WildBrain Ltd.

Consolidated Financial Statements
June 30, 2021
(expressed in thousands of Canadian dollars)

September 14, 2021

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) *"Eric Ellenbogen"*
Chief Executive Officer
New York, New York

(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, 2021 and 2020, 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, 2021 and 2020;
- the consolidated statements of income (loss) for the years then ended;
- the consolidated statements of comprehensive loss 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
Cogswell Tower, 2000 Barrington Street, Suite 1101, Halifax, Nova Scotia, Canada B3J 3K1
T: +1 902 491 7400, F: +1 902 422 1166

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, 2021. 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 assets with indefinite useful lives of the WildBrain Television and Peanuts cash generating units (CGUs) *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, 2021, the Company had goodwill and indefinite life intangible assets of $53.2 million and $397.6 million respectively related to the Company's WildBrain Television and Peanuts CGUs. 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 both the WildBrain Television and Peanuts CGUs. The VIU of both the WildBrain Television and Peanuts CGUs 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 cash flow	Our approach to addressing the matter included the following procedures, among others: • Evaluated how management determined the recoverable amount of the CGUs, which included the following: – Tested the appropriateness of the method used for determining the VIU for the WildBrain Television and Peanuts CGUs and the mathematical accuracy of the discounted cash flow models. – Tested the significant assumptions used by management in the discounted cash flow models. The following procedures were performed: o compared the fiscal year 2022 detailed revenue and profit forecast to historical results and external industry data; o for the WildBrain Television CGU, for fiscal 2022 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 forecasts 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
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 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. No impairment of goodwill or indefinite life intangible assets was required for either the WildBrain Television CGU or the Peanuts CGU. We considered this a key audit matter due to (i) the significance of the goodwill and indefinite life intangible asset balances and (ii) the significant judgment made by management in determining the recoverable amounts of the related CGUs, 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 forecasts 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 rates and terminal growth rates used in the discounted cash flow models. – Tested the underlying data used in the discounted cash flow models. • Tested the disclosures made in the consolidated financial statements, particularly with regard to the significant assumptions used by management in the discounted cash flow models.
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.* At June 30, 2021, the Company's Investment in film and television programs and Acquired and	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: – Tested the reasonableness of estimated future revenues on a title-by-title basis by: o inspecting license contracts with customers for future periods, when

Key audit matter	How our audit addressed the key audit matter
library content amounted to $147.8 million and $100.7 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 recorded equivalent to 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. Management recognized an impairment charge of $7.5 million and $379 thousand for the Company's Investment in film and television programs, as well	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
as Acquired and library content, respectively, in the year ended June 30, 2021. 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 Discussion and Analysis of 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.

(signed) *"PricewaterhouseCoopers LLP"*

Chartered Professional Accountants

Halifax, Nova Scotia
September 14, 2021

WildBrain Ltd.

Consolidated Balance Sheets

As at June 30, 2021 and 2020

(expressed in thousands of Canadian dollars)

	June 30, 2021	June 30, 2020
	$	$
Assets		
Current assets		
Cash	78,431	67,889
Restricted cash (note 12)	13,626	16,637
Amounts receivable (note 6)	195,240	200,217
Prepaid expenses and other	6,184	8,779
Investment in film and television programs (note 7)	147,783	140,548
	441,264	434,070
Long-term amounts receivable (note 6)	51,997	21,035
Acquired and library content (note 8)	100,653	109,076
Property and equipment (note 9)	47,229	54,245
Intangible assets (note 10)	433,595	472,531
Goodwill (note 11)	53,164	55,344
	1,127,902	1,146,301
Liabilities		
Current liabilities		
Bank indebtedness (note 12)	—	10,000
Accounts payable and accrued liabilities	130,299	98,927
Deferred revenue	42,004	48,371
Interim production financing (note 12)	65,403	66,688
Current portion of lease liabilities	9,428	9,274
Current portion of long-term debt (note 12)	3,532	—
	250,666	233,260
Long-term debt (note 12)	478,862	502,006
Long-term lease liabilities	34,407	41,552
Derivative liabilities (note 21)	34,158	7,089
Other long-term liabilities	16,568	2,647
Deferred income taxes (note 16)	10,328	18,261
	824,989	804,815
Shareholders' Equity		
Equity attributable to shareholders of the Company	68,588	81,351
Non-controlling interest (note 17)	234,325	260,135
	302,913	341,486
	1,127,902	1,146,301

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

WildBrain Ltd.
Consolidated Statements of Income (Loss)
For the years ended June 30, 2021 and 2020

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

	June 30, 2021 $	June 30, 2020 $
Revenues (note 25)	452,534	425,634
Other income from litigation settlement (note 18)	4,372	—
Expenses (note 20)		
Direct production costs and expense of film and television produced	257,647	237,789
Amortization of acquired and library content (note 8)	11,100	12,082
Amortization of property and equipment and intangible assets (notes 9,10)	22,924	24,171
Write-down of investment in film and television programs, acquired and library content, property and equipment, intangible assets and goodwill (notes 7,8,9,10,11)	7,832	196,122
Selling, general and administrative	80,539	77,578
Share-based compensation (note 14)	5,075	5,520
Finance costs, net (note 19)	42,139	49,404
Change in fair value of embedded derivatives	26,206	(1,955)
Foreign exchange (gain) loss	(24,979)	14,047
Reorganization, development and other (note 20)	8,612	17,961
	437,095	632,719
Income (loss) before income taxes	19,811	(207,085)
Provision for (recovery of) income taxes (note 16)		
Current	3,049	489
Deferred	(6,347)	1,217
	(3,298)	1,706
Net income (loss) for the year	23,109	(208,791)
Net income attributable to non-controlling interests	30,186	27,175
Net loss attributable to shareholders of the Company	(7,077)	(235,966)
Basic loss per common share (note 22)	(0.04)	(1.51)
Diluted loss per common share (note 22)	(0.04)	(1.51)

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

(expressed in thousands of Canadian dollars)

	June 30, 2021 $	June 30, 2020 $
Net income (loss) for the year	23,109	(208,791)
Other comprehensive (loss) income		
Items that may be subsequently reclassified to the consolidated statement of income (loss)		
Foreign currency translation adjustment	(33,850)	19,093
Comprehensive loss for the year	(10,741)	(189,698)

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, 2021 and 2020

(expressed in thousands of Canadian dollars)

	Common shares $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Deficit $	Non-controlling interest $	Total $
Balance- July 1, 2019	307,158	29,238	(19,982)	(73,381)	256,945	499,978
Net (loss) income for the year	—	—	—	(235,966)	27,175	(208,791)
Other comprehensive income (loss) for the year	—	—	7,902	—	11,191	19,093
Comprehensive income (loss) for the year	—	—	7,902	(235,966)	38,366	(189,698)
Common shares issued, net of issuance costs and deferred taxes	59,239	(640)	—	—	—	58,599
Common shares purchased held in trust (note 13)	(162)	—	—	—	—	(162)
Warrants issued	—	2,180	—	—	—	2,180
Reclassification of deferred share units to equity-settled	—	245	—	—	—	245
Share-based compensation (note 14)	—	5,520	—	—	—	5,520
Distributions to non-controlling interests	—	—	—	—	(35,176)	(35,176)
Balance - June 30, 2020	366,235	36,543	(12,080)	(309,347)	260,135	341,486
Balance - July 1, 2020	366,235	36,543	(12,080)	(309,347)	260,135	341,486
Net (loss) income for the year	—	—	—	(7,077)	30,186	23,109
Other comprehensive loss for the year	—	—	(9,311)	—	(24,539)	(33,850)
Comprehensive (loss) income for the year	—	—	(9,311)	(7,077)	5,647	(10,741)
Common shares issued on exercise of equity based incentives (note 13)	2,492	(2,443)	—	—	—	49
Common shares purchased held in trust (note 13)	(1,368)	(131)	—	—	—	(1,499)
Share-based compensation (note 14)	—	5,075	—	—	—	5,075
Distributions to non-controlling interests	—	—	—	—	(31,457)	(31,457)
Balance - June 30, 2021	367,359	39,044	(21,391)	(316,424)	234,325	302,913

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, 2021 and 2020

(expressed in thousands of Canadian dollars)

	June 30, 2021 $	June 30, 2020 $
Cash provided by (used in)		
Operating activities		
Net income (loss) for the year	23,109	(208,791)
Charges (credits) not involving cash		
Amortization of property and equipment	12,382	14,031
Amortization of intangible assets	10,542	10,140
Amortization of acquired and library content	11,100	12,082
Accretion expense and amortization of deferred financing fees	10,952	8,242
Unrealized foreign exchange loss (gain)	(27,497)	13,220
Share-based compensation	5,075	5,520
Loss on modification of long-term debt and write-down of unamortized issue costs	3,496	8,265
Change in fair value of embedded derivatives	26,206	(1,955)
Interest income	(2,025)	(1,755)
Interest expense	29,716	34,652
Deferred tax expense	(6,347)	1,217
Write-down of investment in film and television programs	7,453	7,951
Write-down of acquired and library content	379	193
Write-down of property and equipment	—	3,435
Write-down of goodwill	—	184,543
Net investment in film and television programs (note 24)	(13,739)	1,232
Net change in non-cash balances related to operations (note 24)	14,878	38,530
Cash provided by operating activities (note 3)	105,680	130,752
Financing activities		
Common shares issued on exercise of equity based incentives	49	60,482
Common shares issuance costs	—	(1,883)
Common shares purchased held in trust	(1,499)	(162)
Distributions to non-controlling interests	(31,457)	(33,460)
(Repayment of) proceeds from bank indebtedness	(10,000)	10,000
Proceeds from (repayment of) long-term debt	17,766	(41,319)
Payment of debt issue costs	(11,367)	(3,606)
Interest paid	(32,081)	(33,857)
Repayment of obligations under finance leases	(9,442)	(9,854)
Realized foreign exchange on repayment of term debt	75	(760)
Repayment of interim production financing, net (note 24)	(1,285)	(25,760)
Cash used in financing activities (note 3)	(79,241)	(80,179)
Investing activities		
Acquisition of acquired and library content (note 5)	(8,918)	—
Acquisition of property and equipment	(2,780)	(5,589)
Acquisition of intangible assets	(3,467)	(1,875)
Cash used in investing activities	(15,165)	(7,464)
Effect of foreign exchange rate changes on cash	(3,741)	1,418
Net change in cash and restricted cash during the year	7,533	44,527
Cash and restricted cash - Beginning of the year	84,526	39,999
Cash and restricted cash - End of the year	92,059	84,526

Supplemental information (note 24)

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., formerly known as DHX Media 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' and were previously traded on the NASDAQ Global Trading Market under the symbol 'DHXM'.

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 5657 Spring Garden Road, Unit 505, Halifax, Nova Scotia, B3J 3R4.

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, 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, 2021.

These consolidated financial statements have been authorized for issuance by the Board of Directors on September 14, 2021.

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.

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

Change in accounting policy

In the first quarter of fiscal 2021, the Company changed its accounting policy for the presentation of cash interest paid and realized foreign exchange gains and losses in the consolidated statement of cash flows. Specifically, cash interest paid that was previously included in operating cash flows has been reclassified to financing cash flows, as permitted by IAS 7, *Statement of cash flows*. Cash interest paid relates primarily to interest paid on the Company's long-term debt, bank indebtedness and lease liabilities, which were drawn on in prior periods to fund asset acquisitions including acquired and library content assets and ("ROU") assets. Realized foreign exchange gains and losses related to financing activities were also reclassified from operating activities to financing activities. Management believes this change more appropriately reflects the Company's financing activities during the year. The following reconciles each line item in the consolidated statement of cash flows affected by this change in the comparative year:

	June 30, 2020
Cash provided by operating activities, as previously reported	96,135
Add back:	
Interest paid	33,857
Realized foreign exchange on term debt repayment	760
Cash provided by operating activities	130,752
Cash used in financing activities, as previously reported	(45,562)
Less:	
Interest paid	(33,857)
Realized foreign exchange on term debt repayment	(760)
Cash used in financing activities	(80,179)

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 period.

All resulting exchange differences are recognized in other comprehensive income (loss) 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 (loss) 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 statement of income (loss).

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.

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.

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.

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 income using the declining balance method of amortization.

The rates used for the declining balance method of amortization range from 10% to 20% 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 statement of income (loss) in the period in which the decline in value becomes evident.

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

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 statement of income (loss). 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 income (loss). 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 income or loss or as a change to other comprehensive income (loss). 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 income or loss.

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.

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

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 statement of income (loss) 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
ROU 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.

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 is 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.

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

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 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 statement of income (loss) 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, and wage subsidy programs for COVID-19 disruptions. 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 statement of income (loss), except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity. In this case, the tax is also recognized in other comprehensive income (loss) 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 income (loss) in the period that the change is substantively enacted, except to the extent it relates to items previously recognized outside income (loss) 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. DSUs are settled in common shares of the Company that are purchased in the open market and held in a trust account, and cannot be settled by common shares issued from treasury. 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, 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 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 statement of income (loss).

- Cash, restricted cash, amounts receivables, long-term amounts receivables, accounts payable and accrued liabilities, interim production financing, long-term debt, senior unsecured convertible 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.

Tangible benefit obligation

As part of the Canadian Radio-Television and Telecommunications Commission decision approving the Company's acquisition of 8504601 Canada Inc. ("WildBrain Television") on July 31, 2014, the Company is required to contribute $17,313 to provide tangible benefits to the Canadian broadcasting system over seven years from the date of acquisition. The tangible benefit obligation was initially recorded in the consolidated statement of income (loss) at the estimated fair value on the date of acquisition, being the sum of the discounted future net cash flows and the same amount was recorded as a liability at the date of acquisition of WildBrain Television. The tangible benefit obligation is adjusted for the incurrence of related expenditures, the passage of time and for revisions to the timing of the cash flows. Accretion relating to the obligation (other than incurred expenditures) is recorded as finance costs in the consolidated statement of income (loss).

New and amended standards adopted

i) IFRS 3, Business Combinations ("IFRS 3")

In October 2018, the International Accounting Standards Board ("IASB") issued amendments to the definition of a business in IFRS 3. The amendments are intended to assist entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments apply to transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, with early adoption permitted. The Company has adopted the amendments to IFRS 3 on a prospective basis, which had no impact on the consolidated financial statements.

Accounting pronouncements issued but not yet effective

i) *IAS 1, Presentation of Financial Statements (" IAS 1")*

In January 2020, the IASB issued amendments to IAS 1, to clarify the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and is unaffected by expectations about whether or not an entity will exercise their right to defer settlement of a liability. The amendments further clarify that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

ii) *IFRS 9, Financial Instruments ("IFRS 9"), IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") and IFRS 7, Financial Instruments: Disclosures, Interest Rate Benchmark Reform ("IFRS 7")*

On August 27, 2020, the IASB issued Interest Rate Benchmark Reform - Phase 2 which includes amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, Insurance Contracts, and IFRS 16, and concludes phase two of its work to respond to the effects of Interbank offered rate ("IBOR") reform on financial reporting. The amendments address the issues that affect financial reporting at the time that an existing interest rate benchmark is replaced with an ("resolve financial recovery") RFR. The amendments are effective for annual periods beginning on or
after January 1, 2021 and must be applied retrospectively, with early adoption permitted. The Company is currently evaluating the impact of these amendments 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.

During the third quarter of fiscal 2020, the outbreak of the coronavirus pandemic, identified as "COVID-19" and declared a global pandemic by the World Health Organization on March 11, 2020, resulted in federal and provincial governments enacting emergency measures to combat the spread of the virus. In response, many countries have required entities to limit or suspend business operations and implement travel restrictions and quarantine measures. These measures have disrupted the operating activities of many entities and have led to significant volatility in the global markets. These conditions continued to exist as at June 30, 2021. This has resulted in significant economic uncertainty, and the potential impact on the Company's future financial results is difficult to reliably measure. The Company has implemented monitoring procedures to actively manage the developing impacts from COVID-19, including but not limited to, the potential future effects on its assets, cash flow and liquidity, the impacts to the Company's operations and the value of assets and liabilities reported in these consolidated financial statements. Additional information on the Company's credit, liquidity, and currency risks and the management of such risks can be found in note 21.

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 in interpreting tax laws and regulations. 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.

(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. COVID-19 has impacted these multiples and market data and 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. The full extent or duration of the impact of COVID-19 on the Company's customers requires management to exercise judgment based on current information available.

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

(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, 2021 $	June 30, 2020 $
Salaries and employee benefits	4,443	4,709
Share-based compensation	2,895	3,798
Termination and other benefits	—	1,388
	7,338	9,895

5 Acquisitions

On November 12, 2020, the Company acquired 100% of the outstanding shares of an entity which held the Peanuts representation agreement for the Italian territory for cash consideration of €1,275 ($1,975), of which €500 was payable upon closing, and the remainder payable over a two-year period. The Company elected to perform the optional concentration test, and determined that substantially all of the fair value of assets acquired related to the Peanuts representation agreement. Therefore, the acquisition was determined not to be a business and the purchase price was allocated entirely to the Peanuts representation agreement intangible asset.

On December 4, 2020 and December 31, 2020, the Company purchased the rights, title and interest of certain children's properties for an aggregate purchase price of US$7,000 ($8,918). These assets were classified as acquired and library content in the consolidated balance sheet.

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

6 Amounts receivable

	June 30, 2021 $	June 30, 2020 $
Trade receivables	129,614	134,266
Less: ECL allowance on trade receivables	(8,236)	(7,720)
Trade receivables, net of loss allowance	121,378	126,546
Sales tax receivable	986	433
Federal and provincial film tax credits and other government assistance	72,876	73,238
Short-term amounts receivable	195,240	200,217
Long-term amounts receivable	51,997	21,035
Total amounts receivable	247,237	221,252

The aging of trade receivables is as follows:

	June 30, 2021 $	June 30, 2020 $
Less than 60 days	106,388	103,841
Between 60 and 90 days	2,550	7,594
Over 90 days	20,676	22,831
	129,614	134,266

A continuity of ECL allowance on trade receivables as follows:

	June 30, 2021 $	June 30, 2020 $
Opening balance	7,720	9,354
Loss allowance on trade receivables	4,310	3,254
Receivables written off in the year	(3,342)	(5,067)
Foreign exchange	91	179
Ending balance	8,779	7,720

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

7 Investment in film and television programs

	June 30, 2021 $	June 30, 2020 $
Development costs	4,669	2,761
Productions in progress		
Cost, net of government and third party assistance	33,135	10,279
Productions completed and released		
Cost, net of government and third party assistance	663,073	611,815
Accumulated expense	(517,563)	(462,176)
Accumulated write-down of investment in film and television programs	(52,581)	(45,128)
	92,929	104,511
Program and film rights - broadcasting		
Cost	163,385	158,951
Accumulated expense	(140,598)	(130,217)
Accumulated write-down of program and film rights	(5,737)	(5,737)
	17,050	22,997
	147,783	140,548

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

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

	June 30, 2021 $	June 30, 2020 $
Net opening investment in film and television programs	140,548	148,561
Increase in development costs	1,908	1,202
Cost of productions (completed and released and productions in progress), net of assistance	73,165	44,969
Expense of investment in film and television programs	(55,387)	(44,970)
Write-down of investment in film and television programs	(7,453)	(7,833)
Increase of program and film rights - broadcasting	4,434	10,663
Expense of program and film rights - broadcasting	(10,381)	(13,096)
Write-down of program and film rights - broadcasting	—	(118)
Foreign exchange	949	1,170
	147,783	140,548

During the year ended June 30, 2021, interest of $514 (June 30, 2020 - $230) was capitalized to investment in film and television programs.

During the year ended June 30, 2021, the Company recorded $7,453 in the write-down of certain investments in film, television programs and broadcasting film rights (June 30, 2020 - $7,951). These write-downs are related to weaker than expected revenue performance and management's outlook for certain titles in the Company's library.

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

8 Acquired and library content

	June 30, 2021 $	June 30, 2020 $
Net opening acquired and library content	109,076	118,247
Additions (note 5)	8,918	—
Write-down of acquired and library content	(379)	(193)
Amortization	(11,100)	(12,082)
Foreign exchange	(5,862)	3,104
Net closing acquired and library content	100,653	109,076

(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, 2020						
Opening net book value	1,246	9,432	8,674	—	—	19,352
Impact of adoption of IFRS 16:						
Initial recognition of ROU assets	—	—	—	1,307	30,714	32,021
Reclass existing ROU assets	—	(7,273)	—	7,273	—	—
Reclass existing lease inducements	—	—	—	—	(5,487)	(5,487)
Balance - July 1, 2019	1,246	2,159	8,674	8,580	25,227	45,886
Additions	293	3,463	1,833	3,096	16,407	25,092
Amortization	(239)	(2,274)	(1,240)	(3,646)	(6,553)	(13,952)
Impairment	—	—	—	—	(3,435)	(3,435)
Foreign exchange	15	23	—	—	616	654
	1,315	3,371	9,267	8,030	32,262	54,245
At June 30, 2020						
Cost	6,827	38,270	16,710	11,676	38,199	111,682
Accumulated amortization	(5,536)	(35,335)	(7,461)	(3,646)	(6,553)	(58,531)
Foreign exchange	24	436	18	—	616	1,094
Net book value	1,315	3,371	9,267	8,030	32,262	54,245
For the year ended June 30, 2021						
Opening net book value	1,315	3,371	9,267	8,030	32,262	54,245
Additions	166	2,063	551	2,292	661	5,733
Amortization	(203)	(1,895)	(1,382)	(2,833)	(6,069)	(12,382)
Foreign exchange	—	65	(106)	—	(326)	(367)
	1,278	3,604	8,330	7,489	26,528	47,229
At June 30, 2021						
Cost	6,993	40,333	17,261	13,968	38,860	117,415
Accumulated amortization	(5,739)	(37,230)	(8,843)	(6,479)	(12,622)	(70,913)
Foreign exchange	24	501	(88)	—	290	727
Net book value	1,278	3,604	8,330	7,489	26,528	47,229

For the year ended June 30, 2020, the Company recognized a ROU asset impairment charge of $3,435 for two leased premises, located in Canada and the United Kingdom, which the Company is currently in the process of subleasing. The impairment charge was determined as the excess of the carrying amount of each ROU asset over the discounted future estimated cash inflows from a sublessee. No impairments were recognized in the year ended, June 30,2021.

(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, 2020							
Opening net book value	67,800	211	16,601	363,093	17,921	206	465,832
Additions	—	—	—	—	323	1,552	1,875
Amortization	—	(16)	(3,631)	(3,185)	(3,087)	(221)	(10,140)
Foreign exchange	—	—	48	14,669	224	23	14,964
Net book value	67,800	195	13,018	374,577	15,381	1,560	472,531
As at June 30, 2020							
Cost	67,800	7,362	31,838	389,735	31,269	10,034	538,038
Accumulated amortization and impairment	—	(7,211)	(18,990)	(34,102)	(11,450)	(8,541)	(80,294)
Foreign exchange	—	44	170	18,944	(4,438)	67	14,787
Net book value	67,800	195	13,018	374,577	15,381	1,560	472,531
For the year ended June 30, 2021							
Opening net book value	67,800	195	13,018	374,577	15,381	1,560	472,531
Additions	—	—	—	—	2,239	2,040	4,279
Amortization	—	(5)	(3,687)	(3,077)	(3,325)	(448)	(10,542)
Impairment	—	—	—	—	—	—	—
Foreign exchange	—	—	(122)	(32,899)	326	22	(32,673)
Net book value	67,800	190	9,209	338,601	14,621	3,174	433,595
As at June 30, 2021							
Cost	67,800	7,362	31,838	389,735	33,508	12,074	542,317
Accumulated amortization and impairment	—	(7,216)	(22,677)	(37,179)	(14,775)	(8,989)	(90,836)
Foreign exchange differences	—	44	48	(13,955)	(4,112)	89	(17,886)
Net book value	67,800	190	9,209	338,601	14,621	3,174	433,595

(1) All broadcast licenses relate to the operations of WildBrain Television.
(2) Included in Brands are $329,805 of indefinite life intangibles (2020 - $362,642).
(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.

(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, 2021	June 30, 2020
	$	$
Opening balance	55,344	239,754
Impairment	—	(184,543)
Foreign exchange and other	(2,180)	133
Ending balance	53,164	55,344

Impairment testing

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 %	15.2 %
WildBrain Television	0.0 %	15.2 %

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, 2021, both the Peanuts Business CGU and WildBrain Television CGU were tested for impairment as part of its annual impairment test, on which the estimates of the recoverable amount was determined would not result in an impairment for both.

In the third quarter of 2020, indicators of impairment were identified which impacted the Company's Content Business CGU, triggering an impairment test. Based on management's impairment analysis performed, it was determined that the carrying amount of the Content Business CGU exceeded the recoverable amount and that the full carrying amount of goodwill attributable to the Content Business CGU of $184,543 was impaired. As such, the Company recorded a goodwill impairment charge of $184,543.

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

12 Credit facilities

	June 30, 2021 $	June 30, 2020 $
Bank indebtedness	—	10,000
Interim production financing	65,403	66,688
Term Facility, net of unamortized issue costs of $10,889 (June 30, 2020 - $4,520)	341,477	372,280
Convertible debentures, net of unamortized issue costs and conversion option of $16,248 (June 30, 2020 - $20,269)	123,753	119,731
Exchangeable debentures, net of unamortized issue costs and conversion option of $5,762 (June 30, 2020 - $6,642)	17,164	9,995
Total	547,797	578,694
Amount due within 12 months	(68,935)	(76,688)
Amount due beyond 12 months	478,862	502,006

a) Bank indebtedness ("Revolving Facility")

On March 26, 2021, the Company entered into a new five-year, US$30 million Revolving Facility with an interest rate of LIBOR plus 4.00%. The Revolving Facility does not carry a financial maintenance covenant, except when amounts are drawn and outstanding. The new 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, 2021, $nil (June 30, 2020 - $10,000) was drawn on the Revolving Facility.

b) Interim production financing

	June 30, 2021 $	June 30, 2020 $
Interim production credit facilities	65,403	66,688

The Company has interim production credit facilities with various financial institutions and other entities, bearing interest at bank prime plus 0.5% - 1.0%, LIBOR plus 2.50% or base rate of 5.75% plus 0.5%. Assignment and direction of specific production financing, licensing contracts receivable and film tax credits receivable have been pledged as security. As at June 30, 2021, the Canadian dollar bank prime rate was 2.45% (June 30, 2020 - 2.45%).

c) Term facility

On March 26, 2021, the Company completed the refinancing of its term facility with a new seven-year US$285 million 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 LIBOR plus 4.25%. The net proceeds of the Term Loan were used to repay the previous US$276.5 million term facility maturing December 2023. As a result of the refinancing, the Company recorded a loss on modification of long-term debt and write-down of unamortized issue costs of $3,496. 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, 2021, the Company's Term Loan had a principal balance of US$284,288, or CAD$352,347 (June 30, 2020 - US$276,491, or CAD $376,800).

During the fourth quarter of fiscal 2021, the Company entered into an interest rate swap agreement to lock 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 21(b)).

The LIBOR rate is scheduled to be discontinued at the end of calendar year 2021. As part of the refinancing of the Term Loan and Revolving Facility completed March 26, 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 U.S. dollar denominated loans.

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

As at June 30, 2021, the Convertible Debentures had a principal balance of $140,000 (June 30, 2020 - $140,000), bearing interest at an 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 September 30, 2024.

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 income (loss). As at June 30, 2021, the estimated fair value of the embedded derivatives was $6,971 (June 30, 2020 - $1,980).

e) Exchangeable debentures

As at June 30, 2021, the Company's exchangeable debentures had a principal balance of US$18,497 or $22,925 (June 30, 2020 - US$12,208 or $16,637) bearing interest at an annual rate of 7.5% payable at maturity and are exchangeable for Variable Voting Shares of the Company at a conversion price of US$1.072855 per share. The exchangeable debentures mature June 24, 2023 and are non-recourse to the Company.

The exchangeable debentures were issued to certain funds managed by Fine Capital Partners, L.P., a related party of the Company. The exchangeable debentures were issued by a newly-formed single purpose subsidiary of the Company, which is excluded from the security granted to the lenders under the Company's Senior Secured Credit Agreement. As a result, it is also excluded from the calculation of the net leverage ratio covenant, where applicable. Proceeds from the exchangeable debentures are earmarked for investments in growth initiatives to drive the Company's content and brand strategy, and therefore have been classified as restricted cash in the consolidated balance sheet.

On March 4, 2021, the Company issued the remaining US$6,289, or $7,795 on the exchangeable debenture. The conversion option represents an embedded derivative with a fixed USD conversion price for Variable Voting Shares of the Company, which are denominated in Canadian dollars. As a result, and consistent with the treatment of the first tranche of the debentures issued in June 2020, the exchangeable debentures were deemed to have no equity component at initial recognition and the estimated fair value of the embedded derivatives was recorded as a derivative liability.

The initial value of the embedded derivative on the second tranche was determined to be US$8,699, of which US$1,980 has been included as part of the exchangeable debenture instrument on initial recognition. The remaining US$6,719 has been recognized as a change in fair value of embedded derivatives within the consolidated statement of income (loss).

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

During the year ended ended June 30, 2021, a change in fair value of the embedded derivative of $21,215 was recorded (June 30, 2020 - $820), and the estimated fair value of the embedded derivative as at June 30, 2021 was $27,208 (June 30, 2020 - $4,670).

During the year ended June 30, 2021, the Company purchased the rights, title and interest of certain children's properties for an aggregate purchase price of US$7,000 (note 5) using proceeds from the exchangeable debentures. These assets are held in the newly-formed entity and are pledged as security for the exchangeable debentures.

13 Share capital

	June 30, 2021		June 30, 2020	
	Number	Amount	Number	Amount
	#	$	#	$
Preferred variable voting shares				
Opening balance	500,000,000	—	100,000,000	—
Shares issued	—	—	400,000,000	—
Ending balance	500,000,000	—	500,000,000	—
Common shares				
Opening balance	170,931,774	366,235	134,938,365	307,158
Shares issued under Rights Offering, net of issuance costs and deferred taxes	—	—	35,928,144	58,724
Shares purchased held in trust	(683,433)	(1,368)	(133,882)	(162)
Options exercised	237,500	511	81,000	174
PSU exercised	—	—	30,552	209
Employee share purchase plan	44,240	78	87,595	132
RSU settled	1,151,813	1,497	—	—
DSU settled	174,067	406	—	—
Ending balance	171,855,961	367,359	170,931,774	366,235

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

On November 6, 2019, 100,000,000 PVVS were transferred to the Company's Chief Financial Officer, Aaron Ames ("Ames"), in accordance with the terms of a shareholders' agreement among the Company and holder of the PVVS (the “PVVS Shareholder Agreement”). On the date of such transfer, Ames entered into the PVVS Shareholder Agreement with the Company, pursuant to which Ames: (i) agreed not to transfer the PVVS, in whole or in part, except with the prior written approval of the Board; (ii) granted the Company the unilateral right to compel the transfer of the PVVS, at any time and from time to time, in whole or in part, to a person designated by the Board; and (iii) granted to the Company a power of attorney to effect any transfers contemplated by the PVVS Shareholder Agreement. The Board will not approve or compel a transfer without first obtaining the approval of the TSX, and the PVVS Shareholder Agreement cannot be amended, waived or terminated unless approved by the TSX.

On December 4, 2019, an additional 400,000,000 PVVS shares were issued to Ames. The additional PVVS were issued in order to ensure that the Company complies with Canadian ownership and control requirements under the Broadcasting Act (Canada). The additional PVVS will have no impact on voting or economic rights of shareholders.

On March 29, 2021, 500,000,000 PVVS were transferred to the Company's President, Josh Scherba ("Scherba"), in accordance with the terms of a shareholders' agreement among the Company and holder of the PVVS.

On the date of such transfer, Scherba entered into the PVVS Shareholder Agreement with the Company, pursuant to which Scherba: (i) agreed not to transfer the PVVS, in whole or in part, except with the prior written approval of the Board; (ii) granted to the Company the unilateral right to compel the transfer of the PVVS, at any time and from time to time, in whole or in part, to a person designated by the Board; and (iii) granted the Company a power of attorney to effect any transfers contemplated by the PVVS Shareholder Agreement. The Board will not approve or compel a transfer without first obtaining the approval of the TSX and the PVVS Shareholder Agreement cannot be amended, waived or terminated unless approved by the TSX.

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

On November 22, 2019, the Company completed a subscription rights offering (the "Rights Offering"), issuing an aggregate of 35,928,144 common shares of the Company at a price of $1.67 per common share for gross proceeds of $60.0 million. Transaction costs and deferred taxes associated with the Rights Offering were $1.3 million, comprised of $1.9 million in transaction costs and $0.6 million of deferred taxes.

Pursuant to the Rights Offering, each shareholder of the Company received one right ("Right") for each common share of the Company held, and every 3.757635354 Rights entitled the holder to subscribe for one whole common share of the Company at a price of $1.67 per common share. All Rights have been exercised.

The common shares of the Company are inclusive of Common Voting Shares, Variable Voting Shares and Non-Voting Shares. As at June 30, 2021, the Company had 27,748,502 Common Voting Shares and 144,107,459 Variable Voting Shares issued and outstanding (June 30, 2020 - 27,887,163 and 143,044,611, respectively).

Share trust

In the fourth quarter of 2020, 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, 2021, the Company purchased 683,433 common shares of the Company in the open market at an average price per common share of $2.00 or $1,368 in total, which has been recorded as a reduction of shareholders' equity in the consolidated balance sheet (June 30, 2020 - 133,882 common shares at $1.16 per share, or $162 in total).

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

14 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. The Omnibus Plan provides the aggregate maximum number of equity-awards issuable not to exceed 8.5% of the Company's total issued and outstanding Common and Variable Voting Shares. As at June 30, 2021, the total amount reserved for issuance under the Omnibus Plan was 14,607,757 (June 30, 2020 - 14,540,580).

Options

As at June 30, 2021 and 2020, the Company had the following stock options outstanding:

	Number of options	Weighted average exercise price per stock option
	#	$
Outstanding at June 30, 2019	9,970,616	4.38
Forfeited	(1,824,791)	2.09
Expired	(2,206,025)	7.31
Exercised	(81,000)	1.51
Outstanding at June 30, 2020	5,858,800	4.02
Forfeited	(87,500)	3.77
Expired	(540,000)	1.51
Exercised	(237,500)	6.57
Outstanding at June 30, 2021	4,993,800	3.86
Exercisable at June 30, 2021	3,531,550	4.62

During the year ended ended June 30, 2021, the Company recognized a share-based compensation expense of $403 for the vesting of options (June 30, 2020 - $1,182), with a corresponding adjustment to contributed surplus.

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

The range of exercise prices for options outstanding at June 30, 2021 is presented below.

Range of exercise prices	Number outstanding at June 30, 2021 #	Weighted average remaining contractual life years	Weighted average exercise price $	Number outstanding at June 30, 2020 #	Weighted average exercise price $
$1.50 - $3.49	2,814,500	4.36	1.66	3,089,500	1.64
$3.50 - $5.49	100,000	3.25	5.47	300,000	5.47
$5.50 - $7.49	1,586,800	2.60	6.28	1,901,800	6.36
$7.50 - $9.49	492,500	1.26	8.38	567,500	8.38
Total	4,993,800	3.47	3.86	5,858,800	4.02

Performance share unit plan ("PSUs")

The PSUs are a long-term employee retention program issued to certain eligible employees as part of the Omnibus Plan, which are settled through treasury, vest upon the satisfaction of certain market performance conditions, and expire after five years from grant date.

During the year ended June 30, 2020, the Company granted 2,825,000 PSUs as part of the Omnibus Plan. These PSUs vest on the basis of 1/3 of the award upon the 60-day volume weighted average share price traded on the TSX ("60-day VWAP") exceeding $7, 1/3 upon the 60-day VWAP exceeding $9 and 1/3 upon the 60-day VWAP exceeding $11. PSUs are accounted for as equity-settled awards. The fair value of these awards are measured using the Black-Scholes valuation model using management's inputs and assumptions, adjusted by an estimated probability factor of achieving the market conditions vesting criteria.

During the year ended June 30, 2021, the Company recognized share-based compensation expense on the current year awards of $123 (June 30, 2020 - $23) with a corresponding adjustment to contributed surplus.

During the year ended June 30, 2021, there were 50,000 PSUs forfeited (June 30, 2020 - $nil). As at June 30, 2021, there were 2,775,000 PSUs outstanding (June 30, 2020 - 2,825,000).

Restricted share unit plan ("RSUs")

The RSUs is 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.

During the year ended ended June 30, 2021, the Company recognized share-based compensation expense of $2,861 (June 30, 2020 - $2,075) with a corresponding adjustment to contributed surplus.

During the year ended June 30, 2021, there were 672,889 RSUs granted, 276,482 RSUs forfeited and 1,417,913 RSUs exercised (June 30, 2020 - 4,410,417, 77,363 and nil, respectively). As at June 30, 2021, there were 3,311,548 (June 30, 2020 - 4,333,054) RSUs outstanding.

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 DSU is 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)

During the year ended June 30, 2021, the Company recognized share-based compensation expense of $1,540 (June 30, 2020 - $1,585) with a corresponding adjustment to contributed surplus, and included $130 for services rendered but DSUs not yet granted.

During the year ended June 30, 2021, there were 1,296,651 DSUs granted and 350,791 DSUs exercised (June 30, 2020 - 1,036,561 and nil, respectively). As at June 30, 2021, there were 2,111,008 (June 30, 2020 - 1,165,148) DSUs outstanding.

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, 2021, the Company recognized share-based compensation expense of $136 (June 30, 2020 - $632) with a corresponding adjustment to contributed surplus.

Employee stock purchase plan

During the year ended June 30, 2021, the Company recognized share-based compensation expense of $12 (June 30, 2020 - $20) with a corresponding adjustment to contributed surplus.

15 Government financing and assistance

During the fourth quarter of fiscal 2020, various governments and other bodies introduced wage subsidy programs to help companies keep employees on payrolls in response to business disruptions from the COVID-19 pandemic. During the year ended June 30, 2021, the Company received or is eligible to receive $6,384 under these programs (June 30, 2020 - $2,311). These subsidies are to assist with payroll costs, and have been recorded against selling, general and administrative expenses in the consolidated statement of income (loss).

During the year ended June 30, 2021, investment in film was reduced by $390 (June 30, 2020 - $2,810) related to non-repayable contributions from the Canadian Media Fund license fee program. Investment in film and television programs was reduced by $19,780 (June 30, 2020 - $16,046) for tax credits related to production activities. The Company received $40,821 in government financing and assistance (June 30, 2020 - $51,054).

Amounts receivable from the Canadian federal government and other government agencies in connection with production financing represented 37% of total amounts receivable at June 30, 2021 (June 30, 2020 - 33%). 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 the government 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)

16 Income taxes

Significant components of the Company's net deferred income tax liability as at June 30, 2021 and June 30, 2020 are as follows:

	June 30, 2021 $	June 30, 2020 $
Broadcast licenses	(17,967)	(17,967)
Tangible benefit obligation	724	1,112
Deferred revenue	118	118
Foreign tax credits	6,218	5,010
Property and equipment	742	988
Share issuance costs and deferred financing fees	(583)	—
Investment in film and television programs and acquired and library content	(10,810)	(12,541)
Intangible assets	(2,744)	(285)
Non-capital losses and other	13,974	5,304
Net deferred income tax liability	(10,328)	(18,261)

The Company recorded a deferred tax expense of $1,988 (June 30, 2020 - $15,547) related to the recognition of certain deferred tax assets in Canada. The recognition of Canadian net operating losses is dependent upon future taxable income and the ability under Canadian tax laws to utilize its net operating losses. Based on the current forecast of Canadian taxable income, it is not probable that certain losses will be utilized. The ending balance of the deferred tax asset not recognized of $34,889 (June 30, 2020 - $37,395) relates primarily to the Canadian non-capital loss carry forwards which begin to expire in the 2033 taxation year. The de-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 in Canada.

A deferred income tax liability has not been recognized for the withholding tax and other taxes that would be payable on unremitted income of certain subsidiaries, as such amounts are permanently reinvested. Unremitted earnings totaled $107,553 as at June 30, 2021 (June 30, 2020 - $92,298).

(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, 2021 $	June 30, 2020 $
Income tax recovery based on combined federal and provincial tax rates of 29% (June 30, 2020 - 30.5%)	5,745	(63,161)
Income taxes increased (reduced) by:		
Share-based compensation	57	361
Goodwill impairment	—	56,286
Non-taxable or non-deductible portion of capital gain (loss)	(2,307)	298
Tax rate differential	(826)	375
Non-controlling interest	(8,754)	(8,288)
Provision to return	1,654	(113)
Non-capital losses not recognized	(1,988)	15,547
Other	3,121	402
Expense (recovery) of income taxes	(3,298)	1,707

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.

17 Non-controlling interest

The Company's non-controlling interest as at June 30, 2021 was $234,325 (June 30, 2020 - $260,135), 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. held a 49% interest. The family of Charles M. Schulz held 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, 2021, the Company controlled Peanuts and therefore consolidates 100% of Peanuts with an adjustment for non-controlling interest.

During the year ended June 30, 2021, the Company received $31,457 in distributions and is reflected in the consolidated statement of cash flows. The following table summarizes the information of Peanuts before intercompany eliminations:

	June 30, 2021 $	June 30, 2020 $
Current assets	153,470	143,763
Non-current assets	355,275	390,538
Current liabilities	(50,871)	(42,801)
Non-current liabilities	(14,259)	—
Net assets	443,615	491,500
Revenue	193,817	151,705
Total expenses	(144,354)	(108,892)
Net income and comprehensive income	49,463	42,813

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

18 Other income from litigation settlement

During the second quarter of fiscal 2021, the Company reached a settlement agreement related to litigation with former employees of the Company. The settlement agreement included $4,372 in award damages, which has been classified as other income in the consolidated statement of income (loss). The settlement also contemplates the reimbursement of a portion of legal costs incurred in relation to the litigation, which will be recognized when received or realization is virtually certain.

19 Finance costs, net

Net finance costs comprise the following:

	June 30, 2021 $	June 30, 2020 $
Finance costs		
Interest income	(2,025)	(1,755)
Interest expense on bank indebtedness	349	152
Interest on long-term debt	28,574	32,053
Interest on completed and released productions	793	2,447
Amortization of deferred financing fees	2,490	2,919
Loss on modification of long-term debt and write-down of unamortized issue costs	3,496	8,265
Accretion on Convertible Debentures, exchangeable debentures, lease liabilities and other	8,462	5,323
	42,139	49,404

Interest income is 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)

20 Expenses by nature and employee benefit expense

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

	June 30, 2021	June 30, 2020
	$	$
Direct production and new media costs	191,879	179,723
Expense of film and television programs	55,387	44,970
Expense of film and broadcast rights for broadcasting	10,381	13,096
Amortization of property and equipment and intangible assets	22,924	24,171
Amortization of acquired and library content	11,100	12,082
Write-down of investment in film and television programs and acquired and library content	7,832	196,122
Office and administrative	18,498	17,950
Investor relations and marketing	2,364	2,504
Professional and regulatory	8,435	8,133
Reorganization, development and other, excluding employee benefits	6,273	7,033
Finance costs, net	42,139	49,404
Change in fair value of embedded derivatives	26,206	(1,955)
Foreign exchange (gain)/loss	(24,979)	14,047
	378,439	567,280
Employee benefits expense:		
Salaries and employee benefits	51,242	48,991
Share-based compensation (note 14)	5,075	5,520
Termination and other benefits	2,339	10,928
	58,656	65,439
	437,095	632,719

During the year ended June 30, 2021, included in reorganization, development and other costs were corporate rebranding charges of $1,699, legal fees associated with a dispute with former employees of $1,720, systems upgrade and process enhancement initiatives of $215, and other costs of $2,639 (June 30, 2020 - legal fees associated with a dispute with former employees of $3,171, systems upgrade and process enhancement initiatives of $1,491, rebranding costs of $2,125, and other fees of $246).

During the year ended June 30, 2021, included in salaries and employee benefits expenses were various government wage subsidies of $6,384 (June 30, 2020 - $2,311).

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

21 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.

During the year ended June 30, 2021, the outbreak of the COVID-19 pandemic continued to cause significant disruption to businesses globally and market volatility, resulting in an economic slowdown.

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 and film tax credit receivables) approximates the amounts recorded on the consolidated balance sheet of $273,668 (June 30, 2020 - $239,827). 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 ECL 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 6.4% 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.

COVID-19 has increased the credit risk in the Company's trade receivables. To manage this risk, the Company has increased its collection efforts with customers, risk-adjusted certain customers when determining a loss allowance, and in some limited cases provided customers with payment plans on past due amounts. Certain customers of the consumer-products segment, in particular Peanuts, are licensees who have been impacted by the closure of retailers during the pandemic and the Company is closely monitoring these receivables. Given that the majority of the Company's customers are large Canadian and international broadcasters, or large international distribution companies, there has not been evidence of significant deterioration in the credit quality of our customers and trade receivables to date.

The Company is unable to predict or anticipate the full extent or duration of impact due to COVID-19 at this time. Based on collections subsequent to the current quarter, and discussions with customers, the Company believes that the loss provision is adequate as at June 30, 2021.

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

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, LIBOR 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 locks US$165,000 of total Term Facility from an interest rate of LIBOR plus 4.25% to a fixed interest rate of 5.24%. Management will continue to monitor the interest rate risk closely and ensure appropriate measures are implemented.

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 term facility, regularly preparing cash flow forecasts, continuously monitoring actual and projected cash flows, and matching the maturity profile of financial assets and liabilities.

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 $
Accounts payable and accrued liabilities	130,299	130,299	—	—	—
Interim production financing	65,403	65,403	—	—	—
Other long-term liabilities	16,568	—	15,438	1,130	—
Convertible Debentures	166,748	8,225	16,450	142,073	—
Exchangeable debentures	26,364	—	26,364	—	—
Term facility	451,315	18,451	36,452	35,851	360,561
Finance lease obligations	42,556	11,234	16,808	10,924	3,590
	899,253	233,612	111,512	189,978	364,151

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, linear and digital content distribution, consumer products licensing, consumer products representation and television broadcasting. While the operating results may experience variability from period to period, the operating cash flows are generally predictable based on the Company's production and content pipeline, contract renewals, royalty agreements, associated minimum guarantees and television subscriber fees.

As at June 30, 2021, the Company had a cash balances of $78,431 and amounts receivable of $247,237. 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. The extent to which COVID-19 impacts the Company's liquidity and availability of credit will depend on future developments that are highly uncertain, and the Company will continue to monitor this closely.

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

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 and GBP.

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, 2021		June 30, 2020	
	Fair value hierarchy	Fair value[1]	Fair value hierarchy	Fair value[1]
		$		$
Embedded derivatives[2]	Level 2	(34,179)	Level 2	(6,650)
Foreign currency forwards[3]	Level 2	262	Level 2	(439)
Interest rate swap[4]	Level 2	(241)	Level 2	—

(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) Includes embedded derivatives for Convertible Debentures and exchangeable debenture, 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 lock 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, 2021, the Company held forward contract options with the following notional value and average contractual exchange rates:

US dollars exchange for GBP	
Less than one year	US$689 to $855
Weighted average rate	1.3675
US dollars exchange for CAD	
Less than one year	US$23,500 to $35,250
Weighted average rate	1.2692

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, 2021, was an asset of $262 (June 30, 2020 - liability of $439), which has been included in derivative liabilities 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, 2021			June 30, 2020		
	Fair value hierarchy	Fair value liability	Carrying value	Fair value hierarchy	Fair value liability	Carrying value
		$	$		$	$
Convertible Debentures[1]	Level 1	138,600	123,752	Level 1	98,000	119,731

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

22 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 period.

	June 30, 2021	June 30, 2020
	$	$
Net loss attributable to shareholders of the Company	(7,077)	(235,966)
Weighted average number of common shares outstanding (in 000's)	171,222	156,748
Basic loss per common share	(0.04)	(1.51)

b) Diluted

During the years ended ended June 30, 2021 and June 30, 2020, the diluted weighted average number of common shares outstanding is 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.

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

23 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 as at June 30, 2021 and June 30, 2020 is summarized in the table below:

	June 30, 2021 $	June 30, 2020 $
Total bank indebtedness and long-term debt, excluding interim production financing	482,394	512,006
Less: Cash and restricted cash	(92,057)	(84,526)
Net debt	390,337	427,480
Total shareholders' equity	302,913	341,486
	693,250	768,966

To facilitate the management of its capital structure, the Company prepares annual expenditure 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)

24 Consolidated statement of cash flows - supplementary information

Net change in non-cash balances related to operations

	June 30, 2021 $	June 30, 2020 $
Amounts receivable	6,716	66,849
Prepaid expenses and other	2,595	(1,597)
Long-term amounts receivable	(30,962)	(4,571)
Accounts payable and accrued liabilities	44,449	(4,033)
Deferred revenue	(6,367)	(15,928)
Tangible benefit obligation payments	(1,553)	(2,190)
	14,878	38,530

	June 30, 2021 $	June 30, 2020 $
Taxes paid	(3,028)	(5,504)
Taxes refunded	4,168	8,874
Proceeds from interim production financing	85,204	37,027
Repayment of interim production financing	(86,489)	(62,787)

Net change in film and television programs

	June 30, 2021 $	June 30, 2020 $
Development	(1,908)	(1,202)
Productions in progress	(22,856)	1,611
Productions completed and released	(50,309)	(46,580)
Film and television programs	55,387	44,970
Program and film rights - broadcasting	(4,434)	(10,663)
Film and broadcast rights - broadcasting	10,381	13,096
	(13,739)	1,232

(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, 2020	372,280	119,731	50,826	9,995	552,832
Proceeds (repayments)	9,818	—	(9,442)	7,948	8,324
Payment of debt issue costs	(11,222)	—	—	(2,600)	(13,822)
Total financing cash flow activities	(1,404)	—	(9,442)	5,348	(5,498)
Amortization of deferred financing costs	1,357	910	—	223	2,490
Lease liabilities additions	—	—	2,953	—	2,953
Interest paid on lease liabilities	—	—	(2,652)	—	(2,652)
Accretion expense	75	3,112	2,652	2,698	8,537
Foreign exchange	(34,327)	—	(502)	(1,100)	(35,929)
Loss on modification of long-term debt and write-down of unamortized issue costs	3,496	—	—	—	3,496
Total other activities	(29,399)	4,022	2,451	1,821	(21,105)
Balance - June 30, 2021	341,477	123,753	43,835	17,164	526,229

	Term facility	Senior unsecured convertible debentures	Lease liabilities	Exchangeable debentures	Total
	$	$	$	$	$
Balance - June 30, 2019	407,031	116,095	6,187	—	529,313
Proceeds (repayment)	(57,819)	—	(9,854)	16,500	(51,173)
Total financing cash flow activities	(57,819)	—	(9,854)	16,500	(51,173)
Initial recognition of lease liabilities due to adoption of IFRS 16	—	—	34,167	—	34,167
Amortization of deferred financing costs	2,024	895	—	—	2,919
Loss on modification of long-term debt and write-down of unamortized issue costs	8,265	—	—	—	8,265
Lease liabilities additions	—	—	19,786	—	19,786
Payment of debt amendment fees	(2,954)	—	—	(652)	(3,606)
Warrants issued		—	—	(2,180)	(2,180)
Initial recognition of embedded derivative	—	—	—	(3,850)	(3,850)
Interest paid on lease liabilities	—	—	(2,283)	—	(2,283)
Accretion expense	—	2,741	2,283	39	5,063
Foreign exchange	15,733	—	540	138	16,411
Total other activities	23,068	3,636	54,493	(6,505)	74,692
Balance - June 30, 2020	372,280	119,731	50,826	9,995	552,832

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

25 Revenues and segmented information

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

In the first quarter of fiscal 2021, as a result of changes in the current market environment for content and the Company's integrated approach to managing and monetizing its content and intellectual property ("IP"), and certain changes in the Company's organization structure, including the establishment of a Content Investment Group (the "CIG"), the Company reassessed its operating segments and determined it would be appropriate to revise the number of reportable operating segments to two, being 1) Content; and 2) Canadian Television Broadcasting. The Content operating segment includes all operating activities which relate to the monetization of IP including production, distribution and consumer-product royalties and representation. 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. The change in segment presentation has been applied retrospectively to the comparative period.

During the year ended June 30, 2021, revenues from one customer of the Company's Content segment represent approximately $81,614 of total revenues.

		Year ended June 30, 2021	
	Content	**Television**	**Consolidated**
	$	**$**	**$**
Revenues	406,032	46,502	452,534
Direct production costs and expense of film and television produced and selling, general and administrative	298,963	22,073	321,036
Segment profit	107,069	24,429	131,498
Other income from litigation settlement			(4,372)
Corporate selling, general and administrative			22,225
Amortization of property and equipment and intangible assets			22,924
Amortization of acquired and library content			11,100
Write-down of investment in film and television programs			7,832
Finance costs, net			42,139
Change in fair value of embedded derivatives			26,206
Foreign exchange gain			(24,979)
Reorganization, development and other			8,612
Income before income taxes			19,811

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

	Content	Television	Consolidated
			Year ended June 30, 2020
	$	$	$
Revenues	376,108	49,526	425,634
Direct production costs and expense of film and television produced, and selling, general and administrative	278,156	24,378	302,534
Segment profit	97,952	25,148	123,100
Corporate selling, general and administrative			18,353
Amortization of property and equipment and intangible assets			24,171
Amortization of acquired and library content			12,082
Write-down of investment in film and television programs, acquired and library content, property and equipment, intangible assets and goodwill			196,122
Finance costs, net			49,404
Change in fair value of embedded derivatives			(1,955)
Foreign exchange loss			14,047
Reorganization, development and other			17,961
Loss before income taxes			(207,085)

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

	June 30, 2021	June 30, 2020
	$	$
Content		
Content production and distribution	185,084	145,225
WildBrain spark	45,754	62,278
Consumer products	175,194	168,604
	406,032	376,107
Television		
Canadian Television Broadcasting	46,502	49,527
	452,534	425,634

Of the Company’s $452,534 in revenues for the year ended June 30, 2021 (June 30, 2020 - $425,634), $145,724 was attributable to the Company’s entities based in Canada (June 30, 2020 - $154,254), $202,805 (June 30, 2020 - $157,850) was attributable to the Company’s entities based in the USA, $95,708 (June 30, 2020 - $105,304) was attributable to the Company's entities based in the UK and $8,296(June 30, 2020 - $8,226) was attributable to entities based outside of Canada, the USA and the UK.

As at June 30, 2021, the following non-current assets were attributable to the Company’s entities based in the USA: $5,008 of property and equipment, $332,984 of intangible assets, and $21,901 of goodwill (June 30, 2020 - $1,170, $369,727 and $24,081, respectively). As at June 30, 2021, the following non-current assets were attributable to the Company’s entities based outside of Canada and the USA: $7,299 of property and equipment, $21,768 of intangible assets and $nil of goodwill (June 30, 2020 - $13,784, $16,921, and $nil, respectively). All other non-current assets were attributable to the Company’s entities based in Canada.

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

26 Commitments

As at June 30, 2021, the Company has entered into various contracts to buy broadcast rights with future commitments totaling $5,486.

27 Reclassification of comparatives

In the consolidated statement of income (loss), the Company reclassified certain amounts to conform with the current period presentation. These reclassifications had no effect on the reported results of operations. Specifically, share-based compensation was previously included in selling, general and administrative. In the current period reporting, share-based compensation has been separately presented to provide improved transparency. During the year ended ended June 30, 2021, $5,075 has been reclassified from selling, general and administrative to share-based compensation (June 30, 2020 - $5,520).

28 Subsequent Event

Litigation Settlement

On September 6, 2021, a subsequent offer to settle was accepted by the defendants in a litigation matter with former employees of the Company (among others). The subsequent settlement amount was £2,396 ($4,197), which will be recognized upon receipt of the amount.