ZOOMERMEDIA LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2018 and 2017

December 21, 2018

Independent Auditor's Report

To the Shareholders of
ZoomerMedia Limited

We have audited the accompanying consolidated financial statements of ZoomerMedia Limited and its subsidiaries, which comprise the consolidated statements of financial position as at August 31, 2018 and August 31, 2017 and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ZoomerMedia Limited and its subsidiaries as at August 31, 2018 and August 31, 2017 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

ZOOMERMEDIA LIMITED
Consolidated Statements of Financial Position

(expressed in Canadian dollars)	August 31, 2018	August 31, 2017
ASSETS		
Current assets		
Cash	$ 6,597,063	$ 4,963,043
Short-term investments	3,008,249	4,513,492
Trade and other receivables	11,324,340	10,741,302
Prepaid expenses	732,374	1,156,246
	21,662,026	21,374,083
Non-current assets		
Property and equipment (Note 4)	3,914,137	3,627,208
Deferred tax assets (Note 7)	3,379,474	3,823,278
Intangible assets (Note 5)	17,725,199	19,888,281
Goodwill (Note 5)	2,768,738	2,768,738
Other non-current assets	740,765	742,757
TOTAL ASSETS	$ 50,190,339	$ 52,224,345
LIABILITIES		
Current liabilities		
Trade and other payables	$ 3,544,254	$ 3,566,893
Deferred revenue (Note 6)	2,355,413	2,411,747
Current portion of debt	—	50,000
Current portion of program right liabilities	2,594,390	3,859,016
Current portion of provisions	8,570	8,570
	8,502,627	9,896,226
Non-current liabilities		
Deferred revenue (Note 6)	864,329	762,959
Deferred tax liabilities (Note 7)	89,040	89,040
Other liabilities	87,000	916,500
	9,542,996	11,664,725
EQUITY		
Equity attributable to owners of the parent		
Share capital	63,075,760	63,463,011
Contributed surplus	3,609,574	3,186,559
Deficit	(26,037,991)	(26,089,950)
Total equity	40,647,343	40,559,620
TOTAL LIABILITIES AND EQUITY	$ 50,190,339	$ 52,224,345

Commitments and Contingencies (Note 16)

APPROVED ON BEHALF OF THE BOARD:

signed Director — Moses Znaimer

signed Director — Peter Palframan

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

ZOOMERMEDIA LIMITED

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the years ended August 31, 2018 and 2017

	2018	2017
Revenue	$ 50,665,666	$ 50,618,261
Operating expenses (Note 9)	48,001,722	50,277,596
Depreciation	1,034,079	913,313
Amortization of other intangible assets	1,408,447	1,170,048
Impairment of broadcast licenses	—	3,209,714
Operating income (loss)	221,418	(4,952,410)
Interest income	(28,087)	(62,220)
Interest expense	2,518	56,576
Net income (loss) before income taxes	246,987	(4,946,766)
Income tax expense (Note 7)	195,028	1,498,405
Net income (loss) and comprehensive income (loss) for the year	$ 51,959	$ (6,445,171)
Net income (loss) per share (basic and diluted) (Note 11)	$ 0.00	$ (0.01)
Weighted average number of shares outstanding	653,720,998	655,497,426

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

ZOOMERMEDIA LIMITED
Consolidated Statements of Cash Flows
For the years ended August 31, 2018 and 2017

	2018	2017
Operating activities		
Net income (loss) for the period	$ 51,959	$ (6,445,171)
Add (deduct) non-cash items:		
Depreciation	1,034,079	913,313
Amortization of program rights	6,747,827	11,264,113
Amortization of other intangibles	1,408,447	1,170,048
Impairment of broadcast licenses	—	3,209,714
Stock-based compensation	245,237	295,993
Non-cash interest expense	—	29,086
Deferred income tax expense	443,804	1,498,390
Change in other non-current assets	1,992	—
Change in deferred revenue	45,036	203,697
Net change in non-cash working capital balances (Note 10)	(181,805)	83,888
	9,796,576	12,223,071
Purchase of program rights	(5,398,255)	(10,973,172)
Change in liabilities related to program rights	(2,094,126)	1,903,349
	(7,492,381)	(9,069,823)
	2,304,195	3,153,248
Investing activities		
Purchase of short-term investments	(3,030,757)	—
Proceeds from sale of short-term investments	4,536,000	1,486,508
Acquisition of On The Bay Magazine, net of cash acquired (Note 18)	—	(507,439)
Additions to property and equipment	(1,321,008)	(1,486,604)
Purchase of other intangible assets	(594,937)	(712,116)
	(410,702)	(1,219,651)
Financing activities		
Repurchase of common shares	(209,473)	—
Repayment of finance lease obligation	—	(314,332)
Repayment of debt	(50,000)	(600,000)
	(259,473)	(914,332)
Change in cash and cash equivalents	1,634,020	1,019,265
Cash and cash equivalents, beginning of year	4,963,043	3,943,778
Cash and cash equivalents, end of year	$ 6,597,063	$ 4,963,043
Supplementary cash flow information:		
Interest paid	$ 2,518	$ 12,700
Income taxes paid	—	283,166

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

ZOOMERMEDIA LIMITED
Consolidated Statements of Changes in Equity
For the years ended August 31, 2018 and 2017

	Common shares (Note 8)		Preference Shares		Contributed Surplus (Note 8)	Deficit	Total Shareholders' Equity
	#	$	#	$	$	$	$
Balance - September 1, 2016	267,618,297	24,675,098	387,879,129	38,787,913	2,890,566	(19,644,779)	46,708,798
Stock-based compensation	—	—	—	—	295,993	—	295,993
Net loss and comprehensive loss	—	—	—	—	—	(6,445,171)	(6,445,171)
Balance - August 31, 2017	267,618,297	24,675,098	387,879,129	38,787,913	3,186,559	(26,089,950)	40,559,620
Balance - September 1, 2017	267,618,297	24,675,098	387,879,129	38,787,913	3,186,559	(26,089,950)	40,559,620
Cancellation of shares repurchased	(4,200,000)	(387,251)	—	—	177,778	—	(209,473)
Stock-based compensation	—	—	—	—	245,237	—	245,237
Net income and comprehensive income	—	—	—	—	—	51,959	51,959
Balance - August 31, 2018	263,418,297	24,287,847	387,879,129	38,787,913	3,609,574	(26,037,991)	40,647,343

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

1. NATURE OF OPERATIONS

ZoomerMedia Limited (the "**Company**" or "**ZoomerMedia**") is a multimedia company that serves the 45plus "Zoomer" demographic through television, radio, magazine, internet, conferences and trade shows. ZoomerMedia's television properties include; Vision TV, Canada's only multi-faith specialty television service; ONE: Get Fit, offering programs on exercise, meditation, yoga, natural health and living a planet-friendly lifestyle; JoyTV in Vancouver, Victoria, Surrey and the Fraser Valley, and FAITH TV (formerly known as HOPE TV), a lifestyle television service out of Winnipeg devoted to broadcasting Christian programming. ZoomerMedia's radio properties include CFMZ-FM Toronto - The New Classical 96.3FM, CFMX-FM Cobourg - The New Classical 103.1FM, CFMO-FM Collingwood - The New Classical 102.9FM, Canada's only commercial classical music radio stations serving the Greater Toronto Area (GTA), eastern Ontario and Collingwood, CFZM-AM 740 Toronto and CFZM-FM 96.7FM Toronto - Zoomer Radio, Toronto's "Timeless Hits" Station. ZoomerMedia also publishes ZOOMER Magazine, as well as On The Bay Magazine, a regional lifestyle magazine published quarterly for the 20 towns and villages of Southern Georgian Bay, Ontario. ZoomerMedia is Canada's leading provider of online content targeting the 45plus age group through many properties, the key one being www.EverythingZoomer.com. ZoomerMedia also has trade show and conference divisions that produce the ZoomerShows, annual consumer shows directed to the Zoomer demographic and ideaCity, an annual Canadian conference also known as 'Canada's Premiere Meeting of the Minds'.

The Company is incorporated and domiciled in Canada and its registered office is located at 70 Jefferson Avenue, Toronto, Ontario, M6K 1Y4. The Company's shares are publicly traded on the TSX Venture Exchange under the symbol "ZUM".

These consolidated financial statements have been authorized for issue in accordance with a resolution from the Board of Directors on December 12, 2018.

2. BASIS OF PREPARATION

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles **("GAAP"**), defined as International Financial Reporting Standards (**"IFRS"**) as set out in Part 1 of the CPA Canada Handbook (**"CPA Handbook"**). The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the consolidated financial statements are disclosed in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention except for certain financial assets that are measured at fair value.

(b) Basis of Consolidation

These financial statements consolidate the accounts of the Company and its subsidiaries, all of which are wholly owned as at August 31, 2018. Subsidiaries are those entities (including structured entities) which the Company controls. For accounting purposes, control is established by an investor when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect the returns through its power over the entity. 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. Intercompany transactions, balances, income and expenses, and profits and losses are eliminated.

(c) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the President and Chief Executive Officer.

(d) Interests in structured entities

JTM Classical Performance Inc. ("**JTM Classical**"), JTM Holiday II Inc. (**"JTM Holiday"**), JTM Classical Performance II Inc. ("**JTM Classical II**"), JTM Libby's Story Inc. ("**JTM Libby**"), Gospel Song Productions Inc. ("**GSPI**") and People Who Sing Together 2 Inc. ("**PWST2**") are structured entities. JTM Classical was incorporated on November 6, 2012, JTM Holiday was incorporated on October 31, 2013, JTM Classical II was incorporated on October 8, 2014, JTM Libby was incorporated on May 5, 2014, GSPI was incorporated on September 30, 2015 and PWST2 was incorporated on October 4, 2016. The Company concluded that it controls JTM Classical, JTM Holiday , JTM Classical II, JTM Libby, GSPI and PWST2 (together **"the JTM entities"**) as the main activities of the JTM entities is the creation of television programming content for which the Company will have exclusive Canadian rights. Additionally, the JTM entities are dependent on the Company for financial support, both in the form of program license fee payments as well as through the provision of production services, including equipment and personnel. The JTM entities also expect to receive funding from the Canada Media Fund and through Federal and Provincial tax credits. To the extent such amounts are not received, the JTM entities may not have the ability to pay the Company for the provision of production services. As at August 31, 2018, cash of $205,948 and other current liabilities of $287,684 are included in the financial statements resulting from the consolidation of the JTM entities. As at August 31, 2017, cash of $1,245,171 and other current liabilities of $26,226 are included in the financial statements resulting from the consolidation of the JTM entities.

Net income before income taxes for the year ended August 31, 2018 increased by $229,716 resulting from the consolidation of the JTM entities (2017 - net loss before income taxes increased by $154,306).

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and highly liquid short-term investments with maturity terms of less than three months.

(f) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, canceled or expires.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories:

(i) Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise trade and other amounts receivable and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(ii) Financial liabilities at amortized cost. Financial liabilities at amortized cost include trade and other payables, debt, program rights liabilities, and other liabilities. Trade payables are initially recognized at fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. Debt and other liabilities are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(iii) Held-to-maturity investments. Held-to-maturity investments are non-derivative instruments with fixed or determinable payments and fixed maturities that the Company's management has the positive intent and ability to hold to maturity. These investments are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. The Company's short-term investments, which comprise low-yield government issue treasury bills with maturities of less than one year, are designated as held-to-maturity investments.

(g) Impairment of Financial Assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss. For financial assets carried at amortized cost the loss is the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument’s original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

(h) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are recognized in earnings during the period in which they are incurred and are presented under operating expenses.

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced asset is derecognized.

Residual values, method of amortization and useful lives of assets are reviewed at least at each financial year-end and adjusted if appropriate.

The major categories of property and equipment are depreciated on a straight-line basis based on the useful life of each component as follows:

Land and assets not yet available for use	not depreciated
Building components:	
External structure	40 - 50 years
Interior upgrades	10 - 25 years
HVAC and building systems	18 - 25 years
Roof and parking lot	20 - 25 years
Broadcast equipment	5 - 20 years
Equipment and vehicles	5 - 10 years
Computer hardware	3 - 5 years
Leasehold improvements	Over the term of the lease

(i) Intangible Assets

Intangible assets, which include broadcast licenses, program rights, royalty stream rights, brand names, computer software, customer lists and a non-compete clause, are recorded at cost less accumulated impairment and accumulated amortization. Intangible assets with a definite life are amortized over the estimated useful life of these assets, as described below. Intangible assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. Broadcast licenses have indefinite lives and are not subject to amortization and are tested for impairment as described below. Intangible assets are tested for impairment in accordance with the policy for impairment of non-financial assets as noted in (k) below. Intangible assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Broadcast Licenses

Broadcast licenses represent broadcasting rights and terms granted by the Canadian Radio-Television and Telecommunications Commission (the "**CRTC**") which were acquired as part of an acquisition of certain businesses. Broadcast licenses are recorded at cost and are not amortized as they are considered to have an indefinite life based on the Company's intent and ability to renew the licenses without significant cost and without material modification of the existing terms and conditions of the license. Instead broadcast licenses are tested for impairment at least annually.

(ii) Program Rights

Program rights represent contract rights acquired from third parties to broadcast television programs and feature films. The assets and liabilities related to these rights are recorded when the license period has begun and all of the following conditions have been met: (i) the cost of the rights is known or reasonably determinable; (ii) the program material is accepted by the Company in accordance with the license agreement; and (iii) the material is available to the Company for airing.

Program rights also include the cost of television programs produced by the Company. The costs capitalized in respect of these programs includes production expenditures and other attributed costs that are expected to benefit future periods.

Program rights costs are amortized over the contracted exhibition period as the programs are aired. Amortization of program rights is included in operating expenses and is disclosed separately in the consolidated statement of cash flows.

Program rights are carried at cost less accumulated amortization and accumulated impairment. If it is determined that program rights will not be aired and no future economic benefits are expected from the use or disposal of program rights, their carrying value is derecognized. Programs planned to be used are reviewed and tested for impairment along with other long-lived assets in accordance with the impairment policies for non-financial assets described in (k) below.

(iii) Royalty Stream Rights

Royalty stream rights relate to marketing and licensing rights associated with the Canadian Association of Retired Persons ("**CARP**") name which has a contract term expiring December 31, 2099. The asset is recorded at cost less accumulated amortization and impairment and is amortized on a straight-line basis over the shorter of the economic life or the duration of the contract term, which for the Company is estimated to be 15 years.

(iv) Brand Names

Brand names acquired in connection with the acquisition of businesses are recorded at cost less accumulated amortization and accumulated impairment. Brand names are amortized on a straight-line basis over an estimated useful life of 10 years which represents the period that future economic benefits attributable to the asset are expected to flow to the Company.

(v) Computer Software

Computer software is recorded at cost less accumulated amortization and is amortized over its estimated useful life of 3 years.

(vi) Customer Lists

Customer lists are recorded at cost less accumulated amortization and are amortized over their estimated useful lives. The customer list recorded as part of the acquisition of On The Bay Magazine Inc. has an estimated useful life of 10 years.

(vii) Non-Compete Clause

A non-compete clause was recorded as part of the acquisition of On The Bay Magazine Inc. It is recorded at cost less accumulated amortization and is amortized over its estimated useful life of 4 years.

(j) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to each cash generating unit (**"CGU"**) or group of CGUs that are expected to benefit from the related business combination. A group of CGUs represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is not amortized, but rather reviewed for impairment annually or at any time if an indicator of impairment exists. See the policy for impairment of non-financial assets as noted in (k) below.

(k) Impairment of Non-Financial Assets

Property and equipment and intangible assets with definite lives, (which includes program rights, royalty rights, brand names, computer software and domain names), are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (typically at the CGU level). Recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management).

Goodwill and indefinite life intangible assets are reviewed for impairment annually or at any time if an indicator of impairment exists. Management monitors goodwill for internal purposes based on its group of CGUs, which includes the Television operating segment. The Company has identified several non-goodwill CGUs which include Vision TV, ONE, JOY TV, FAITH TV, Zoomer Magazine, AM Radio, FM Radio, Royalty, Website and Shows and Conferences.

The Company evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration and accordingly, goodwill is assessed for impairment together with the assets and liabilities of the CGU.

(l) Leases

Leases are classified as either finance or operating. Leases that transfer substantially all of the risks and benefits of ownership of the leased asset to the Company are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of fair value of the leased asset and the present value of the minimum lease payments. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental payments, net of any incentives received from the lessor, are charged to earnings on a straight-line basis over the period of the lease.

(m) Stock-based Compensation

The Company grants stock options to certain employees, directors and consultants providing services similar to those of employees. The options either vest on issuance or vest one-third upon issuance and one-third in each of the following two years, or one-third in each of the three years following issuance. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period, based on the number of awards expected to vest, by increasing contributed surplus. The number of awards expected to vest is reviewed at least annually, with any impact recognized immediately in compensation expense with a corresponding adjustment to contributed surplus.

The Company may also grant stock options to certain other key service providers in exchange for goods and services. These options are measured at the fair value of the goods or services received and are recognized when the goods or services are delivered.

(n) Provisions

Provisions for restructuring costs, legal claims and other matters are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not 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.

(o) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income (loss) and comprehensive income (loss) except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except, in the case of subsidiaries, where the 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.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

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 earnings will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are presented as non-current.

The Company participates in transactions for which the ultimate tax treatment is uncertain. The Company may record a provision from time to time in respect of uncertain tax positions that it believes appropriately reflects its risk. Such provisions are made using the best estimate of the amount expected to be incurred based on an assessment of all relevant factors. It is possible that at some future date, liabilities in excess of the Company's provisions could result from audits by, or litigation with, relevant taxation authorities. The Company believes that such additional liabilities would not have a material adverse impact on its financial condition taken as a whole.

(p) Revenue Recognition

Advertising revenues, net of agency commission, where applicable, are recognized when advertisements are aired or when the magazine in which the advertisements are placed is published and distributed.

Subscriber fee revenue from the Company's specialty television channels is recognized monthly based on subscriber levels.

Revenue from the sale of broadcast time, net of agency commissions, is recognized in the period in which the broadcast occurs.

Magazine subscription revenue is recognized upon delivery of each issue of the magazine over the term of the subscription period.

Royalty revenue comprises licensing fees from the CARP name and is calculated as a percentage of the volume of business conducted by the licensee in a given period. Royalty revenue is recognized in the period in which it is earned from each licensee.

Website revenue is primarily comprised of advertising and user maintenance fees. Website revenue is recognized when the related services are provided to customers. Revenue related to advertising and sponsorship exclusivity agreements is recognized over the term of the agreement.

Show and conference revenue is primarily comprised of sponsorships, booth rentals and ticket sales and is recognized when the related service or product has been delivered.

Cash payments or customer advances received relating to services to be delivered in future periods are recorded as deferred revenue until all of the foregoing conditions of revenue recognition are met.

In the normal course of business, the Company enters into non-monetary transactions to exchange advertising for various products and services. Revenue is recognized on these barter transactions only when the services exchanged are dissimilar in nature and when the fair value of the advertising services provided by the Company can be reliably measured by reference to non-barter transactions that:

a) Involve advertising similar to the advertising in the barter transaction;
b) Occur frequently;
c) Represent a predominant number of transactions and amount when compared to all transactions to provide advertising that is similar to the advertising in the barter transaction;
d) Involve cash and/or another form of consideration that has a reliably measurable fair value; and
e) Do not involve the same counterparty as in the barter transaction.

(q) Government Grants and Subsidies

Government grants and subsidies are reflected as a reduction of the cost of the asset or reduction of the expense to which they relate and are recognized when there is reasonable assurance that the Company complies with the conditions for receipt of the government assistance and the grants will be received. Such amounts are recognized as applicable costs or expenses are incurred (See Note 15).

(r) Net (Loss) Income per Share

Basic net (loss) income per share is calculated by dividing the net (loss) income for the period attributable to equity owners of the Company by the weighted average number of common shares and preference shares outstanding during the period.

The treasury stock method is used to calculate diluted net (loss) income per share. Diluted net (loss) income per share is similar to basic net (loss) income per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding assuming that stock options with an average market price for the period greater than their exercise price are exercised and the proceeds used to repurchase common shares. The diluted net (loss) income per share calculation excludes any potential conversion of options that would increase net income per share or dilute the net loss per share.

(s) Accounting Standards Issued but not Yet Applied

The IASB has issued the following standards, which have not yet been adopted by the Company.

IFRS 9, *Financial Instruments* (**"IFRS 9"**), was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments - Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

IFRS 9 was amended in November 2013, to (i) include guidance on hedge accounting, (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive income (without having to adopt the remainder of IFRS 9) and (iii) remove the previous mandatory effective date of January 1, 2015. The adoption of IFRS 9 will only have an insignificant impact on the Company's financial instrument disclosure.

On May 28, 2014, the IASB issued the final revenue standard, IFRS 15, *Revenue from Contracts with Customers* (**"IFRS 15"**), which will replace IAS 11, *Construction Contracts*, IAS 18, *Revenue*, and SIC 31, *Revenue - Barter Transactions Involving Advertising Services*, in addition to other revenue related interpretations. The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2018, and interim periods within that year. The Company will be implementing IFRS 15 effective September 1, 2018 under the modified retrospective method on the date of transition. The Company is not expecting any impact in deficit as at the adoption date.

The application of this new standard will have an impact on the Company's reported advertising revenue, specifically with respect to the treatment of costs incurred in acquiring the customer. IFRS 15 requires certain acquisition costs, such as commissions on sales, to be recognized as an asset and amortized into operating expenses over time. If the expected period of amortization is one year or less, capitalization is not required and the cost can be expensed as incurred. Currently, some of the Company's advertising acquisition costs are being netted against revenue. Under IFRS 15, the Company will record such acquisition costs as operating expenses. The preliminary assessment of the estimated effect of this change would have the impact of increasing both revenue and operating expenses for the year ended August 31, 2018 by $450,000.

On January 13, 2016, the IASB issued IFRS 16, *Leases*, which will replace IAS 17, *Leases*. The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2019, with earlier application permitted. Under the new standard, all leases will be recorded on the balance sheet of lessees, except for those that meet limited exception criteria. As the Company holds significant operating leases for its premises and transmitter sites, there will be a material increase to both assets and liabilities upon adoption of the new standard. The Company is currently evaluating the impact of the new standard on its financial statements.

(t) Significant Accounting Judgments and Estimation Uncertainties

Critical accounting judgments and estimates

The preparation of financial statements under IFRS requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management’s historical experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates.

The key judgments, estimates and assumptions made in applying accounting policies which have the most significant risk of causing a material adjustment to the carrying amount of assets and liabilities are: the determination of Cash Generating Units (**“CGUs”**); the values associated with indefinite life intangible assets and goodwill; the estimated period of use of program rights; the estimated useful lives of non-financial assets with definite useful lives; and income tax liabilities including the assessment of temporary differences and uncertain tax positions.

4. PROPERTY AND EQUIPMENT

	Land & building	Broadcast equipment	Equipment and vehicles	Computer hardware	Leasehold improvements	Total
At August 31, 2017						
Cost	$ 858,226	$ 7,825,918	$ 2,005,257	$ 1,455,394	$ 248,194	$ 12,392,989
Accumulated depreciation	(94,431)	(5,750,915)	(1,646,650)	(1,218,544)	(55,241)	(8,765,781)
Net book value	$ 763,795	$ 2,075,003	$ 358,607	$ 236,850	$ 192,953	$ 3,627,208
Year ended August 31, 2018						
Opening net book value	$ 763,795	$ 2,075,003	$ 358,607	$ 236,850	$ 192,953	$ 3,627,208
Additions	—	433,282	89,218	177,873	620,635	1,321,008
Depreciation for the year	(38,545)	(526,289)	(248,704)	(159,603)	(60,938)	(1,034,079)
Closing net book value	$ 725,250	$ 1,981,996	$ 199,121	$ 255,120	$ 752,650	$ 3,914,137
At August 31, 2018						
Cost	$ 858,226	$ 8,259,200	$ 2,094,475	$ 1,633,267	$ 868,829	$ 13,713,997
Accumulated depreciation	(132,976)	(6,277,204)	(1,895,354)	(1,378,147)	(116,179)	(9,799,860)
Net book value	$ 725,250	$ 1,981,996	$ 199,121	$ 255,120	$ 752,650	$ 3,914,137

5. INTANGIBLE ASSETS AND GOODWILL

Details of intangible assets and goodwill are as follows:

	Broadcast licenses	Program rights	Royalty stream rights	Brand names	Computer software	Customer list & non-compete clause	Total intangible assets	Goodwill
At August 31, 2017								
Cost	$ 22,620,517	$ 27,512,054	$ 12,650,072	$ 790,000	$ 1,654,231	$ 550,000	$ 65,776,874	$ 8,731,879
Accumulated amortization	—	(20,198,749)	(8,164,030)	(555,667)	(749,630)	—	(29,668,076)	—
Accumulated impairment	(16,220,517)	—	—	—	—	—	(16,220,517)	(5,963,141)
Net book value	$ 6,400,000	$ 7,313,305	$ 4,486,042	$ 234,333	$ 904,601	$ 550,000	$ 19,888,281	$ 2,768,738
Year ended August 31, 2018								
Opening net book value	$ 6,400,000	$ 7,313,305	$ 4,486,042	$ 234,333	$ 904,601	$ 550,000	$ 19,888,281	$ 2,768,738
Additions	—	5,398,255	—	—	594,937	—	5,993,192	—
Amortization for the period	—	(6,747,827)	(843,336)	(79,000)	(407,546)	(78,565)	(8,156,274)	—
Closing net book value	$ 6,400,000	$ 5,963,733	$ 3,642,706	$ 155,333	$ 1,091,992	$ 471,435	$ 17,725,199	$ 2,768,738
At August 31, 2018								
Cost	$ 22,620,517	$ 23,848,496	$ 12,650,072	$ 790,000	$ 2,249,168	$ 550,000	$ 62,708,253	$ 8,731,879
Accumulated amortization	—	(17,884,763)	(9,007,366)	(634,667)	(1,157,176)	(78,565)	(28,762,537)	—
Accumulated impairment	(16,220,517)	—	—	—	—	—	(16,220,517)	(5,963,141)
Net book value	$ 6,400,000	$ 5,963,733	$ 3,642,706	$ 155,333	$ 1,091,992	$ 471,435	$ 17,725,199	$ 2,768,738

During the year ended August 31, 2018, fully amortized program rights with cost amounts totaling $9,061,813 were written off (2017 - $11,294,647). These fully amortized amounts were derecognized due to either the contract term expiring in the year or all contractual runs being used.

The net carrying amount of indefinite life intangibles and goodwill are included in the Television CGU:

	August 31, 2018	August 31, 2017
Television:		
Broadcast licenses	$ 6,400,000	$ 6,400,000
Goodwill	2,768,738	2,768,738
	9,168,738	9,168,738

Goodwill and indefinite life intangible assets, such as broadcast licenses, are tested for impairment, annually on August 31, as part of the CGU to which they belong or when circumstances indicate the carrying value of the CGU may be impaired.

The goodwill recorded in the consolidated financial statements relates to the Television group CGU. Broadcast licenses are recorded at the lowest level of CGU within each group of CGUs: ONE TV CGU and Vision TV CGU, together with other Television CGUs form the Television group CGU. The Company's assumptions used in testing goodwill and broadcast licenses for impairment are affected by current market conditions and expected revenue in each of the CGUs. In addition, while the Company continually monitors operating costs, these operating costs cannot be lowered as quickly in response to declines in revenue. The Company also has significant competition in the radio and television markets in which it operates, which may impact its revenues and operating costs.

In assessing goodwill and indefinite life intangible assets for impairment, the Company compared the aggregate recoverable amount of the assets included in the relevant CGUs to their respective carrying amounts. This impairment testing was performed at the lowest CGU level followed by the impairment testing of the group of CGUs into which the goodwill was allocated. The recoverable amount was determined based on the fair value less costs of disposal of the CGUs. This amount was determined using the financial budget prepared by management and approved by the Board of Directors, which was adjusted for market participants' expectations over a one-year period. Cash flows for the years thereafter are extrapolated using the estimated annual growth rates reflecting management's best estimate of the growth of the related markets based on industry reports. The key assumptions used to determine the recoverable amount for the different CGUs is discussed below with respect to the most recently completed impairment calculation as of August 31, 2018.

As at August 31, 2018, the Company's estimate of the recoverable amount for the Vision TV CGU exceeded its carrying value by a significant margin. Based on this excess, the Company determined that the goodwill and broadcast licenses of the Television group CGU was not impaired.

As at August 31, 2017, in carrying out the annual impairment test on the carrying value of the broadcast license in the FM Radio CGU, management determined that the remaining carrying amount of $1,745,714 was fully impaired. The impairment was the result of a continued decline in the revenues of the FM Radio CGU during the latter half of the fiscal year as compared to budget, combined with the impact of the expected growth rates as revised by management.

As at August 31, 2017, in carrying out the annual impairment test on the carrying values of the broadcast license in the ONE TV and Vision TV CGUs, management determined that the carrying amount in the ONE TV CGU of $1,464,000 was fully impaired. The impairment was the result of a decline in subscriber revenue greater than budget during the fiscal year, combined with the impact of a greater rate of decline anticipated by management for future periods.

The key assumptions used in the determination of fair value less costs of disposal calculation as described above are disclosed below.

Key assumptions used in fair value less costs of disposal calculations

	August 31, 2018	August 31, 2017	
	Television	Television	Radio
Growth rate - year 1	-26.2% to -0.6%	-11% to -3.4%	2%
Growth rate - years 2 to 5	-7% to -2.5%	-10% to -3.5%	-1%
Discount rate	14.0%	14.0%	13.5%
Long-term growth rate	0%	0%	0%

The calculations of fair value less costs of disposal for the CGUs are most sensitive to the following assumptions:

- Growth rates
- Discount rates
- Long-term growth rates

Growth rates - Growth rates over the five-year period are a combination of management's estimate of annual growth for the next fiscal year based on historical growth rates achieved for the two or three proceeding years in combination with changes in planned business strategies, and the review of available market forecasts and data for growth rates for years two to five. Note that the Television growth rates represent the weighted average growth rates of the individual Television channel CGUs.

Discount rates - Discount rates represent the current market assessment of the risks specific to each CGU regarding the time value of money and individual risks of the underlying assets.

Long-term growth rates - Cash flows beyond the five-year period are based largely on management's estimate of the ability of the CGU to grow in a mature market.

Sensitivity to changes in assumptions

The determination of fair value less costs of disposal is sensitive to the growth rate, discount rate and long-term growth rates used. The risk premiums expected by market participants related to uncertainties about the industry and assumptions relating to future cash flow may differ, depending on economic conditions and other events. Accordingly, it is reasonably possible that future changes in assumptions may negatively impact future assessments of the recoverable amount for the Vision TV CGU broadcast license and TV CGU goodwill, and that the Company would be required to recognize additional impairment loss.

6. DEFERRED REVENUE

	August 31, 2018	August 31, 2017
Magazine subscriptions revenue	$ 2,002,629	$ 1,904,592
Royalty revenue (i)	29,762	148,810
Canada Periodical Fund	580,649	546,729
Show and conference revenue	249,300	245,570
Advertising revenue	357,402	329,005
	$ 3,219,742	$ 3,174,706
Less: Current portion	(2,355,413)	(2,411,747)
	$ 864,329	$ 762,959

(i) Pursuant to an affinity agreement entered into with MBNA Canada Bank ("**MBNA**"), effective December 1, 2008, the Company received $1,250,000 from MBNA as an advance against future royalties ("**Advanced Amount**") to be earned over the ten year period ending November 30, 2018. All royalties accrued in each contract year shall be applied against the Advanced Amount to a maximum of $125,000. Any royalties accrued in a contract year in excess of $125,000 will be payable to the Company. The Company is guaranteed to earn royalties equal to the Advanced Amount by the end of the ten-year contract term.

7. INCOME TAX

The components of income tax (recovery) expense for the years ended August 31, 2018 and 2017 were as follows:

	2018	2017
Current tax (recovery) expense:		
Current tax on net income for the year	$ —	$ —
Carry-back of non-capital losses to prior year	(248,747)	15
Total current tax (recovery) expense	$ (248,747)	$ 15
Deferred tax (recovery) expense:		
Origination and reversal of temporary differences	$ 443,775	$ (1,150,520)
Derecognition of deferred tax assets previously recognized	—	2,648,910
Total deferred tax expense	$ 443,775	$ 1,498,390
Total income tax expense	$ 195,028	$ 1,498,405

Income tax (recovery) expense varies from the amounts that would be computed by applying the statutory rate to income before income taxes as follows:

	2018	2017
Expected income tax (recovery) expense	$ 65,452	$ (1,310,893)
Stock-based compensation not deductible for income tax purposes	64,988	78,438
Permanent differences not deductible for income tax purposes	42,110	37,416
Derecognition of deferred tax assets previously recognized	—	2,648,910
Other	22,478	44,534
Income tax expense	$ 195,028	$ 1,498,405

The weighted average applicable tax rate at August 31, 2018 and 2017 was 26.50%.

The analysis of deferred tax assets and deferred tax liabilities as at August 31, 2018 and 2017 is as follows:

	2018	**2017**
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	$ 2,938,708	$ 3,568,164
Deferred tax assets to be recovered within 12 months	440,766	255,114
	$ 3,379,474	$ 3,823,278
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	$ 89,040	$ 89,040
Deferred tax liabilities to be recovered within 12 months	—	—
	$ 89,040	$ 89,040

The movement of deferred income tax assets and liabilities during the year ended August 31, 2018, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	**Goodwill and intangible assets**	**Tax losses**	**Property and equipment**	**Other**	**Unrecognized deferred tax assets**	**Total**
At September 1, 2017	$ 2,744,855	$ 3,114,098	$ 489,572	$ 123,663	$ (2,648,910)	$ 3,823,278
Credit/(charge) to income statement	123,774	(570,457)	(6,680)	9,559	—	(443,804)
At August 31, 2018	$ 2,868,629	$ 2,543,641	$ 482,892	$ 133,222	$ (2,648,910)	$ 3,379,474

Deferred tax liabilities	**Goodwill and intangible assets**	**Provision and loans**	**Property and equipment**	**Other**	**Total**
At September 1, 2017	$ 89,040	—	—	—	$ 89,040
Charge/(credit) to income statement	—	—	—	—	—
At August 31, 2018	$ 89,040	—	—	—	$ 89,040

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

During the year ended August 31, 2016, the Company was reassessed on prior taxation years for one of its taxable entities. The reassessment resulted in the Company making a payment of $2,053,913 but also filing a Notice of Objection as it believes its position is supportable. As at August 31, 2016 and for the year then ended, the Company recorded a current income tax expense of $435,900 and interest expense of $77,100 relating to this reassessment, as well as income tax recoverable of $1,218,818 and other amounts receivable of $322,094, both included in accounts receivable. As at August 31, 2018, there has been no change to the Company's position from the time the Notice of Objection was filed.

8. SHARE CAPITAL

(a) Authorized

Unlimited preference shares that may be issued in one or more series by the Board of Directors. Preference shares are non-voting, are convertible into common shares at the option of the holder on a one for one basis at any time and have rights to dividends. As at August 31, 2018, the Company had 387,879,129 preference shares outstanding (August 31, 2017 – 387,879,129).

Unlimited number of common shares. As at August 31, 2018, the Company had 263,418,297 common shares outstanding (August 31, 2017 – 267,618,297).

(b) Stock Options

The Company has a stock option plan for the benefit of employees and directors of the Company and certain key service providers to the Company. Under the plan the Company is authorized to issue stock options up to 10% of the shares issued and outstanding at the time of the grant.

The options either vest on issuance or vest one-third upon issuance and one-third in each of the following two years, or one-third in each of the following three years.

In addition to new options granted, during the year ended August 31, 2018, 9,100,000 options with an expiry date of April 21, 2021 and 2,600,000 options with an expiry date of July 24, 2021 were modified to change the exercise price from $0.10 to $0.05. This modification resulted in an additional stock-based compensation expense of $86,722 being recorded on the date of modification.

During the year ended August 31, 2018, 4,600,000 expired unexercised.

During the year ended August 31, 2017, 2,400,000 stock options were cancelled.

As at August 31, 2018, the Company had 20,300,000 stock options outstanding with a weighted exercise price of $0.05 per share.

Movements in the number of stock options outstanding and their related weighted average exercise prices for the year ended August 31, 2018 and 2017 are as follows:

	2018		2017	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Balance, beginning of period	18,000,000	$ 0.11	20,400,000	$ 0.11
Issued	6,900,000	0.05	—	—
Cancelled	—	—	(2,400,000)	0.12
Expired	(4,600,000)	0.12	—	—
Balance, end of period	20,300,000	$ 0.05	18,000,000	$ 0.11

No options were exercised during the years ended August 31, 2018 and 2017.

The fair value of options granted during the year ended August 31, 2018 was estimated using the Black-Scholes Pricing Model based on the following assumptions:

	2018
Risk-free interest rate	2.02%
Expected dividend yield	0.00%
Expected stock price volatility	77%
Forfeiture rate	7.4%
Expected life of stock options	4.5 years
Weighted-average grant date fair value of stock options	$0.01

At August 31, 2018, the range of exercise prices, the weighted average exercise price and the weighted average contractual life of the outstanding stock options are as follows:

	Options Outstanding as at August 31, 2018			**Options Exerciseable as at August 31, 2018**	
Exercise Price	**Number Outstanding**	**Weighted Average Remaining Life (years)**	**Weighted Average Exercise Price**	**Number Exercisable**	**Weighted Average Exercise Price**
$0.05 - $0.10	20,300,000	3.4	$ 0.05	8,933,330	$ 0.06

(c) Normal Course Issuer Bid

On August 24, 2017, the Company announced its intent to commence a Normal Course Issuer Bid (**"NCIB"**). During the year ended August 31, 2018, the Company repurchased 4,200,000 of its common shares on the open market through its broker, RBC Capital Markets. Of these common shares, 63,000 were cancelled on December 29, 2017 and 4,137,000 were cancelled on March 29, 2018.

9. OPERATING EXPENSES

Operating expenses of the Company for the years ended August 31, 2018 and 2017 are as follows:

		2018		2017
Employee benefits:				
Salaries and wages	$	15,607,939	$	16,623,839
Other employee costs		4,481,750		4,205,909
Stock based compensation		245,237		295,993
	$	20,334,926	$	21,125,741
Amortization of program rights		6,747,827		11,264,113
Distribution and transmission costs		8,634,663		5,813,485
Other operating expenses		12,284,306		12,074,257
	$	48,001,722	$	50,277,596

Included in distribution and transmission expenses in the year ended August 31, 2017 is $2,037,955 relating to the receipt of Ontario Interactive Digital Media Tax Credits. These credits were received in April 2017 and relate to qualifying expenditures made by the Company during the period of July 1, 2010 to August 31, 2014.

Included in salaries and wages expenses in the year ended August 31, 2017 is $561,520 of accrued severance costs relating primarily to the Company's reorganization of its master control operations.

10. CONSOLIDATED STATEMENTS OF CASH FLOWS

The net change in non-cash working capital balances for the years ended August 31, 2018 and 2017 consists of the following:

		2018		2017
Trade and other receivables	$	(583,038)	$	1,158,151
Prepaid expenses		423,872		(289,300)
Trade and other payables		(22,639)		(784,963)
	$	(181,805)	$	83,888

11. BASIC AND DILUTED INCOME (LOSS) PER SHARE

The following table outlines the calculations of basic and diluted income (loss) per share for the years ended August 31, 2018 and 2017:

	Year ended August 31	
	2018	**2017**
Numerator for basic and diluted income (loss) per share:		
Net income (loss) for the year - basic and diluted	$ 51,959	$ (6,445,171)
Adjusted numerator for income (loss) per share	$ 51,959	$ (6,445,171)
Common shares	265,841,869	267,618,297
Preference shares	387,879,129	387,879,129
Denominator for income (loss) per share - weighted average	653,720,998	655,497,426
Effect of potential dilutive securities	—	—
Adjusted denominator for diluted income (loss) per share	653,720,998	655,497,426
Basic income (loss) per share	**$ 0.00**	**$ (0.01)**
Diluted income (loss) per share	**$ 0.00**	**$ (0.01)**

The dilutive effect of outstanding stock options on income (loss) per share is based on the application of the treasury stock method. Under this method, the proceeds for the exercise of such securities are assumed to be used to purchase common shares of the Company.

For the year ended August 31, 2018 , no effect has been given to the potential exercise of stock options in the calculation of diluted net income per share as there would be no impact .

For the year ended August 31, 2017, no effect has been given to the potential exercise of stock options in the calculation of diluted net loss per share as the effect would be anti-dilutive.

12. RELATED PARTY TRANSACTIONS

The Company is controlled by Olympus Management Limited (**"OML**"), which owns 64.5% of the Company's equity through both common shares and preference shares. The President and Chief Executive Officer of the Company controls OML and is the ultimate controlling party of the Company. Fairfax Financial Holdings Limited ("**Fairfax**"), through its wholly owned subsidiary Northbridge Financial Corporation ("**Northbridge**"), holds 26.9% of the Company's equity through both common shares and preference shares. The remaining 8.6% of the Company's equity is made up of common shares widely held.

The Company's related party transactions are summarized below. These transactions are in the normal course of operations.

(a) Transactions with a related party

The majority shareholder of the Company, who is also the President and Chief Executive Officer and a director of the Company, is also the President of CARP. CARP is a not-for-profit organization that is focused on providing support for adults 45 years of age and up in Canada. During the year ended August 31, 2018, the Company paid subsidies of $1,770,057 (2017 – $2,124,393) to CARP. As the Company receives royalties from affinity programs and other programs that benefit from increasing membership in CARP, the Company benefits from supporting CARP. During the year ended August 31, 2018, the Company received from CARP advertising revenues of $20,000 (2017 - $15,000), management and accounting services fees of $662,760 (2017 - $490,104) and rent of $72,558 (2017 - $132,402). The Company provides membership management services to CARP, including the cash collection and processing of CARP memberships. Accordingly, CARP membership funds are collected by the Company and are paid and payable to CARP. In prior years, these membership management services were provided by a third party where funds for both CARP memberships and ZOOMER magazine subscriptions were collected by CARP and paid and payable to the Company. At August 31, 2018, the Company has a net receivable of $877,170 due from CARP (August 31, 2017 – net receivable of $1,140,412). These balances are unsecured, non-interest bearing, with no fixed terms of repayment.

(b) Transactions with the parent company

During the year ended August 31, 2018, the Company paid management fees of $1,200,000 (2017 – $1,200,000) and fees for ancillary services of $371,553 (2017 – $351,430) to OML, the majority shareholder of the Company, for the provision of executive management services, home office costs, contractor services and talent fees. At August 31, 2018, included in accounts payable and accrued liabilities is a payable to OML of $48,710 (August 31, 2017 - $110,134). This balance is unsecured, non-interest bearing, with no fixed terms of repayment.

(c) Transactions with entities controlled by a principal shareholder

During the year ended August 31, 2018, the Company received royalty revenues from Northbridge of $1,096,287 (2017 – $1,113,132) and advertising revenues of $90,379 (2017 – $88,822). Included in accounts receivable at August 31, 2018 is a receivable from Northbridge of $178,928 (August 31, 2017 – $107,404).

A director of the Company is employed by a subsidiary of Fairfax.

(d) Compensation of key management

Compensation recognized in employee benefits for key management for the years ended August 31, 2018 and 2017 included:

	2018	2017
Salaries and short-term employee benefits	$ 1,654,199	$ 1,685,850
Stock-based compensation	49,352	157,484
	$ 1,703,551	$ 1,843,334

13. FINANCIAL INSTRUMENTS AND FAIR VALUES

a) Measurement categories and fair values

The Company's financial instruments are classified into three categories: loans and receivables, held-to-maturity investments and financial liabilities at amortized cost. The following table shows the carrying values of assets and liabilities included in each of these categories:

		August 31, 2018		August 31, 2017	
	Input level	Carrying value	Fair value	Carrying value	Fair value
Assets					
Loans and receivables:					
Cash and cash equivalents	1	$ 6,597,063	$ 6,597,063	$ 4,963,043	$ 4,963,043
Trade and other receivables	1	11,324,340	11,324,340	10,741,302	10,741,302
		$ 17,921,403	$ 17,921,403	$ 15,704,345	$ 15,704,345
Held-to-maturity:					
Short-term investments	2	2,999,675	3,008,249	4,513,492	4,513,492
		$ 20,921,078	$ 20,929,652	$ 20,217,837	$ 20,217,837
Liabilities					
Liabilities at amortized cost:					
Trade and other payables	1	$ 3,544,254	$ 3,544,254	$ 3,566,893	$ 3,566,893
Debt	2	—	—	50,000	50,000
Program right and other liabilities	1	2,681,390	2,681,390	4,775,516	4,775,516
		$ 6,225,644	$ 6,225,644	$ 8,392,409	$ 8,392,409

At August 31, 2018 the carrying amounts of the Company's cash and cash equivalents, trade and other receivables, trade and other payables, debt and other liabilities approximate their fair value due to their short-term nature.

b) Liquidity risk

Liquidity risk is the risk that a company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure, as outlined in Note 14. It also manages liquidity risk by monitoring actual and projected cash flows, taking into account the Company's revenues and receipts and matching the maturity profile of financial assets and liabilities. The Board of Directors reviews and approves the Company's annual operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on acquisitions and other major investments.

The Company has expended cash on upgrading its television broadcast equipment for ingest as well as ongoing renovations and replacement projects, and will continue to invest in new programming, expend funds on subscriber acquisition initiatives to increase subscribers to the magazine and invest in capital infrastructure in the radio and television production divisions. The Company has an accumulated deficit of $26,037,991 as at August 31, 2018. Cash flows from operating activities were $2,304,195 during the fiscal year ended August 31, 2018 (2017 - $3,153,248). Cash used in investing activities was $410,702 (2017 - $1,219,651). During the fiscal year, cash used in financing activities was $259,473 (2017 - $914,332). At August 31, 2018, excluding the current portion of deferred revenue, the Company had working capital of $15,514,812 (August 31, 2017 - $13,889,604).

While some of the Company's costs are variable based on the revenue generated, a significant portion of the costs, including program rights costs, are fixed and some cannot be reduced quickly. Some of these factors are beyond the Company's control and may impact the future cash flows from operating activities.

Management's current cash flow projections reflect positive cash flow from operations for the next twelve months and then improving thereafter based on cost saving measures implemented by the Company.

The following table reflects the Company's undiscounted cash flows for its financial liabilities at August 31, 2018:

	1 year	2-3 years	4-5 years	Beyond 5 years	Total
Trade and other payables	$ 3,544,254	$ —	$ —	$ —	$ 3,544,254
Other liabilities	2,594,390	—	87,000	—	2,681,390
Provisions	8,570	—	—	—	8,570
	$ 6,147,214	$ —	$ 87,000	$ —	$ 6,234,214

The Company also has significant contractual obligations in the form of operating leases and commitments to purchase programming (refer to Note 16).

c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company's credit risk is attributable to cash and cash equivalents, short-term investments and accounts receivable. Cash and cash equivalents consist of deposits with major commercial banks and accordingly credit risk is minimal. Short-term investments comprise low-yield government issue treasury bills with maturities of less than one year and are considered highly liquid with minimal credit risk. With respect to accounts receivable, the Company performs periodic credit evaluations of the financial condition of its customers and typically does not require collateral from them. Management assesses the need for allowances for the potential credit losses by considering the credit risk of specific customers, historical trends and other information.

Trade and other outstanding receivables are impaired when there is evidence that collection is unlikely. The factors that are considered in determining if collection is unlikely include the aging of the balance owing, the customer's financial condition and history of collections, whether the customer is in bankruptcy, under administration or the payments are in dispute, and general business conditions. At August 31, 2018, the Company had amounts receivable of $11,953,510 (August 31, 2017 - $11,173,906) net of an allowance for doubtful accounts of $629,170 (August 31, 2017 - $432,604), which adequately reflects the Company's credit risk.

The aging of accounts receivable past due is as follows:

	August 31, 2018	August 31, 2017
Trade accounts receivable		
Current	$ 3,253,193	$ 3,439,911
30 - 90 days past due date	2,687,340	3,442,919
Over 90 days past due date	2,758,318	1,461,409
	$ 8,698,851	$ 8,344,239
Other receivables	3,254,659	2,829,667
	$ 11,953,510	$ 11,173,906
Less: Allowance for doubtful accounts	(629,170)	(432,604)
	$ 11,324,340	$ 10,741,302

The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk based on the history of collections. The activity of the allowance for doubtful accounts for the year is as follows:

	August 31, 2018	August 31, 2017
Allowance for doubtful accounts - beginning of year	$ (432,604)	$ (577,084)
Provision for doubtful accounts	(248,505)	(309,556)
Write-off of bad debts	51,939	454,036
Allowance for doubtful accounts - end of year	$ (629,170)	$ (432,604)

d) Market and price risk

(i) Market risk

All of the Company's operations take place within Canada serving the Canadian market. Market risk concerns the potential loss associated with a general market decline in which the Company operates. Market risk is driven by changes in demand, price and costs of the advertising market. The Company is responsible for developing and marketing its brand names in the Canadian market and is impacted by changes in price and demand; therefore the Company is exposed to market risk.

(ii) Price risk

There is limited exposure to foreign currency denominated assets or liabilities. Other price risk is that the interest rate that the future cash of a financial instrument will fluctuate because of changes in market interest rates. The Company's short-term and long-term liabilities have fixed interest rates, thereby minimizing the exposure to cash flow interest rate risk.

14. CAPITAL MANAGEMENT

The Company considers its capital structure as the aggregate of shareholders' equity. The Company manages its capital structure and makes adjustments to it in order to have funds available to support the business activities which the Board of Directors intends to pursue in addition to maximizing the return to shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In order to carry out current operations and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes to the Company's approach to capital management during the year ended August 31, 2018.

The Company is not subject to externally imposed capital requirements.

15. GOVERNMENT ASSISTANCE

The Company receives an annual grant from the Canada Periodical Fund administered by the Department of Canadian Heritage. This grant is recognized as a reduction of operating expenses as each issue of the magazine is published. The annual grant received for the current fiscal year is $1,045,168 (2017 - $984,113). These grants are recognized as a reduction of operating expenses in the following periods:

	Year ending Aug. 31, 2019	Year ended Aug. 31, 2018	Year ended Aug. 31, 2017	Year ended Aug. 31, 2016	Total
Annual grant - August 31, 2018	$ 580,649	$ 464,519			$ 1,045,168
Annual grant - August 31, 2017		546,729	437,384	—	984,113
Annual grant - August 31, 2016			489,784	391,827	881,611
	$ 580,649	$ 1,011,248	$ 927,168	$ 391,827	$ 2,910,892

At August 31, 2018, $580,649 of the annual grant for the current fiscal year remains in deferred revenue (August 31, 2017 - $546,729).

16. COMMITMENTS AND CONTINGENCIES

(a) The Company is committed to fixed and contingent royalty payments for certain marketing rights and royalty revenue derived from the CARP name which has a term expiring December 31, 2099. The Company also earns royalty revenues earned from other affinity partners for the use of the CARP name.

(b) Future minimum lease payments under operating leases for premises (excluding the Company's proportionate share of building operating costs) and equipment over the next five fiscal years and thereafter in aggregate are as follows:

2019	$ 2,534,891
2020	2,453,351
2021	2,531,007
2022	2,152,495
2023	1,963,932
Thereafter	4,532,150
	$ 16,167,826

(c) At August 31, 2018, the Company has entered into various agreements for the right to broadcast certain television programs in the future. The acquisition of these broadcast rights is contingent on the actual delivery of the productions. Management estimates that these arrangements will result in future program expenditures of approximately $3.2 million.

(d) In May 2012, the Company assigned its interests under a property lease to a third party. In the event that the third party does not fulfill its obligations, the Company will be liable for the remaining payments due under the lease. The Company's continuing obligation under the lease is secured by a general security agreement covering the assets of the Company excluding the assets of the Radio business segment. At August 31, 2018, the remaining future minimum payments due under the lease are $1,071,840. The lease expires in April 2021.

17. SEGMENTED INFORMATION

Management has determined that during the year the Company operated within five reportable business segments: Television, Radio, Print, Royalty and Other operations. These business segments reflect the management structure of the Company and the way in which management reviews business performance. The Company evaluates the performance of its operating segments primarily based on segment income (loss), as presented below.

The Television segment consists of the Company's specialty and conventional television stations (Vision TV, ONE: Get Fit, JoyTV in Vancouver and HOPETV in Winnipeg) and generates revenues from subscriber fees, the sale of broadcast time and advertising. The Radio segment consists of the Company's five radio stations and generates revenues primarily from the sale of advertising. The Print segment publishes ZOOMER magazine and On The Bay magazine and generates revenue from advertising, subscriptions and sundry sources. The Royalty segment provides exclusive membership and marketing services to CARP and earns revenue from royalties.

Other activities include the operation of a number Canadian websites and the production of ZoomerShows, and other trade and consumer shows directed to the 45plus age group. Those also include a television production and distribution company, and JTM Classical Performance Inc. ("JTM Classical"), JTM Holiday II Inc. ("JTM Holiday"), JTM Classical Performance II Inc. ("JTM Classical II"), JTM Libby's Story Inc. ("JTM Libby"), Gospel Song Productions Inc. ("GSPI") and People Who Sing Together 2 Inc. ("PWST2"), structured entities that create television programming content. Other activities generate revenue from advertising, sponsorship, booth rentals and ticket sales.

Corporate results primarily represent the incremental cost of corporate overhead in excess of the amount allocated to the segments, and also includes expenses relating to the operation of the Company's commercial property located in Toronto.

	Year ended August 31, 2018						
	Television	Radio	Print	Royalty	Other	Corporate	Total
Revenue	$ 30,620,942	$ 9,356,471	$ 4,604,777	$ 2,212,225	$ 3,185,165	$ 686,086	$ 50,665,666
Operating expenses	17,454,241	9,196,945	5,531,635	2,179,087	4,616,510	9,023,304	48,001,722
Depreciation	411,375	263,414	197,815	—	132,858	28,617	1,034,079
Amortization	216,171	5,156	186,768	843,336	129,189	27,827	1,408,447
	$ 18,081,787	$ 9,465,515	$ 5,916,218	$ 3,022,423	$ 4,878,557	$ 9,079,748	$ 50,444,248
Interest expense	—	—	—	—	—	2,518	2,518
Interest income	—	—	—	—	—	(28,087)	(28,087)
Segmented income (loss)	$ 12,539,155	$ (109,044)	$ (1,311,441)	$ (810,198)	$ (1,693,392)	$ (8,368,093)	$ 246,987
Segmented assets	$ 24,661,114	$ 4,236,887	$ 9,588,527	$ 3,642,706	$ 6,632,468	$ 1,428,637	$ 50,190,339
Additions - property and equipment	5,969	435,110	22,005	—	59,017	798,907	1,321,008
Additions - program rights	5,398,255	—	—	—	—	—	5,398,255
Additions - other intangible assets	162,397	—	—	—	—	432,540	594,937

	Year ended August 31, 2017						
	Television	**Radio**	**Print**	**Royalty**	**Other**	**Corporate**	**Total**
Revenue	$ 31,910,912	$ 8,725,430	$ 4,475,483	$ 1,873,108	$ 3,121,049	$ 512,279	$ 50,618,261
Operating expenses	23,899,113	7,709,277	4,602,014	2,229,093	5,872,784	5,965,315	50,277,596
Depreciation	364,065	236,071	172,852	—	120,541	19,784	913,313
Amortization	165,455	10,498	83,208	843,336	58,026	9,525	1,170,048
Impairment of goodwill and broadcast licenses	1,464,000	1,745,714	—	—	—	—	3,209,714
	$ 25,892,633	$ 9,701,560	$ 4,858,074	$ 3,072,429	$ 6,051,351	$ 5,994,624	$ 55,570,671
Non-cash interest expense	—	—	—	29,086	—	—	29,086
Interest expense	1,829	3,432	—	—	7,508	14,721	27,490
Interest income						(62,220)	(62,220)
Segmented income (loss)	$ 6,016,450	$ (979,562)	$ (382,591)	$ (1,228,407)	$ (2,937,810)	$ (5,434,846)	$ (4,946,766)
Total assets	$ 27,694,505	$ 3,817,513	$ 8,927,483	$ 4,486,042	$ 6,225,722	$ 1,073,080	$ 52,224,345
Additions - property and equipment	868,648	217,604	—	—	2,205	400,352	1,488,809
Additions - program rights	10,973,172	—	—	—	—	—	10,973,172
Additions - other intangible assets	235,324	1,210	—	—	—	475,582	712,116

18. ACQUISITION OF ON THE BAY MAGAZINE INC.

On August 31, 2017, the Company closed an agreement to acquire On The Bay Magazine Inc. ("On The Bay"). On The Bay is a regional lifestyle magazine published quarterly for the 20 towns and villages of Southern Georgian Bay. Total consideration given for 100% of the voting shares of On The Bay is as follows:

Cash proceeds	$	643,000
Contingent consideration		87,000
Total consideration	$	730,000

As part of the acquisition, the publisher, who was one of the selling shareholders, was granted a 24% interest of On The Bay in non-voting shares. This interest may be acquired by the Company in future, subject to the publisher meeting revenue targets among other measures. This has been treated as contingent consideration for the purposes of the purchase equation.

A preliminary assessment of the assets acquired and liabilities assumed as at August 31, 2017 was as follows:

Cash	$	74,944
Prepaid expenses		60,617
Trade and other payables		(16,288)
Net working capital acquired		119,273
Property and equipment, net		2,205
Deferred tax assets		47,711
Other non-current assets		10,811
Acquired intangible assets:		
Customer list		392,900
Non-compete clause		157,100
	$	730,000

The assets and liabilities above had been recorded at fair value as part of the preliminary assessment of the purchase equation, and will subsequently be recorded at amortized cost as appropriate. The allocation of total consideration was allocated to assets acquired and liabilities assumed. There were no measurement period adjustments during the year ended August 31, 2018.

On a pro-forma basis, the Company's consolidated revenues would have been higher by $633,000, operating income higher by $24,000 and net loss lower by $31,000 for the year ended August 31, 2017 had the On The Bay Acquisition occurred on September 1, 2016.