June 30, 2022 - $9,087) was drawn on the Revolving Facility.

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

Under the Revolving Facility, when amounts are drawn and outstanding at the end of any fiscal quarter, the Company is required to comply with a leverage covenant of 6.75x, declining to 6.25x for the quarter ending September 30, 2023 and thereafter. As at June 30, 2023, the Company's Total Net Leverage Ratio was 4.16x.

c) Interim production financing

	June 30, 2023	June 30, 2022
	$	$
Interim production credit facilities	**86,891**	84,235

The Company has interim production credit facilities with various financial institutions and other entities, bearing interest at bank prime plus 0.50% - 0.75%, SOFR plus 3.25% or base rate of 3.75% plus 0.75%. Assignment and direction of specific production financing, licensing contracts receivable and film tax credits receivable have been pledged as security. As at June 30, 2023, the Canadian dollar bank prime rate was 6.95% (June 30, 2022 - 3.70%).

d) Term facility

On March 26, 2021, the Company completed the refinancing of its term facility with a seven-year US$285,000 senior secured term loan facility (the "Term Loan") maturing March 26, 2028. The term facility has no financial maintenance covenant and bears interest at a rate of SOFR plus 4.25%. Commencing on the fiscal quarter ending June 30, 2021, the Term Loan requires quarterly repayment equal to 0.25% of the initial principal amount. As at June 30, 2023, the Company's Term Loan had a principal balance of US$278,588, or $368,837 (June 30, 2022 - US$281,438 or $362,648).

During the fourth quarter of fiscal 2021, the Company entered into an interest rate swap agreement to secure US$165,000 of total term facility from an interest rate of LIBOR plus 4.25% to a fixed interest rate of 5.24% (note 22(b)). The Company amended the benchmark rate from LIBOR to SOFR during the first quarter of fiscal 2023. Changes in the estimated fair value of the interest rate swap are recorded through the Company's consolidated statement of (loss) income. During the year ended June 30, 2023, the change in the estimated fair value of the interest rate swap resulted in a gain of $540 (June 30, 2022 – gain of $9,086).

The Term Loan also requires repayments equal to 50% of excess cash flow (the "Excess Cash Flow Payments") (as defined in the Senior Secured Credit Agreement), commencing for the fiscal year-ended June 30, 2022, while the first lien net leverage ratio ("First Lien Leverage Ratio"), as defined in the Senior Secured Credit Agreement, is greater than 3.50 times, reducing to 25% of Excess Cash Flow while First Lien Net Leverage Ratio is at or below 3.50 times and greater than 3.00 times, with the remaining balance due on March 26, 2028. No payments were required under the Excess Cash Flow Payments calculation for the year ended June 30, 2023.

e) Senior unsecured convertible debentures ("Convertible Debentures")

As at June 30, 2023, the Convertible Debentures had a principal balance of $140,000 (June 30, 2022 - $140,000), bearing interest at a fixed annual rate of 5.875% and paid semi-annually on March 31 and September 30 of each year. The Convertible Debentures are convertible into Common Voting Shares or Variable Voting Shares of the Company at a price of $7.729 per share, subject to certain customary adjustments. The Convertible Debentures mature on September 30, 2024.

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

The Convertible Debentures have a cash conversion option whereby the Company can elect to make a cash payment in lieu of issuing Common Voting Shares or Variable Voting Shares upon exercise of the conversion option feature by the holder of the Convertible Debentures. As a result, the Convertible Debentures were deemed to have no equity component at initial recognition and the estimated fair value of the embedded derivatives is recorded as a financial liability and included with the debt component on the Company's consolidated balance sheet. Changes in the estimated fair value of the embedded derivatives are recorded through the Company's consolidated statement of (loss) income.

During the year ended June 30, 2023, the Company recorded a gain of $1,932, as a change in fair value of the embedded derivative (June 30, 2022 - a gain of $4,699), and the estimated fair value of the embedded derivative as at June 30, 2023 was $340 (June 30, 2022 - $2,272).

f) Exchangeable debentures

On June 24, 2023, at the maturity date, the Company settled US$18,497 or $23,835 in outstanding Exchangeable Debentures. The Company exercised its right to satisfy its obligation to pay all of the outstanding principal and accrued and unpaid interest in respect of the Exchangeable Debentures to Fine Capital Partners, L.P., a related party of the Company, by delivering 19,977,277 variable voting shares, from Treasury, in lieu of cash.

As at June 30, 2023, the Company's Exchangeable Debentures had a principal balance of US$nil or $nil (June 30, 2022 - US$18,497 or $23,835).

During the year ended June 30, 2023, the Company recorded a gain of $19,866, as a change in fair value of the embedded derivative (June 30, 2022 - a gain of $9,017), and the estimated fair value of the embedded derivative as at June 30, 2023 was $nil (June 30, 2022 - $19,107).

15 Share capital

	June 30, 2023		June 30, 2022	
	Number	**Amount**	**Number**	**Amount**
	#	**$**	**#**	**$**
Preferred variable voting shares				
Opening balance	**500,000,000**	**—**	500,000,000	—
Ending balance	**500,000,000**	**—**	500,000,000	—
Common shares				
Opening balance	**173,108,668**	**368,734**	171,855,961	367,359
Shares sold held in trust, net	**—**	**—**	138,190	142
Options exercised	**171,600**	**426**	325,000	498
PSU exercised	**880,167**	**798**	—	—
Employee share purchase plan	**18,542**	**45**	36,087	108
RSU settled	**5,640,333**	**5,630**	753,430	627
DSU settled	**197,692**	**411**	—	—
Conversion of exchangeable debentures	**19,977,227**	**29,568**	—	—
Ending balance	**199,994,229**	**405,612**	173,108,668	368,734

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

Preferred Variable Voting Shares ("PVVS")

500,000,000	("PVVS"), redeemable at the option of the Company at any time at a millionth of a cent per share, no entitlement to dividends, voting
Unlimited	Common Voting Shares without nominal or par value
Unlimited	Variable Voting Shares without nominal or par value
Unlimited	Non-Voting Shares without nominal or par value

The votes attached to the PVVS as a class are automatically adjusted so that they, together with the votes attached to the common shares that are owned by Canadians, equal 55% of the votes attached to all shares in the capital of the Company. The votes attached to the PVVS as a class are, in aggregate, not less than 1% of the votes attached to all shares in the capital of the Company. The PVVS are not listed on any stock exchange.

Common shares

The common shares of the Company are inclusive of Common Voting Shares, Variable Voting Shares and Non-Voting Shares. As at June 30, 2023, the Company had 28,995,711 Common Voting Shares and 170,998,518 Variable Voting Shares issued and outstanding (June 30, 2022 - 31,668,243 and 141,440,425, respectively).

Share trust

The Company established an employee share trust to purchase and hold common shares of the Company to satisfy certain employee and director share-based compensation awards, including restricted share units and deferred share units. During the year ended June 30, 2023, all the deferred share units in the employee share trust were sold and the Trust was closed.

16 Share-based compensation

Omnibus equity incentive plan ("Omnibus Plan")

On December 17, 2019, the shareholders of the Company approved the adoption of the Omnibus Plan, a single umbrella plan that provides flexibility to the Company to grant equity-based incentive awards in the form of stock options, restricted share units and performance share units. On December 16, 2021, the shareholders of the Company approved an amended and restated Omnibus Plan which includes deferred share units as an additional form of equity-based incentive awards issuable under the Omnibus Plan and increases the maximum number of equity-awards issuable under the Omnibus Plan from 8.5% of the Company's total issued and outstanding Common and Variable Voting Shares to 10%. As at June 30, 2023, the total amount available for issuance under the Omnibus Plan subject to the 10% maximum was 19,703,433 (June 30, 2022 - at 10% - 17,103,138).

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

Options

As at June 30, 2023 and 2022, the Company had the following stock options outstanding:

	Number of options #	Weighted average exercise price per stock option $
Outstanding at June 30, 2021	4,993,800	3.86
Forfeited	(100,000)	1.91
Expired	(260,000)	5.92
Exercised	(325,000)	1.51
Outstanding at June 30, 2022	4,308,800	3.96
Exercisable at June 30, 2022	3,711,425	4.33
Outstanding at June 30, 2022	**4,308,800**	**3.96**
Forfeited	**(25,000)**	**2.26**
Expired	**(594,400)**	**7.27**
Exercised	**(171,600)**	**1.94**
Outstanding at June 30, 2023	**3,517,800**	**3.52**
Exercisable at June 30, 2023	**3,517,800**	**3.52**

During the year ended June 30, 2023, the Company recognized share-based compensation expense of $20, for the vesting of options, net of forfeitures (June 30, 2022 - expense $76), with a corresponding adjustment to contributed surplus.

The range of exercise prices for options outstanding at June 30, 2023 and 2022, is presented below.

Range of exercise prices	Number outstanding at June 30, 2023 #	Weighted average remaining contractual life years	Weighted average exercise price $	Number outstanding at June 30, 2022 #	Weighted average exercise price $
$1.50 - $3.49	**2,041,000**	**2.31**	**1.60**	2,314,500	1.65
$3.50 - $5.49	**100,000**	**1.25**	**5.47**	100,000	5.47
$5.50 - $7.49	**1,376,800**	**0.68**	**6.21**	1,501,800	6.27
$7.50 - $9.49	**—**	**—**	**—**	392,500	8.38
Total	**3,517,800**	**1.64**	**3.52**	4,308,800	3.96

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

Performance share unit plan ("PSUs")

The following table illustrates the movements in the number of PSUs during the year.

	June 30, 2023 PSU #	June 30, 2022 PSU #
Outstanding, beginning of year	**2,737,467**	2,775,000
Granted	**1,966,468**	62,467
Forfeited	**(1,972,800)**	(100,000)
Exercised	**(880,167)**	—
Outstanding, end of year	**1,850,968**	2,737,467

During the year ended June 30, 2023, the Company recognized share-based compensation expense of $1,071 (June 30, 2022 - expense of $194) with a corresponding adjustment to contributed surplus.

Restricted share unit plan ("RSUs")

The RSUs are a long-term employee retention program issued to certain eligible employees as part of the Omnibus Plan, which are settled through treasury and generally cliff-vest in 3 years.

The following table illustrates the movements in the number of RSUs during the year.

	June 30, 2023 RSU #	June 30, 2022 RSU #
Outstanding, beginning of year	**4,691,764**	3,311,548
Granted	**3,988,725**	2,568,857
Forfeited	**(114,699)**	(317,765)
Exercised	**(6,082,012)**	(870,876)
Outstanding, end of year	**2,483,778**	4,691,764

During the year ended June 30, 2023, the Company recognized share-based compensation expense of $5,916 (June 30, 2022 - expense of $5,456) with a corresponding adjustment to contributed surplus.

Deferred share unit plan ("DSUs")

DSUs are an incentive program for Board members of the Company, where Board members may elect to receive director fees in the form of cash or DSUs. The DSUs are settled in shares purchased in the open market and cannot be issued from treasury. The DSUs vest immediately upon grant, but they cannot be exercised until the Board member departs the Company.

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

The following table illustrates the movements in the number of DSUs during the year.

	June 30, 2023	June 30, 2022
	DSU	DSU
	#	#
Outstanding, beginning of year	**2,582,342**	2,111,008
Granted	**662,918**	471,334
Outstanding, end of year	**3,245,260**	2,582,342

During the year ended June 30, 2023, the Company recognized share-based compensation expense of $1,351 (June 30, 2022 - expense of $1,462) with a corresponding adjustment to contributed surplus, and included $130 for services rendered but DSUs not yet granted.

Long-term incentives plan ("LTIP")

The LTIP is a long-term employee retention program whereby common shares of the Company are issued to certain eligible employees. These common shares are purchased in the open market and cannot be issued from treasury. During the year ended June 30, 2023, the Company recognized share-based compensation income of $41 (June 30, 2022 - expense of $84) with a corresponding adjustment to contributed surplus.

Employee stock purchase plan

During the year ended June 30, 2023, the Company recognized share-based compensation expense of $6 (June 30, 2022 - expense of $16) with a corresponding adjustment to contributed surplus. During the second quarter of fiscal 2023, the Company cancelled the Employee stock purchase plan and no further contributions and purchases occurred after December 31, 2022.

17 Government financing and assistance

During the year ended June 30, 2023, investment in film was reduced by $1,174 (June 30, 2022 - $633) related to non-repayable contributions from the Canadian Media Fund license fee program. Investment in film and television programs was reduced by $23,591 (June 30, 2022 - $17,184) and direct production costs and expense of film and television reduced by $31,588 (June 30, 2022 - $29,833) for tax credits related to production activities. The Company received $56,658 in government financing and assistance (June 30, 2022 - $41,950).

Amounts receivable from the Canadian federal government and other government agencies in connection with production financing represented 25% of total amounts receivable at June 30, 2023 (June 30, 2022 - 31%). These amounts receivable are presented as current assets and are part of the normal operating cycle of the Company, which can be greater than 12 months. Certain of these amounts are subject to audit by Canada Revenue Agency. The Company adjusts amounts receivable from the Canadian federal government and other government agencies including federal and provincial tax credits receivable, in connection with production financing, quarterly and yearly, for any known differences arising from internal or external audit of these balances.

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

18 Income taxes

Significant components of the Company’s net deferred income tax liability as at June 30, 2023 and June 30, 2022 are as follows:

	June 30, 2023 $	June 30, 2022 $
Broadcast licenses	**(18,020)**	(18,020)
Tangible benefit obligation	**(96)**	(96)
Deferred revenue	**118**	118
Reserves	**7,206**	3,789
Foreign tax credits	**9,070**	6,846
Property and equipment	**449**	(32)
Share issuance costs, deferred financing fees and financial instruments	**276**	1,654
Investment in film and television programs and acquired and library content	**(13,947)**	(5,652)
Intangible assets	**(7,636)**	(5,934)
Foreign currency related balances	**(701)**	—
Non-capital losses and other	**16,332**	9,566
Net deferred income tax liability	**(6,949)**	(7,761)

The recognition of Canadian, US and UK net operating losses is dependent upon future taxable income and the ability, under Canadian, US and UK tax law, to utilize its net operating losses. Based on the current forecast of Canadian taxable income, it is probable that certain losses may not be utilized. The deferred tax asset not recognized of $42,352 (June 30, 2022 - $32,265), relates primarily to the Canadian non-capital loss carry forwards which begin to expire in the 2033 taxation year. The non-recognition of the deferred tax asset related to the net operating losses does not constrain the Company's ability to utilize it against future income.

Deferred income tax liability has not been recognized for the withholding tax and other taxes that would be payable on unremitted earnings of certain subsidiaries, as such amounts are permanently reinvested. Unremitted earnings totaled $97,432 as at June 30, 2023 (June 30, 2022 - $79,058).

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

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

	June 30, 2023 $	June 30, 2022 $
Income tax expense based on combined federal and provincial tax rates of 29% (June 30, 2022 - 29%)	**(2,946)**	8,760
Income taxes increased (reduced) by:		
Share-based compensation	**—**	654
Goodwill impairment	**9,635**	—
Non-deductible expenses	**(1,342)**	(6,490)
Tax rate differential	**(1,304)**	(1,021)
Non-controlling interest	**(8,124)**	(7,575)
Provision to return adjustment	**3,632**	8,636
Non-capital losses not recognized	**7,431**	(3,845)
Other	**400**	(676)
Expense (recovery) of income taxes	**7,381**	(1,557)

The Company operates in multiple jurisdictions with differing tax rates. The Company's effective tax rates are dependent on the jurisdiction to which income relates.

19 Non-controlling interest

The Company's non-controlling interest as at June 30, 2023 was $249,282 (June 30, 2022 - $235,975), which primarily related to its subsidiary, Peanuts Worldwide LLC (DE) ("Peanuts"). The Company is the majority owner of the 80% stake in Peanuts, holding a 51% interest while Sony Music Entertainment (Japan) Inc. holds a 49% interest. The family of Charles M. Schulz holds the remaining 20% interest. The Company has majority voting control with two out of three seats of the Board of Managers of which the voting rights of each Board member are equal to their respective percentage interest. Furthermore, the Company manages the day-to-day operations of Peanuts, and as such at June 30, 2023, the Company controlled Peanuts and therefore consolidates 100% of Peanuts with an adjustment for non-controlling interest.

During the year ended June 30, 2023, the Company paid distributions of $21,222 (June 30, 2022 - $33,609). This is reflected in the consolidated statements of cash flows. The following table summarizes the financial information of Peanuts before intercompany eliminations:

	June 30, 2023 $	June 30, 2022 $
Current assets	**133,357**	137,596
Non-current assets	**379,184**	368,226
Current liabilities	**(44,955)**	(54,357)
Non-current liabilities	**(6,163)**	(10,691)
Net assets	**461,423**	440,774
Revenue	**179,290**	176,458
Total expenses	**(136,820)**	(143,968)
Net income and comprehensive income	**42,470**	32,490

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

20 Finance costs, net

Net finance costs comprise the following:

	June 30, 2023 $	June 30, 2022 $
Finance costs		
Change in fair value of interest rate swap and forward contract	**(967)**	(9,086)
Interest income	**(2,655)**	(3,041)
Interest expense on bank indebtedness	**1,975**	600
Interest on long-term debt	**34,632**	28,206
Interest on completed and released productions	**2,289**	994
Amortization of deferred financing fees	**3,099**	2,721
Accretion on convertible debentures, exchangeable debentures, lease liabilities and other	**11,984**	10,092
	50,357	30,486

Interest income consists of accretion on long-term amounts receivable and cash interest earned on bank deposits and tax credit receivables.

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

21 Expenses by nature and employee benefit expense

The following sets out the expenses by nature and employee benefits expense:

	June 30, 2023	June 30, 2022
	$	$
Direct production and new media costs	**182,403**	226,375
Expense of film and television programs	**100,242**	50,457
Expense of film and broadcast rights for broadcasting	**8,696**	8,830
Amortization of property and equipment and intangible assets	**24,556**	23,979
Amortization of acquired and library content	**9,701**	10,241
Write-down of investment in film and television programs, acquired and library content, goodwill, and property and equipment (notes 7, 8, 9 and 11)	**41,619**	788
Office and administrative	**21,134**	19,360
Investor relations and marketing	**4,573**	5,352
Professional and regulatory	**10,816**	10,301
Reorganization, development and other expenses, excluding employee benefits	**7,952**	2,995
Finance costs, net	**50,357**	30,486
Change in fair value of embedded derivatives	**(21,798)**	(13,716)
Foreign exchange	**10,716**	21,754
	450,967	397,202
Employee benefits expense:		
Salaries and employee benefits	**74,480**	69,116
Share-based compensation (note 16)	**8,323**	7,414
Termination and other benefits	**9,259**	3,286
	92,062	79,816
	543,029	477,018

During the year ended June 30, 2023 and 2022, included in reorganization, development and other expenses are costs of $7,952 ($1,900 development write-off, $2,254 system implementation costs, $896 Asia-Pacific ("APAC") start-up costs, other $1,458, and relocation costs of $1,444), excluding termination and other benefits of $9,259. (June 30, 2022 - included in reorganization, development and other expenses (income) were recovery of $3,962 in legal fees related to the litigation settlement with former employees (among others), other costs of $5,173 (net of $700 from the gain on sale of certain marketable securities), and relocation costs of $1,784 (including net lease termination costs of $599 and $335 of moving costs).

During the year ended June 30, 2023, there was a write-down of $6,568 for investment in film and television programs (June 30, 2022 - $1,208), $1,827 for acquired and library content (June 30, 2022 - $nil) and $33,224 for goodwill (June 30, 2022 - $nil), and $nil for right-of-use asset (June 30, 2022 - $299), offset by a reversal of right-of-use asset impairment of $nil (June 30, 2022 - $719).

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

22 Management of financial risks and financial instruments

The financial risks arising from the Company's operations include credit, interest rate, liquidity, currency and market risk. These risks arise from the normal course of operations. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial asset or liability fails to meet its contractual obligations, and arises primarily from the Company's cash (including restricted cash) and credit exposure to customers through its outstanding trade receivables.

The maximum exposure to credit risk for cash (including restricted cash) and trade receivables (excluding government, film tax credit, and interest rate swap receivables) approximates the amounts recorded on the consolidated balance sheets of $365,430 (June 30, 2022 - $336,000). The Company manages credit risk on cash and cash equivalents by ensuring that the counterparties are banks, governments and government agencies with high credit ratings.

The balance of trade amounts receivable is mainly with Canadian broadcasters and large international distribution companies. Management manages credit risk by performing a credit assessment on new customers and regularly reviewing aged accounts receivable. To determine the loss allowance for trade receivables, management assessed the lifetime estimated credit loss of customers by categorizing these customers into different risk profile groups and applying provision percentages based on historical loss rates and management's experience and judgment. The loss allowance for trade receivables represents approximately 3.9% of current trade receivables, which management believes is adequate. Further, long-term receivable arrangements are only granted to large international linear and digital broadcasting companies with good payment history.

b) Interest rate risk

The Company's interest rate risk primarily relates to its interim production financing, Revolving Facility, Term Facility, and cash which are subject to interest rate benchmarks that fluctuate such as prime rate, SOFR rate, bankers' acceptance rates and other applicable interest rate benchmarks.

During the fourth quarter of fiscal 2021, the Company entered into a 3-year term interest rate swap maturing on June 28, 2024, which secures US$165,000 of Term Facility from an interest rate of SOFR plus 4.25% to a fixed interest rate of 5.24%. Management will continue to monitor the interest rate risk closely and take appropriate measures as necessary.

An increase of 100 basis points in interest rates during the year ended June 30, 2023 would have decreased pre-tax net income by $5,785 (June 30, 2022 - $5,886).

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity by maintaining sufficient unused capacity within its Revolving Facility, regularly preparing cash flow forecasts, continuously monitoring actual and projected cash flows, and matching the maturity profile of financial assets and liabilities.

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

The following table summarizes the Company's financial liabilities and their contractual maturities:

	Total $	Less than 1 year $	1 to 3 years $	3 to 5 years $	After 5 years $
Bank indebtedness	**7,000**	7,000	—	—	—
Accounts payable and accrued liabilities	**171,464**	171,464	—	—	—
Interim production financing	**86,891**	86,891	—	—	—
Other long-term liabilities	**15,307**	—	15,307	—	—
Senior unsecured convertible Debentures	**150,298**	8,225	142,073	—	—
Term facility	**441,609**	19,389	38,298	383,922	—
Finance lease obligations	**28,965**	10,371	14,155	3,041	1,398
	901,534	303,340	209,833	386,963	1,398

Contractual payments in the table above include fixed rate interest payments but exclude variable rate interest payments and are not discounted.

The Company operates a diverse range of business lines, including production studio services, content distribution, consumer products licensing, and representation and television broadcasting. While the operating results may vary from period to period, operating cash flows are generally predictable based on the Company's production and content pipeline, contract renewals, royalty agreements, minimum guarantees and television subscriber fees.

As at June 30, 2023, the Company had an unrestricted cash balance of $80,348 and current amounts receivable of $303,378. Based on the Company's cash balances and available credit facilities, expected collection of trade and other receivables and forecast operating results, management believes it will be able to fulfill its financial obligations as they become due.

d) Currency risk

The Company has global operations which require holding cash and working capital balances, generating revenue and incurring costs in foreign currencies. These activities result in exposure to fluctuations in foreign currency exchange rates. The Company periodically enters into foreign exchange forward contracts to manage its foreign exchange risk across its portfolio of currencies, which are primarily denominated in Canadian dollars, US dollars ("US$") and British Pound Sterling ("GBP").

A 1% strengthening of Canadian dollars against the foreign currency balances held by the Company at June 30, 2023 would have decreased pre-tax net income by $2,354 (June 30, 2022 - decreased pre-tax net income by $3,008).

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

Fair value of financial instruments

Financial instruments recorded at fair value on the consolidated balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1	Valuation based on quoted prices observed in active markets for identical assets and liabilities.
Level 2	Valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
Level 3	Valuation techniques with significant unobservable market inputs.

A financial instrument is classified to the lowest of the hierarchy for which a significant input has been considered in measuring fair value.

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

Financial assets and (liabilities) measured at fair value

	As at			
	June 30, 2023		June 30, 2022	
	Fair value hierarchy	Fair value(1)	Fair value hierarchy	Fair value(1)
		$		$
Embedded derivatives(2)	**Level 2**	**(340)**	Level 2	(21,379)
Foreign currency forwards(3)	**Level 2**	**337**	Level 2	(87)
Interest rate swap(4)	**Level 2**	**9,385**	Level 2	8,845

(1) Derivative financial instruments are initially measured at fair value on the trade date. Subsequent valuations are based on observable inputs to the valuation model.

(2) Embedded derivatives at June 30, 2023 include convertible debentures (June 30, 2022 - convertible debentures and exchangeable debentures), measured using valuation models.

(3) The fair value of foreign currency contracts is determined using prevailing exchange rates.

(4) Includes a 3-year term interest rate swap agreement, maturing on June 28, 2024, entered to secure US$165,000 of total Term Facility at an interest rate of 5.24%. The fair value is determined using the prevailing interest rates.

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

As at June 30, 2023, the Company held forward contract options with the following notional value and average contractual exchange rates:

US$ exchange for GBP	
Less than one year	**US$1,517 to US$2,264**
Weighted average rate	**1.2575**
US$ exchange for Canadian dollars	
Less than one year	**US$7,978 to US$11,967**
Weighted average rate	**1.3538**
Chinese Yuan ("RMB") exchange for Canadian dollars	
Less than one year	**$269 to $280**
Weighted average rate	**5.2000**
Japanese Yen ("Yen") exchange for US$	
Less than one year	**US$1,892 to US$2,656**
Weighted average rate	**136.1667**

The Company does not apply hedge accounting and the forward contract options are measured at fair value at each reporting date. The estimated fair value as at June 30, 2023, was an asset of $337 (June 30, 2022 - liability of $87), which has been included in derivative assets in the consolidated balance sheet.

Financial assets and liabilities not measured at fair value

The carrying amount of all financial instruments presented in the consolidated financial statements approximate their fair values, except for the Convertible Debentures as follows:

	As at					
	June 30, 2023			June 30, 2022		
	Fair value hierarchy	Fair value liability	Carrying value	Fair value hierarchy	Fair value liability	Carrying value
		$	$		$	$
Convertible Debentures[(1)]	**Level 1**	**132,286**	**133,002**	Level 1	135,800	128,090

[(1)] The fair value of the Convertible Debentures is based on market quotes as these are actively traded on the open exchange.

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

23 Earnings or loss per common share

a) Basic

Basic earnings or loss per common share is calculated by dividing the net income (loss) attributable to shareholders of the Company by the weighted average number of common shares outstanding during the year.

	June 30, 2023 $	June 30, 2022 $
Net (loss) income attributable to shareholders of the Company	**(45,553)**	5,640
Weighted average number of common shares outstanding (in 000's)	**177,423**	172,584
Basic (loss) earnings per common share	**(0.26)**	0.03

b) Diluted

During the year ended June 30, 2023, the diluted weighted average number of common shares outstanding was the same as the basic weighted average number of common shares outstanding, as the Company had a net loss and the exercise of any potentially dilutive instruments would be anti-dilutive (June 30, 2022 - the weighted average number of potentially dilutive instruments was 24,819,399).

	June 30, 2023 $	June 30, 2022 $
Net (loss) income attributable to shareholders of the Company	**(45,553)**	5,640
Dilutive effect of exchangeable debentures	**—**	(5,732)
Adjusted net loss attributable to shareholders of the Company	**(45,553)**	(92)
Weighted average number of common shares (in 000's)	**177,423**	172,584
Dilutive effect of share-based compensation and warrants (in 000's)	**—**	7,578
Dilutive effect of exchangeable debentures (in 000's)	**—**	17,241
Weighted average number of diluted shares outstanding (in 000's)	**177,423**	197,403
Diluted loss per common share	**(0.26)**	(0.01)

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

24 Capital disclosures

The Company's objectives when managing capital are to provide an adequate return to shareholders, safeguard its assets, maintain a competitive cost structure and continue as a going concern in order to pursue the development, production, distribution and licensing of its film and television properties and broadcast operations. The balance of the Company's cash is being used to maximize ongoing development and reduce leverage.

The Company's capital structure is summarized in the table below:

	June 30, 2023 $	June 30, 2022 $
Total bank indebtedness and long-term debt, excluding interim production financing	**500,978**	513,226
Less: Cash and restricted cash	**(80,348)**	(68,734)
Net debt	**420,630**	444,492
Total shareholders' equity	**325,323**	315,403
	745,953	759,895

To facilitate the management of its capital structure, the Company prepares annual operating budgets that are updated as necessary depending on various factors including industry conditions and operating cash flows. These budgets are regularly reviewed by the Board of Directors.

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

25 Consolidated statement of cash flows - supplementary information

Net change in non-cash balances related to operations

	June 30, 2023 $	June 30, 2022 $
Amounts receivable	**(43,261)**	(53,548)
Prepaid expenses and other	**959**	(2,399)
Long-term amounts receivable	**27,079**	(32,793)
Accounts payable and accrued liabilities	**2,191**	24,208
Deferred revenue	**17,433**	16,112
	4,401	(48,420)

Net change in film and television programs

	June 30, 2023 $	June 30, 2022 $
Development	**(1,099)**	(203)
Productions in progress	**(3,235)**	(11,371)
Productions completed and released	**(109,597)**	(59,744)
Film and television programs	**100,242**	50,457
Program and film rights - broadcasting	**(7,080)**	(12,166)
Film and broadcast rights - broadcasting	**8,696**	8,830
	(12,073)	(24,197)

Net change in interim production financing

	June 30, 2023 $	June 30, 2022 $
Proceeds from interim production financing	**83,198**	78,922
Repayment of interim production financing	**(80,542)**	(60,090)
	2,656	18,832

Supplemental cash flow information

	June 30, 2023 $	June 30, 2022 $
Taxes paid	**(3,514)**	(1,182)
Taxes refunded	**2,938**	113
	(576)	(1,069)

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

Reconciliation between the opening and closing balances on the consolidated balance sheet arising from financing activities:

	Term facility	Senior unsecured convertible debentures	Lease liabilities	Exchangeable debentures	Total
	$	$	$	$	$
Balance - June 30, 2021	341,477	123,753	43,835	17,164	526,229
Repayments	(3,620)	—	(9,495)	—	(13,115)
Total financing cash flow activities	(3,620)	—	(9,495)	—	(13,115)
Amortization of deferred financing costs	1,591	889	—	241	2,721
Lease liabilities disposal/additions (net)	—	—	2,313	—	2,313
Interest portion paid on lease liabilities	—	—	(2,149)	—	(2,149)
Accretion (income) expense	(35)	3,448	2,149	4,495	10,057
Foreign exchange	13,974	—	(414)	762	14,322
Total other activities	15,530	4,337	1,899	5,498	27,264
Balance - June 30, 2022	353,387	128,090	36,239	22,662	540,378

	Term facility	Senior unsecured convertible debentures	Lease liabilities	Exchangeable debentures	Total
	$	$	$	$	$
Balance - June 30, 2022	**353,387**	**128,090**	**36,239**	**22,662**	**540,378**
Repayments and settlements	**(3,849)**	**—**	**(10,357)**	**(29,445)**	**(43,651)**
Payment of debt issue costs	**(515)**	**—**	**—**	**—**	**(515)**
Total financing cash flow activities	**(4,364)**	**—**	**(10,357)**	**(29,445)**	**(44,166)**
Amortization of deferred financing costs	**1,964**	**889**	**—**	**246**	**3,099**
Lease liabilities additions	**—**	**—**	**5,721**	**—**	**5,721**
Interest paid on lease liabilities	**—**	**—**	**(1,976)**	**—**	**(1,976)**
Accretion expense	**21**	**4,023**	**1,976**	**5,984**	**12,004**
Foreign exchange	**9,968**	**—**	**446**	**553**	**10,967**
Total other activities	**11,953**	**4,912**	**6,167**	**6,783**	**29,815**
Balance - June 30, 2023	**360,976**	**133,002**	**32,049**	**—**	**526,027**

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

26 Revenues and segmented information

WildBrain operates production entities and offices throughout Canada, the United States and Europe.

The Company has an integrated approach to managing and monetizing its content and intellectual property ("IP"), including production, distribution and consumer-product royalties, representation, and organization structure, as well as the establishment of the Content Investment Group ("CIG"). It reports two operating segments, being 1) Content; and 2) Canadian Television Broadcasting. In evaluating performance, the Chief Operating Decision Maker, defined as the Company's CEO, CFO and President, rely on recommendations by the CIG to assess and allocate resources.

During the year ended June 30, 2023, revenues from one customer (June 30, 2022 - two customers) of the Company's Content segment represent approximately $78,518 (June 30, 2022 - $115,559) of total revenues.

	Year ended June 30, 2022		
	Content	**Television**	**Consolidated**
	$	**$**	**$**
Revenues	465,539	41,684	507,223
Direct production costs and expense of film and television produced, share based compensation and selling, general and administrative	341,715	23,402	365,117
Segment profit	123,824	18,282	142,106
Corporate selling, general and administrative			32,088
Amortization of property and equipment and intangible assets			23,979
Amortization of acquired and library content			10,241
Write-down of investment in film and television programs and reversal of right-of-use asset impairment			788
Finance costs, net			30,486
Change in fair value of embedded derivatives			(13,716)
Foreign exchange loss			21,754
Reorganization, development and other expenses			6,281
Income before income taxes			30,205

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

	Year ended June 30, 2023		
	Content	Television	Consolidated
	$	$	$
Revenues	**492,804**	**40,067**	**532,871**
Direct production costs and expense of film and television produced, share based compensation and selling, general and administrative	**353,959**	**23,481**	**377,440**
Segment profit	**138,845**	**16,586**	**155,431**
Corporate selling, general and administrative			**33,227**
Amortization of property and equipment and intangible assets			**24,556**
Amortization of acquired and library content			**9,701**
Write-down of investment in film and television programs, acquired and library content, and goodwill			**41,619**
Finance costs, net			**50,357**
Change in fair value of embedded derivatives			**(21,798)**
Foreign exchange loss			**10,716**
Reorganization, development and other expenses			**17,211**
Loss before income taxes			**(10,158)**

The following table presents the Company's disaggregated revenues recognized from contracts with customers:

	June 30, 2023	June 30, 2022
	$	$
Content		
Content production and distribution	**233,558**	206,572
WildBrain Spark	**47,059**	55,410
Consumer Products	**212,187**	203,557
	492,804	465,539
Television		
Canadian Television Broadcasting	**40,067**	41,684
	532,871	507,223

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

The following table presents the Company's revenues, property and equipment, intangible assets and goodwill recognized from different geographical locations:

	June 30, 2023 $	June 30, 2022 $
Revenue		
Canada	**153,001**	140,615
USA	**219,006**	175,003
UK	**152,886**	180,593
Rest of the world	**7,978**	11,012
	532,871	507,223
Property and equipment		
Canada	**25,295**	28,871
USA	**4,061**	4,953
Rest of the world	**4,881**	5,463
	34,237	39,287
Intangible assets		
Canada	**72,839**	75,718
USA	**354,794**	346,210
Rest of the world	**20,121**	27,019
	447,754	448,947
Goodwill		
Canada	**—**	31,263
USA	**21,435**	22,770
	21,435	54,033

27 Commitments and contingencies

As at June 30, 2023, the Company entered into various contracts to buy broadcast rights with future commitments totaling $2,206.

The Company is, from time-to-time, involved in various claims, legal proceedings and complaints arising in the normal course of business and as such, provisions have been recorded where appropriate. Management does not believe that the final determination of these claims will have a material adverse effect on the financial position or results of operations of the Company.

28 Subsequent Events

a) Acquisition of business

On July 19, 2023, the Company completed the acquisition of House of Cool, a pre-production company. Under the agreement, the Company acquired full ownership of House of Cool through the issuance of 4,479,406 WildBrain Ltd. shares (the "Share Consideration") and $5,250 in cash (subject to a customary working capital adjustment). Additionally, there is a potential earn-out of up to $6,000 based on collection of certain tax credits earned through closing.