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Management's Discussion and Analysis

for the periods ended August 31, 2010

The purpose of this Management's Discussion and Analysis ("MD&A"), dated October 27, 2010, is to provide readers with additional and complementary information regarding Astral Media Inc.'s ("Astral", "Astral Media" or the "Company") financial condition and results of operations and should be read in conjunction with the audited consolidated financial statements and related notes contained in the Company's 2010 Annual Report, and with the Company's Annual Information Form.

Copies of these documents, the Company's Management Proxy Circular dated October 27, 2010, its notices of intention to make a normal course issuer bid, as well as additional information concerning the Company can be found on the SEDAR Web site at www.sedar.com and may also be obtained upon request, without charge, to the Secretary of the Company at its executive offices, 1800, avenue McGill College, bureau 2700, Montréal, Québec, H3A 3J6, telephone: 514-939-5000. The above-mentioned documents, as well as the Company's news releases, are also available on the Company's Web site at www.astral.com.

All amounts herein are expressed in Canadian dollars. Certain comparative figures have been reclassified to conform with the basis of presentation adopted in Fiscal 2010.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements concerning the future performance of the Company's business, its operations and its financial results and condition.

The following table outlines the principal forward-looking statements included in this MD&A:

Forward-looking Statements	Key Assumptions	Most Relevant Risk Factors	Pages
Revenue trends	Historical and current trends	Economic and market conditions	22, 32
Future cost savings	New Part II licence fee rates	Implementation of the new regulation	23
Contingent consideration	New Part II licence fee rates	Implementation of the new regulation	24
Future cash flows	Corporate and strategic plans	Economic conditions, competition and regulation	34
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Other forward-looking statements may be found in this MD&A or in the other documents incorporated by reference in this MD&A. When used in this document, the words "believe", "anticipate", "intend", "estimate", "expect", "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements are based on current expectations. We caution that all forward-looking information is inherently uncertain and actual results may differ materially from the assumptions, estimates or expectations reflected or contained in the forward-looking information, and that actual future performance will be affected by a number of factors, including technological change, economic conditions, regulatory and taxation changes, competitive factors and changes in accounting rules or standards, many of which are beyond the Company's control (see "Risks, Uncertainties and Opportunities"). Therefore, future events and results may vary substantially from what we currently foresee. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PROFILE

Astral is a leading Canadian media company, reaching people through a combination of highly targeted media properties in television, radio, out-of-home advertising, and digital media. The Company is the country's largest broadcaster of English- and French-language pay and specialty television services and operates, on its own or with partners, 21 television services, including The Movie Network/HBO Canada, Super Écran, Family, Playhouse Disney, Canal Vie, Canal D, VRAK.TV and TELETOON. Astral is also Canada's largest radio broadcaster with 83 licensed radio stations in eight provinces, including NRJ, RockDétente, Virgin Radio, boom, EZ Rock and The Bear. Astral Out-of-Home is one of Canada's most dynamic and innovative out-of-home advertising companies with nearly 8,000 faces located in the largest markets in Québec, Ontario and British Columbia. The Company also operates over 100 websites with a high level of interactivity and a variety of different products and services online. Astral employs over 2,800 people at its facilities in Montréal, Toronto, and a number of cities throughout Canada. The shares of Astral Media Inc. trade on the Toronto Stock Exchange under the ticker symbols ACM.A/ACM.B.

YEAR'S HIGHLIGHTS

- 6% increase in revenues
- 5% increase in EBITDA(1)
- Net earnings of $185.1 million in Fiscal 2010 compared to a net loss of $162.3 million last fiscal year
- Basic earnings per share of $3.28 in Fiscal 2010 compared to a basic loss per share of $2.89 last fiscal year
- 13% increase in net earnings, before Copyright Board tariff increases, Part II licence fees accrual reversal, impairment of broadcast licences and future income tax recoveries (2) (3)
- 12% increase in basic earnings per share, before Copyright Board tariff increases, Part II licence fees accrual reversal, impairment of broadcast licences and future income tax recoveries (2) (3)
- The repayment of $105.0 million of long-term debt
- During the year, the Company expanded its Digital out-of-home advertising network with the addition of nine faces in Vancouver and four faces in Toronto, to complement ten faces in Montréal
- In October 2009, the Canadian Association of Broadcasters announced a settlement agreement with the Government of Canada pertaining to the regulation of Part II licence fees. Consequently, the Company reversed Part II fee expenses accrued in prior years of $11.6 million in the first quarter of Fiscal 2010 (see "Part II Licence Fees Accrual Reversal" section)
- In December 2009, EZ Rock 97.3 FM in Toronto was converted to boom 97.3 with a new format and a revised personality lineup
- In January 2010, "Les Grandes Gueules" made a return on air to the NRJ network with their highly popular radio show
- In May 2010, the Company announced the launch of its new Astral brand identity
- In May 2010, the Company launched its new 99.7 EZ Rock radio station in Ottawa
- In June 2010, Astral Radio rebranded one of its Calgary FM stations to 98.5 Virgin Radio
- In June 2010, the Company moved its executive and certain divisional offices to the new Maison Astral building at 1800 avenue McGill College, in the heart of downtown Montréal
- In July 2010, the Company launched a French-language version of the Playhouse Disney channel
- In July 2010, the Copyright Board issued its commercial radio tariff decision and introduced two new regulated tariffs, retroactive to January 1, 2008, covering the use and reproduction of music by commercial radio stations. Consequently, the Company recognized an expense of $9.7 million during the fourth quarter of Fiscal 2010 (see "Copyright Board Tariff Increases" section)
- During Fiscal 2010, Astral launched several services on-line such as The Movie Network, HBO Canada, Family, Playhouse Disney and Super Écran, as well as a number of its French-language specialty services.

(1) Earnings before interest, taxes, depreciation and amortization ("EBITDA") (see "Supplementary Measures").

(2) See "Income Taxes".

(3) See "Supplementary Measures".

PERFORMANCE REVIEW

Selected Annual Financial Information

(in thousands of $ except for per-share data)	**2010**	2009 *(Restated)* [1]	2008 *(Restated)* [1]
Revenues	**960,959**	905,725	865,370
EBITDA [2]	**308,656**	293,143	286,893
Earnings before income taxes, excluding impairment of broadcast licences [2]	**251,517**	225,574	226,920
Impairment charge on broadcast licences, net of $82.0 million of income tax recovery	**–**	(317,489)	–
Net earnings (net loss) from continuing operations	**185,142**	(162,255)	177,084
Net earnings (net loss)	**185,142**	(162,255)	175,343
Weighted average number of shares outstanding – basic	**56,471**	56,100	56,257
Weighted average number of shares outstanding – diluted	**57,167**	56,100	57,206
Basic earnings (loss) per share from continuing operations	**3.28**	(2.89)	3.15
Diluted earnings (loss) per share from continuing operations	**3.24**	(2.89)	3.10
Basic earnings (loss) per share	**3.28**	(2.89)	3.12
Diluted earnings (loss) per share	**3.24**	(2.89)	3.07
Cash and cash equivalents, bank overdraft, and short-term investments	**11,545**	23,100	6,318
Total assets	**2,477,552**	2,395,606	2,712,915
Long-term debt	**588,447**	692,761	812,074
Derivative financial instruments	**9,699**	22,377	18,374
Other long-term financial liabilities	**52,284**	42,213	56,539
Cash dividends per share (Class A and B shares)	**0.50**	0.50	0.50

The most significant variances in the consolidated results between Fiscal 2010, 2009 and 2008 are the result of an impairment charge on broadcast licences recorded in Fiscal 2009 in the Company's Radio segment. Other variances between Fiscal 2010 and Fiscal 2009 are mainly due to the strong increases of advertising revenues in Television, Radio and Out-of-Home, as well as to the continued growth of subscription-related revenues in pay and specialty television; the reversal of $11.6 million of accrued Part II licence fees following the resolution of the issue described in the "Part II Licence Fees Accrual Reversal" section; the recognition of an expense of $9.7 million representing a new regulatory charge in the Radio segment following the decision by the Copyright Board to introduce two new regulated tariffs, retroactive to January 1, 2008, covering the use and reproduction of music by commercial radio stations (see "Copyright Board Tariff Increases" section); the restructuring charges of $4.4 million recorded in Fiscal 2009; the lower interest expense of $10.7 million following a decrease in the effective interest rate and debt repayments of $105.0 million over the last twelve months; and the future income tax recovery of $8.4 million (see "Income Taxes" section).

Advertising revenue growth in Fiscal 2009, in all three segments of the Company, was also negatively influenced by a weak economic environment and the fact that the Fiscal 2008 broadcasting calendar included one additional week, for a total of 53 weeks compared to 52 weeks in Fiscal 2009, most of the difference being in the fourth quarter which included 98 days in 2008 compared to 92 days in 2009. This was partially counterbalanced by the continuous growth of subscription-related revenues, in both pay and specialty television, and by the annualized impact of an acquisition that took place in Fiscal 2008.

(1) See "Restatement of Fiscal 2009 and 2008 Figures".

(2) See "Supplementary Measures".

It should be noted that Fiscal 2009 and 2008 Figures have been restated following the adoption of Section 3064 of the Canadian Institute of Chartered Accountants' ("CICA") Handbook (the "Restatement") (see the "Restatement of Fiscal 2009 and 2008 Figures" section).

The financial results and variances presented in this MD&A include the impact of the Restatement and exclude the impact of future income tax rate changes that were enacted in the first quarter of Fiscal 2010 and the impact of the impairment charge on broadcast licences recorded in the fourth quarter of Fiscal 2009 (see "Impairment of Broadcast Licences and Goodwill" section). The impact resulting from the Restatement is explained in the "Restatement of Fiscal 2009 and 2008 Figures" section which follows, and the impact resulting from future income tax rate changes is explained in the "Income Taxes" section.

Restatement of Fiscal 2009 and 2008 Figures

Following the adoption of Section 3064 of the CICA Handbook (see "Accounting Matters"), the Company reclassified the net carrying value of computer software that met the definition of intangible assets from property, plant and equipment to other intangible and non-current assets on the consolidated balance sheets. The amortization expense related to these assets previously recorded in depreciation was reclassified as amortization of intangible and non-current assets on the consolidated statements of earnings. The Company also wrote off start-up and business pre-operating costs (the "pre-op costs") and related future income tax liabilities through opening retained earnings. Net earnings for Fiscal 2009 and Fiscal 2008, as well as for the three-month periods ended in each of the Fiscal 2009 quarters, were restated to recognize pre-op costs of new services as operating expenses, to eliminate amortization of pre-op costs and to reverse the future income tax expense related to such pre-op costs in the consolidated statements of earnings (see note 1 to the audited consolidated financial statements for the year ended August 31, 2010).

The adjustments, following the adoption of Section 3064, to the consolidated statements of earnings for Fiscal 2009 and for the three-month periods ended in each of the four quarters of Fiscal 2009, are summarized in the following tables:

	Q1-2009			
	As Previously Reported	Pre-op Costs	Software	Restated
(in thousands of $ except for per-share data)				
Revenues	244,483	–	–	244,483
Operating expenses	165,018	4,010	–	169,028
	79,465	(4,010)	–	75,455
Depreciation	6,141	–	(847)	5,294
Amortization	414	(159)	847	1,102
Interest expense, net	10,518	–	–	10,518
Earnings before income taxes	62,392	(3,851)	–	58,541
Income tax provision	20,030	(1,094)	–	18,936
Net earnings	42,362	(2,757)	–	39,605
Basic earnings per share	0.76	(0.05)	–	0.71
Diluted earnings per share	0.75	(0.05)	–	0.70

Q2-2009

(in thousands of $ except for per-share data)	As Previously Reported	Pre-op Costs	Software	Restated
Revenues	209,278	–	–	209,278
Operating expenses	147,364	2,728	–	150,092
	61,914	(2,728)	–	59,186
Depreciation	6,221	–	(897)	5,324
Amortization	468	(163)	897	1,202
Interest expense, net	9,546	–	–	9,546
Restructuring charges	2,691	–	–	2,691
Earnings before income taxes	42,988	(2,565)	–	40,423
Income tax provision	14,041	(721)	–	13,320
Net earnings	28,947	(1,844)	–	27,103
Basic earnings per share	0.52	(0.04)	–	0.48
Diluted earnings per share	0.51	(0.03)	–	0.48

Q3-2009

(in thousands of $ except for per-share data)	As Previously Reported	Pre-op Costs	Software	Restated
Revenues	232,537	–	–	232,537
Operating expenses	150,273	430	–	150,703
	82,264	(430)	–	81,834
Depreciation	6,461	–	(834)	5,627
Amortization	758	(386)	834	1,206
Interest expense, net	8,926	–	–	8,926
Restructuring charges	616	–	–	616
Earnings before income taxes	65,503	(44)	–	65,459
Income tax provision	21,200	(10)	–	21,190
Net earnings	44,303	(34)	–	44,269
Basic earnings per share	0.79	–	–	0.79
Diluted earnings per share	0.78	–	–	0.78

	Q4-2009			
	As Previously Reported	Pre-op Costs	Software	Restated
(in thousands of $ except for per-share data)				
Revenues	219,427	–	–	219,427
Operating expenses	142,691	68	–	142,759
	76,736	(68)	–	76,668
Depreciation	5,941	–	(719)	5,222
Amortization	1,116	(594)	719	1,241
Interest expense, net	7,978	–	–	7,978
Restructuring charges	1,076	–	–	1,076
Impairment charge on broadcast licences	399,459	–	–	399,459
Loss before income taxes	(338,834)	526	–	(338,308)
Income tax provision	16,773	121	–	16,894
Future income tax recovery	(81,970)	–	–	(81,970)
Net loss	(273,637)	405	–	(273,232)
Basic loss per share	(4.87)	0.01	–	(4.86)
Diluted loss per share	(4.87)	0.01	–	(4.86)

	Fiscal 2009			
	As Previously Reported	Pre-op Costs	Software	Restated
(in thousands of $ except for per-share data)				
Revenues	905,725	–	–	905,725
Operating expenses	605,346	7,236	–	612,582
	300,379	(7,236)	–	293,143
Depreciation	24,764	–	(3,297)	21,467
Amortization	2,756	(1,302)	3,297	4,751
Interest expense, net	36,968	–	–	36,968
Restructuring charges	4,383	–	–	4,383
Impairment charge on broadcast licences	399,459	–	–	399,459
Loss before income taxes	(167,951)	(5,934)	–	(173,885)
Income tax provision	72,044	(1,704)	–	70,340
Future income tax recovery	(81,970)	–	–	(81,970)
Net loss	(158,025)	(4,230)	–	(162,255)
Basic loss per share	(2.82)	(0.07)	–	(2.89)
Diluted loss per share	(2.82)	(0.07)	–	(2.89)

Consolidated Results

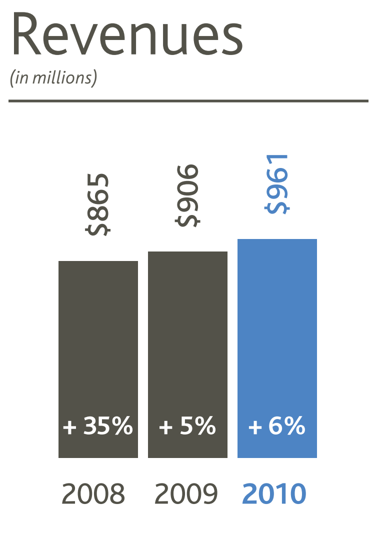
	3 months			12 months		
	2010	2009	% Change	**2010**	2009	% Change
(in thousands of $ except for per-share data)		*(Restated)* [1]			*(Restated)* [1]	
Revenues	**238,396**	219,427	9%	**960,959**	905,725	6%
Operating expenses before undernoted items	**164,391**	142,759	15%	**654,172**	612,582	7%
	74,005	76,668	-3%	**306,787**	293,143	5%
Part II licence fees accrual reversal [2]	**–**	–	–	**11,552**	–	n/a
Copyright Board tariff increases [3]	**(9,683)**	–	n/a	**(9,683)**	–	n/a
EBITDA [4]	**64,322**	76,668	-16%	**308,656**	293,143	5%
Depreciation and amortization	**7,793**	6,463	21%	**30,832**	26,218	18%
Interest expense, net	**5,995**	7,978	-25%	**26,307**	36,968	-29%
Restructuring charges	**–**	1,076	n/a	**–**	4,383	n/a
Earnings before income taxes, excluding impairment of broadcast licences [4]	**50,534**	61,151	-17%	**251,517**	225,574	12%
Income tax provision, before future income tax recoveries [5]	**12,133**	16,894	-28%	**74,772**	70,340	6%
Net earnings before impairment of broadcast licences and future income tax recoveries	**38,401**	44,257	-13%	**176,745**	155,234	14%
Impairment of broadcast licences, net of $82.0 million of future income tax recovery	**–**	(317,489)	n/a	**–**	(317,489)	n/a
Future income tax recovery resulting from income tax rate changes [5]	**–**	–	–	**8,397**	–	n/a
Net earnings (net loss)	**38,401**	(273,232)	n/a	**185,142**	(162,255)	n/a
Basic earnings per share before Copyright Board tariff increases, Part II licence fees accrual reversal, impairment of broadcast licences and future income tax recoveries [4]	**0.80**	0.79	1%	**3.11**	2.77	12%
Impact of the Copyright Board tariff increases and the Part II licence fees accrual reversal, net of income taxes	**(0.12)**	–	n/a	**0.02**	–	n/a
Impact of the impairment of broadcast licences, net of $82.0 million of income tax recovery	**–**	(5.65)	n/a	**–**	(5.66)	n/a
Impact of future income tax recovery resulting from income tax rate changes [5]	**–**	–	–	**0.15**	–	n/a
Basic earnings per share	**0.68**	(4.86)	n/a	**3.28**	(2.89)	n/a
Diluted earnings per share	**0.67**	(4.86)	n/a	**3.24**	(2.89)	n/a
Weighted average number of shares outstanding – basic (in thousands)	**56,598**	56,170	1%	**56,471**	56,100	1%
Weighted average number of shares outstanding – diluted (in thousands)	**57,336**	56,170	2%	**57,167**	56,100	2%
Cash flow from operations [4]	**53,317**	62,001	-14%	**223,185**	209,390	7%

(1) See "Restatement of Fiscal 2009 and 2008 Figures".
(2) See "Part II Licence Fees Accrual Reversal".
(3) See "Copyright Board Tariff Increases".
(4) See "Supplementary Measures".
(5) See "Income Taxes".

Overall Analysis

Revenues

Television revenues are derived from subscription fees, advertising sales and pay-per-view sales. Pay-television subscription revenues tend to follow the growth trend of digital television subscribers in the same markets, while specialty television subscriber revenues generally show lower growth rates as these services are distributed on high-penetration analog and digital tiers. Television and Radio advertising revenues are derived from advertising aired on the Company's broadcasting properties and they vary according to market and general economic conditions, the quality of programming and the effectiveness of the sales organization. Out-of-Home revenues are derived from the sale of advertising on the Company's inventory of out-of-home faces and street furniture equipment, and are influenced by their number in inventory, their location, creative appeal and size, occupancy levels, as well as market and general economic conditions. See the "Quarterly Performance" section for explanations of seasonal patterns.



Revenues are detailed as follows:

	3 months			12 months		
	2010	2009	% Change	**2010**	2009	% Change
(in thousands of $)						
Subscription related – Television	**110,055**	104,775	5%	**433,296**	407,264	6%
Advertising						
Television	**25,103**	20,123	25%	**117,432**	106,001	11%
Radio	**81,351**	76,180	7%	**333,563**	323,002	3%
Out-of-Home	**21,887**	18,349	19%	**76,668**	69,458	10%
Total Advertising	**128,341**	114,652	12%	**527,663**	498,461	6%
Total Revenues	**238,396**	219,427	9%	**960,959**	905,725	6%

Total revenues reached $238.4 million and $961.0 million respectively, for the three- and twelve-month periods ended August 31, 2010 compared to $219.4 million and $905.7 million for the same periods last year, representing increases of 9% and 6% respectively. The last six months of Fiscal 2010 confirmed signs of increased activity beneficial to advertising revenues in all business segments of the Company following the economic slowdown experienced throughout Fiscal 2009. As a result, advertising revenues in Television, Radio and Out-of-Home showed increases of 25%, 7% and 19% respectively for the last quarter of the fiscal year (11%, 3% and 10% respectively for Fiscal 2010). Subscription-related revenues in Television, mainly driven by subscriber growth in both pay and specialty television and by the launch of new television services in Fiscal 2009, showed increases of 5% and 6% respectively, for the three- and twelve-month periods ended August 31, 2010. Revenue variations are explained in the "Business Segment Performance" section.

Operating Expenses

Operating expenses for the three- and twelve-month periods ended August 31, 2010, excluding the Part II licence fees accrual reversal and the Copyright Board tariff increases explained below, increased by $21.6 million and $41.6 million respectively, compared to the same periods last year. The increase for the quarter is mainly explained by an increase of $16.0 million in the Company's most significant operating expenses: programming costs and salaries and benefits, and an increase of $5.6 million in other operating expenses, especially in out-of-home sites leasing and in miscellaneous administrative expenses.

On a year-to-date basis, the increase of $41.6 million is mainly explained by an increase of $32.9 million in programming costs and salaries and benefits and of $15.9 million in other operating expenses, especially in out-of-home sites leasing and in miscellaneous administrative expenses. This is partially offset by the fact that the Company only incurred $0.1 million of costs related to the launch of new services during Fiscal 2010, as compared to $7.2 million in Fiscal 2009 (mainly for the launch of HBO Canada). Variances are explained in the "Business Segment Performance" section.

Part II Licence Fees Accrual Reversal

The Canadian Association of Broadcasters (the "CAB"), on behalf of its members, challenged in Court the validity of the Part II licence fees payable annually to the Canadian Radio-television and Telecommunications Commission (the "CRTC") by television and radio broadcasters, as well as broadcast distribution undertakings. In December 2006, the Federal Court ruled that the Part II licence fees were an illegal tax. The Federal Government appealed the Federal Court judgment, and on April 28, 2008, the Appeal Court ruled that the Federal Court mischaracterized the legal test to be applied to distinguish a tax from a regulatory charge and that the fees represented, in fact, administrative costs incurred by the CRTC. On June 27, 2008, the CAB, on behalf of its members, filed an application for leave to appeal the Appeal Court decision to the Supreme Court of Canada (the "SCC"), which application was granted on December 18, 2008. The CRTC confirmed to the CAB that it would not attempt to collect outstanding Part II Fees until the earlier of (i) the Appeal Court decision is affirmed by the SCC; or (ii) the matter is settled between the parties. The Company had been paying or accruing, as the case may be, the Part II licence fees using known rates since the beginning of legal proceedings.

In October 2009, the CAB announced that its Board of Directors, along with other fee-paying stakeholders, approved the terms of a settlement agreement with the Government of Canada pertaining to the Part II licence fees issue. The agreement has resulted in the CAB and other named parties discontinuing the legal challenge before the SCC. As provided in the agreement, fees and interest due to the Government, but not collected by the CRTC due to ongoing litigation issues for the fiscal years 2007, 2008 and 2009, were waived and there will not be any recovery of the amounts paid by the stakeholders to the Government for any prior year. Going forward, further to the Government's recommendation, the CRTC published amendments to the Part II licence fee regime to cap the fees, which amendments came into force on June 23, 2010. The revised fee regime is effective for the fiscal year beginning September 1, 2009 and the Company estimates that it will bring savings, on an annual basis, of approximately $1.5 million as compared to the fees accrued under the previous regime.

In the first quarter of Fiscal 2010, following the settlement, the Part II licence fees accrued as at August 31, 2009 amounting to $11.6 million ($8.0 million net of income taxes or $0.14 per share) were reversed through operating expenses on the Company's consolidated statement of earnings.

Furthermore, the purchase price of a previous business acquisition is subject to a contingent consideration, the amount of which is based on the impact on future earnings of the final resolution of matters pertaining to the Part II licence fees settlement agreement. The Company will therefore be required to pay an additional cash consideration estimated to be less than $10.0 million. The additional consideration will be accounted for as an increase of goodwill in the period in which the amount is agreed to.

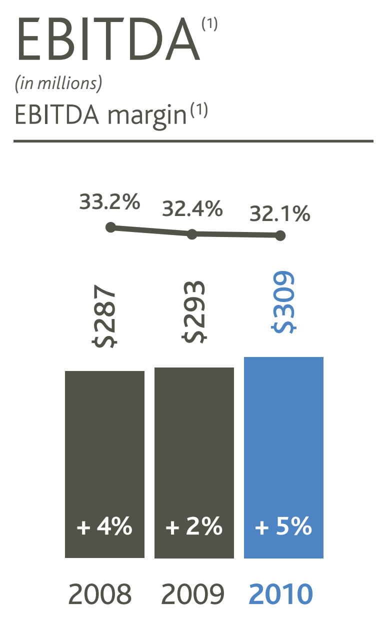
Copyright Board Tariff Increases

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

Consequently, the Company recognized during the fourth quarter of Fiscal 2010, a total expense of $9.7 million ($6.7 million net of income taxes or $0.12 per share) of which $5.9 million represented the retroactive portion of the tariff increases related to Fiscal 2008 and Fiscal 2009, and $3.8 million represented the incremental portion related to Fiscal 2010 (of which $1.1 million pertained to the fourth quarter). Most of this total expense resulted from new royalties payable under the tariffs for AVLA/SOPROQ and ArtistI.

EBITDA(1)

The Company's EBITDA(1) for the quarter ended August 31, 2010 is below the EBITDA(1) for the same period last year, mainly due to the Copyright Board tariff increases explained above. For the twelve-month period ended August 31, 2010, the increase of $15.5 million in the Company's EBITDA(1) is mainly explained by: a $55.2 million increase in revenues, $29.2 million from advertising revenues and $26.0 million from subscription-related revenues; the Part II licence fees accrual reversal of $11.6 million partly offset by the Copyright Board tariff increases of $9.7 million (see "Part II Licence Fees Accrual Reversal" and "Copyright Board Tariff Increases" sections); a $41.6 million increase in operating expenses (see "Operating Expenses" section). As a result of the Copyright Board tariff increases, the overall EBITDA margin(1) of 27.0% for the quarter is not readily comparable to the EBITDA margin(1) of 34.9% for the same period last year. By excluding the impact of the $9.7 million tariff increases, the EBITDA(1) decrease over last year for the quarter would be 3% and the EBITDA margin(1) would be 31.0%. On a year-to-date basis, the Copyright Board tariff increases partly offset the Part II licence fees accrual reversal and as a result, by excluding the favourable net impact of $1.9 million, the EBITDA(1) increase would remain at 5% and the EBITDA margin(1) would be 31.9%, slightly below the 32.4% margin of last year for the same period. EBITDA(1) by segment is reviewed in the "Business Segment Performance" section.



(1) See "Supplementary Measures".

EBITDA[1] by Segment

	3 months			12 months		
	2010	2009	% Change	**2010**	2009	% Change
(in thousands of $)		*(Restated)* [2]			*(Restated)* [2]	
Television	**45,590**	42,706	7%	**204,236**	181,760	12%
Radio	**16,866**	28,589	-41%	**105,325**	109,815	-4%
Out-of-Home	**7,766**	10,258	-24%	**25,991**	26,175	-1%
Corporate	**(5,900)**	(4,885)	-21%	**(26,896)**	(24,607)	-9%
EBITDA [1]	**64,322**	76,668	-16%	**308,656**	293,143	5%
EBITDA margin [1]	***27.0%***	*34.9%*	*-23%*	***32.1%***	*32.4%*	*-1%*

Depreciation and Amortization

The total depreciation and amortization expense was $7.8 million and $30.8 million respectively, for the three- and twelve-month periods ended August 31, 2010, representing increases over the same periods last year of $1.3 million and $4.6 million respectively. This is mainly due to the acquisition and deployment of street furniture equipment for the street furniture program in the City of Toronto (the "TSF") and to the implementation of the new Digital out-of-home advertising network in the Out-of-Home segment, as well as infrastructure upgrades in Radio. Any significant variance by segment of depreciation and amortization is reviewed in the "Business Segment Performance" section.

Interest

Interest expense is primarily composed of interest on the Company's long-term debt, interest emanating from an interest-rate swap agreement and imputed interest related to other non-current liabilities, net of interest income earned on cash, cash equivalents and short-term investments, if any. The net interest expenses for the three- and twelve-month periods ended August 31, 2010 were $6.0 million and $26.3 million respectively, compared to $8.0 million and $37.0 million for the same periods last year. The decreases in the interest expense of $2.0 million for the quarter and $10.7 million for the twelve-month period are mainly due to a lower interest rate on the portion of the long-term debt which is not covered by the interest-rate swap agreement and to debt repayments of $105.0 million over the last twelve months. The effective interest rate on the long-term debt, including the effect of the interest-rate swap agreement, was 3.4% and 3.5% respectively, for the quarter and the twelve-month period ended August 31, 2010 compared to 3.9% and 4.2% for the same periods last year.

Restructuring Charges

During Fiscal 2009, the Company reorganized certain of its Television operations in order to gain flexibility and efficiency. Also, following the integration of the Standard Radio assets, and in order to maintain and enhance the competitive position of its 83 radio stations across Canada, the Company restructured certain of its Radio operations. These initiatives, in both segments, resulted in the departure of a number of employees at all levels of the organization and in restructuring charges, predominantly severance payments, of $4.4 million.

(1) See "Supplementary Measures".
(2) See "Restatement of Fiscal 2009 and 2008 Figures".

Impairment of Broadcast Licences and Goodwill

As disclosed in the Critical Accounting Estimates section, the Company's broadcast licences and goodwill are not amortized but are tested for impairment annually, or more frequently if events or circumstances indicate that it is more likely than not that their value might be impaired. During the fourth quarter of Fiscal 2010, the Company performed its broadcast licences and goodwill annual impairment tests and concluded that there was no impairment.

At the end of Fiscal 2009, the economic downturn and ensuing decline of advertising revenue resulted in a decrease in the fair value of the Company's Radio broadcast licences. Consequently, the Company recorded, in the fourth quarter of Fiscal 2009, an impairment charge of $399.5 million ($317.5 million, net of a future income tax recovery of $82.0 million), related to its licences acquired from Standard Radio Inc. in Fiscal 2008, and from Telemedia Corporation and Radiomutuel inc. in Fiscal 2003 and Fiscal 2000 respectively.

The impairment test for broadcast licences consists of comparing their carrying amount to their fair value. An impairment charge, if any, representing the excess of the carrying amount over the fair value is recognized on the consolidated statements of earnings. The Company uses discounted future cash flows to assess the fair value of its broadcast licences. The test is based on assumptions comprising, amongst others, management's best estimates of projected operating earnings, discount rate, expected terminal growth rate of operating earnings and future capital expenditures.

Income Taxes

Income tax provision before future income tax recoveries

Numerous tax audits by various tax authorities were completed in Fiscal 2010 and Fiscal 2009. The effective income tax rates of 24.0% and 29.7% respectively for the fourth quarter and the twelve-month period of Fiscal 2010 are lower than the statutory rate of 31.0% for both periods, mainly due to a $3.0 million reduction of accrued contingent income tax liabilities ($3.0 million in Fiscal 2009) following the resolution of matters related to the various tax audits. This was partially offset by the impact of the non-deductible stock-based compensation expense. The effective income tax rates, for both periods, are also lower than last year's corresponding period rates of 27.6% and 31.2% mainly due to the decrease in the Federal and Ontario general corporate income tax rates.

Future income tax recovery resulting from income tax rate changes

On November 16, 2009, the Ontario government substantively enacted a progressive decrease to its general corporate income tax rate from 14.0% to 10.0%, to be phased in between July 1, 2010 and July 1, 2013. Upon each enacted rate change, over which the Company has no control, the Company is required to re-measure its future income tax assets and liabilities using the newly enacted corporate income tax rates, taking into account the rates anticipated to be in effect when the respective future income tax assets are realized or liabilities are settled. This resulted in a non-cash future income tax recovery of $8.4 million (or $0.15 per share) recorded in the first quarter of Fiscal 2010.

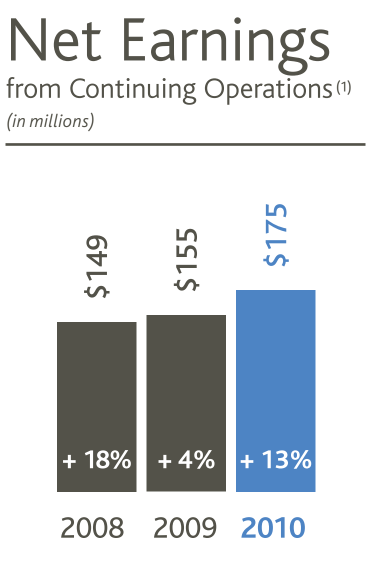
Future income tax recovery resulting from impairment of broadcast licences

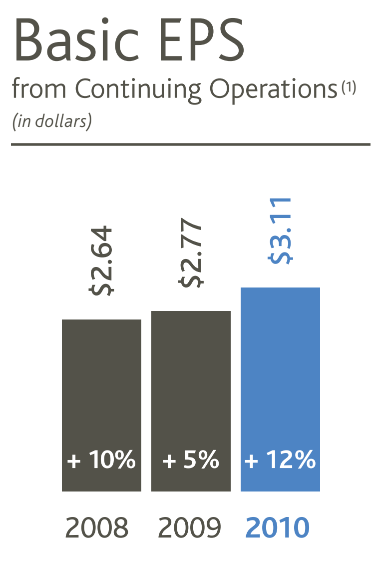
During the fourth quarter of Fiscal 2009, the Company recorded a non-cash impairment charge of $399.5 million, which had a direct impact on the value of the Company's net future income tax liabilities which were re-measured using the newly established value of the broadcast licences. This resulted in a non-cash future income tax recovery of $82.0 million ($1.46 per share) recorded in the audited consolidated statement of earnings for the year ended August 31, 2009.

Net Earnings and Earnings per Share ("EPS")

The increases in net earnings and basic EPS of $311.6 million and $5.54 respectively, for the three-month period ended August 31, 2010 are mainly explained by the after-tax effect of an increase in revenues of $19.0 million, of which $13.7 million came from an increase in overall advertising revenues and $5.3 million from subscription-related revenues in Television, by lower interest expense of $2.0 million following a decrease in the effective interest rate and debt repayments of $105.0 million over the last twelve months and by the non-cash impairment charge of $317.5 million, net of future income taxes, with respect to the Company's radio broadcast licences recorded in Fiscal 2009. This is partially offset by higher operating expenses of $21.6 million (see "Operating Expenses" section) and by the Copyright Board tariff increases of $9.7 million (see "Copyright Board Tariff Increases" section).

The increases in net earnings and basic EPS of $347.4 million and $6.17 respectively, for the twelve-month period ended August 31, 2010 compared to last year's corresponding period are mainly explained by the after-tax effect of an increase in revenues of $55.2 million, $29.2 million coming from advertising revenues and $26.0 million from subscription-related revenues, by the Part II licence fees accrual reversal of $11.6 million (see "Part II Licence Fees Accrual Reversal" section), by lower interest expense of $10.7 million following a decrease in the effective interest rate and debt repayments of $105.0 million over the last twelve months, by the non-cash future income tax recovery of $8.4 million (see "Income Taxes" section), and by the non-cash impairment charge of $317.5 million, net of future income taxes, with respect to the Company's radio broadcast licences and the restructuring charges recorded in Fiscal 2009. This is partially offset by higher operating expenses of $41.6 million (see "Operating Expenses" section) and by the Copyright Board tariff increases of $9.7 million (see "Copyright Board Tariff Increases" section).





(1) Before the Part II licence fees accrual reversal, the Copyright Board tariff increases and the impact of future income tax rate changes in Fiscal 2010; before the impact of the impairment charge, net of future income tax recovery, in Fiscal 2009; before the impact of future income tax rate changes in Fiscal 2008 (see "Income taxes" and "Supplementary Measures").

Business Segment Performance

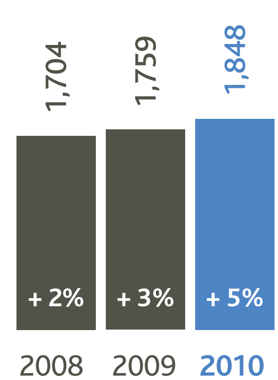
Television

	3 months			12 months		
	2010	2009	% Change	**2010**	2009	% Change
(in thousands of $ except for pay-television subscribers)						
Pay-television subscribers – end of period (in thousands)	**1,848**	1,759	5%	**1,848**	1,759	5%
		(Restated) (1)			*(Restated)* (1)	
Revenues	**135,158**	124,898	8%	**550,728**	513,265	7%
Operating expenses	**89,568**	82,192	9%	**349,646**	331,505	5%
	45,590	42,706	7%	**201,082**	181,760	11%
Part II licence fees accrual reversal	**–**	–	–	**3,154**	–	n/a
EBITDA (2)	**45,590**	42,706	7%	**204,236**	181,760	12%
Depreciation and amortization	**2,544**	2,370	7%	**9,790**	9,054	8%
Restructuring charges	**–**	–	–	**–**	616	n/a
	43,046	40,336	7%	**194,446**	172,090	13%
EBITDA margin (2) (3)	***33.7%***	*34.2%*	*-1%*	***36.5%***	*35.4%*	*3%*

The Television segment showed a strong performance in the three- and twelve-month periods ended August 31, 2010 mainly due to strong advertising revenues, up 25% and 11% respectively, and to subscription-related revenue which showed increases of 5% and 6% respectively. This resulted in overall revenue increases of 8% and 7% in the three- and twelve-month periods respectively, mainly explained by a higher number of subscribers, the launch of new television services such as HBO Canada in Fiscal 2009, the continuing expansion of digital distribution services and high-definition service offerings, high-quality and exclusive programming, strong brand recognition and an effective sales force.

Pay-television revenues (The Movie Network ("TMN"), Super Écran ("SÉ"), Mpix and Cinépop) increased by 6% in the fourth quarter of Fiscal 2010 and by 8% for the year, while the number of pay-television subscribers, as at August 31, 2010, increased by 5% year-over-year. HBO Canada contributed significantly to the increase of pay-television revenues. Specialty television subscriber revenues increased by 4% for both periods ended August 31, 2010, mainly due to increases in the subscriber base.

Pay-TV Subscribers
(TMN and SÉ)
(in thousands)

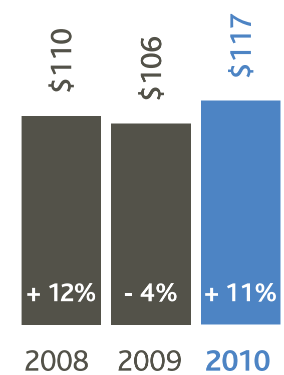


(1) See "Restatement of Fiscal 2009 and 2008 Figures".
(2) See "Supplementary Measures".
(3) The Television EBITDA margin for the twelve-month period is calculated excluding the favourable impact of the Part II licence fees accrual reversal of $3.2 million.

Overall advertising revenues for the Television segment increased by 25% for the quarter ended August 31, 2010, 9 percentage points above the estimated 16%[1] increase for the combined Québec and Ontario markets for the same period. On a year-to-date basis, Astral's overall advertising revenues in Television increased by 11% while the combined Québec and Ontario television advertising market increased by an estimated 10%[1].

Television Advertising Revenues

(in millions)



The stronger performance of Astral's specialty television networks in comparison to the market is mainly due to targeted made-to-measure original programming, favourable ratings, focused sales strategies and optimal inventory management. For the twelve-month period ended August 31, 2010, the speciality television's market share for the adult 25-54 age category increased by approximately 1%, while conventional networks suffered a decrease of approximately 3% in the same age category[2]. The Company's Television advertising revenues accounted for 21% of total Television revenues for both years ended August 31, 2010 and 2009.

The Television group's operating expenses increased by 9% during the fourth quarter of Fiscal 2010 mainly due to higher programming and salaries and benefits expenses. On a year-to-date basis, the Television group's operating expenses, excluding the Part II licence fees accrual reversal of $3.2 million, increased by $18.1 million. This is mainly due to higher programming costs, salaries and benefits, and miscellaneous administrative expenses, partially offset by the fact that the Company only incurred $0.1 million of costs related to the launch of new services during Fiscal 2010 compared to $7.2 million in Fiscal 2009 (mainly HBO Canada). Programming costs vary according to the number of subscribers and to Canadian content (Cancon) spending requirements which are calculated as a percentage of the prior year's revenues. These costs have risen mainly as a result of the higher number of subscribers and related revenues generated by the Company's pay networks, as well as increased programming spending requirements for both pay and specialty networks.

As a result, the Television EBITDA[3] for the three- and twelve-month periods ended August 31, 2010 increased by 7% and 12% respectively. The EBITDA margin[3] of 33.7% for the quarter is slightly below last year's EBITDA margin[3] of 34.2% mainly due to higher spending in programming. The EBITDA margin[3] of 36.5%[4] for the twelve-month period is above last year's EBITDA margin[3] of 35.4% mainly due to higher revenues and the absence, in Fiscal 2010, of costs incurred to launch new services.

Due to the nature of the Company's activities, the depreciation and amortization expense in the Television segment is relatively stable from one year to another.

On July 5, 2010, the Company launched a French-language version of the Playhouse Disney channel. Featuring entertaining and learning-based programming for younger audiences, this service features popular programming from Disney together with celebrated Canadian series.

(1) TVB – Time Sales Survey – August 2010.
(2) BBM results, Québec francophone, cumulative average since September 1, 2009.
(3) See "Supplementary Measures".
(4) The Television EBITDA margin for the twelve-month period is calculated excluding the favourable impact of the Part II licence fees accrual reversal of $3.2 million.

Radio

	3 months			12 months		
	2010	2009	% Change	**2010**	2009	% Change
(in thousands of $)		*(Restated)* [1]			*(Restated)* [1]	
Revenues	**81,351**	76,180	7%	**333,563**	323,002	3%
Operating expenses	**54,802**	47,591	15%	**226,953**	213,187	6%
	26,549	28,589	-7%	**106,610**	109,815	-3%
Part II licence fees accrual reversal	**–**	–	–	**8,398**	–	n/a
Copyright Board tariff increases	**(9,683)**	–	n/a	**(9,683)**	–	n/a
EBITDA [2]	**16,866**	28,589	-41%	**105,325**	109,815	-4%
Depreciation and amortization	**2,538**	2,520	1%	**10,890**	9,950	9%
Restructuring charges	**–**	1,076	n/a	**–**	3,767	n/a
	14,328	24,993	-43%	**94,435**	96,098	-2%
EBITDA margin [2] [3]	***32.6%***	*37.5%*	*-13%*	***32.0%***	*34.0%*	*-6%*

The first half of Fiscal 2010 was a challenging period for Astral Radio where the economic slowdown experienced across Canada was still adversely impacting advertising sales. During the second half of Fiscal 2010, the overall radio market in Canada showed signs of increased activity beneficial to radio advertising revenues. As a result, Astral Radio recorded a revenue increase of 7% in the fourth quarter of Fiscal 2010 compared to the same period last year while the overall radio market in Canada, limited to the footprint where Astral Radio operates, increased by 6%. For the twelve-month period of Fiscal 2010, Radio advertising revenues increased by 3% while the overall radio market in Canada, limited to the footprint where Astral Radio operates, increased by 2%.

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

Consequently, the Company recognized during the fourth quarter, an expense of $5.9 million representing the retroactive portion of the tariff increases related to Fiscal 2008 and Fiscal 2009, and an expense of $3.8 million representing the incremental portion related to Fiscal 2010, of which $1.1 million pertains to the fourth quarter. Most of this total expense of $9.7 million resulted from royalties payable under the new tariffs for AVLA/SOPROQ and ArtistI.

(1) See "Restatement of Fiscal 2009 and 2008 Figures".

(2) See "Supplementary Measures".

(3) The Radio EBITDA margins are calculated excluding the impact of the Copyright Board tariff increases of $9.7 million and of the Part II licence fees accrual reversal of $8.4 million.

Excluding both the Copyright Board tariff increases explained above and the Part II licence fees accrual reversal of $8.4 million for the twelve-month period (see "Part II Licence Fees Accrual Reversal" section), the Radio group's operating expenses increased by $7.2 million and $13.8 million respectively, for the three- and twelve-month periods ended August 31, 2010 as compared to the same periods last year. This is mainly due to higher variable costs as a result of higher revenues, higher branding and programming expenses, and higher investments in Radio's interactive activities following Astral Radio's recent emphasis on building up this part of its business.

This resulted in EBITDA[(1)] decreases of 41% for the fourth quarter and 4% for the twelve-month period, including the Copyright Board tariff increases of $9.7 million and the Part II licence fees reversal of $8.4 million. Excluding these two specific elements, the EBITDA decreases were 7% for the fourth quarter and 3% for the fiscal year. As a result, Astral Radio's EBITDA margins[(1)] of 32.6%[(2)] and 32.0%[(2)] for the quarter and the twelve-month period respectively are below the EBITDA margins[(1)] of 37.5% and 34.0% for the same periods last year mainly due to higher operating expenses as explained above.

The increase in the depreciation and amortization expense of $0.9 million for the twelve-month period ended August 31, 2010, is mainly due to higher capital expenditures for infrastructure upgrades during the last twelve months.

Out-of-Home

	3 months			12 months		
	2010	2009	% Change	**2010**	2009	% Change
(in thousands of $)						
Revenues	**21,887**	18,349	19%	**76,668**	69,458	10%
Operating expenses	**14,121**	8,091	75%	**50,677**	43,283	17%
EBITDA[(1)]	**7,766**	10,258	-24%	**25,991**	26,175	-1%
Depreciation and amortization	**2,373**	1,379	72%	**9,011**	6,443	40%
	5,393	8,879	-39%	**16,980**	19,732	-14%
EBITDA margin[(1)]	***35.5%***	*55.9%*	*-37%*	***33.9%***	*37.7%*	*-10%*

In Fiscal 2010, the Company established Canada's first national digital out-of-home advertising network by expanding its innovative technology in Vancouver and Toronto, to complement the ten digital boards previously operating in Montreal. Vancouver's Digital network consists of nine digital faces and the Toronto network currently featured four digital faces as at year-end. The national Digital network is fully operational since December 2009.

The Out-of-Home segment continued its good performance with revenue increases of 19% for the quarter and 10% for the year. These results are indicative of increased activity for out-of-home advertising following the economic slowdown experienced throughout Fiscal 2009 and in the first quarter of Fiscal 2010. The Company's new Digital out-of-home advertising network and the TSF contributed significantly to these increases.

The increases in operating expenses of $6.0 million and $7.4 million respectively, for the three- and twelve-month periods ended August 31, 2010 are mainly due to higher variable costs and higher commissions on sales which are in line with the increased level of revenues, as well as to higher sites leasing expense due mainly to network expansion, higher salaries and benefits, higher maintenance, and higher miscellaneous administrative expenses. These increases in operating expenses are also due to a rigorous cost control plan that took place last fiscal year resulting in general cost savings in Fiscal 2009.

(1) See "Supplementary Measures".

(2) The Radio EBITDA margins are calculated excluding the impact of the Copyright Board tariff increases of $9.7 million and of the Part II licence fees accrual reversal of $8.4 million.

This resulted in EBITDA[1] decreases of $2.5 million and $0.2 million respectively, for the three- and twelve-month periods ended August 31, 2010 compared to last year's corresponding periods. As a result, EBITDA margins[1] were 35.5% for the quarter and 33.9% for the twelve-month period, representing decreases of 20.4 and 3.8 percentage points respectively, in comparison to the same periods last year, mainly due to higher operating expenses as explained above.

The depreciation and amortization expenses of $2.4 million for the quarter and $9.0 million for the twelve-month period represent increases of $1.0 million and $2.6 million respectively as compared to last year's figures. This is mainly due to investments in the new Digital out-of-home advertising network and to TSF-related asset acquisitions over the last twelve months.

Corporate

	3 months			12 months		
	2010	2009	% Change	**2010**	2009	% Change
(in thousands of $)						
Corporate costs	**(4,272)**	(3,414)	25%	**(19,056)**	(17,690)	8%
Stock-based compensation	**(1,628)**	(1,471)	11%	**(7,840)**	(6,917)	13%
Corporate EBITDA[1]	**(5,900)**	(4,885)	21%	**(26,896)**	(24,607)	9%
Depreciation and amortization	**(338)**	(194)	74%	**(1,141)**	(771)	48%
	(6,238)	(5,079)	23%	**(28,037)**	(25,378)	10%

Corporate EBITDA[1] charges increased by $1.0 million and $2.3 million respectively for the three- and twelve-month periods ended August 31, 2010 compared to the same periods last year. Corporate costs increases in the three- and twelve-month periods are mainly due to higher expenses with respect to the Company's new Astral brand identity, as well as higher salaries and benefits. The stock-based compensation increase for the twelve-month period is mainly related to an increase in the Company's share price and to the fact that the Company extended, from five to seven years, the term of the 674,130 outstanding Class A stock options granted between December 13, 2004 and December 12, 2008 to non-insider employees. The extension of the term of these options increased the fair value of such options by a range of $0.26 to $4.05 per option resulting in an additional stock-based compensation expense of $0.6 million.

Quarterly Performance

Approximately 55% of the Company's annual revenues consist of advertising revenues that tend to follow seasonal patterns, with the second quarter being the least favourable. Subscriber-based revenues, which are more stable on a quarter-to-quarter basis and in recessionary periods, represent approximately 45% of the Company's revenues.

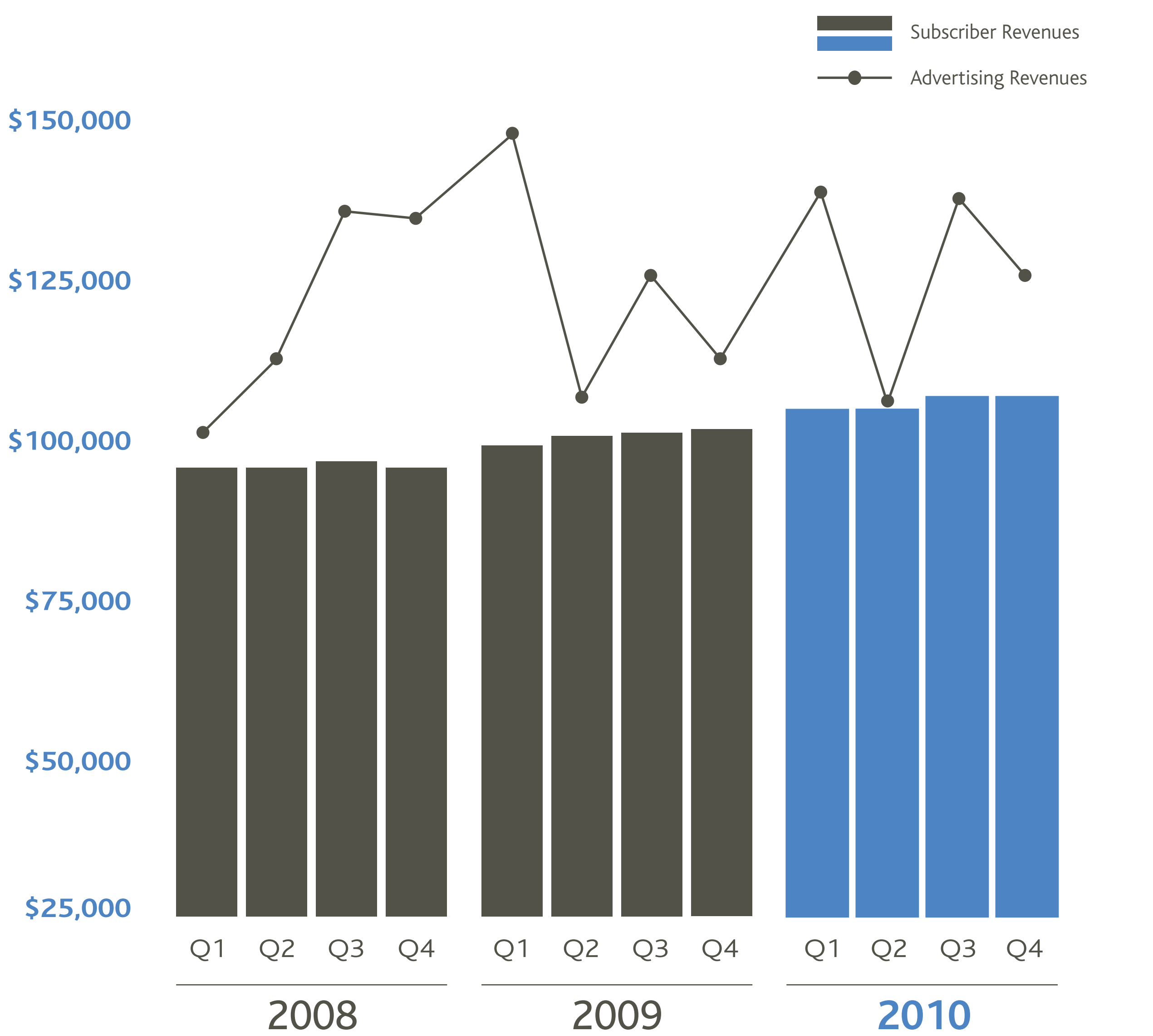
Operating expenses are generally stable on a quarter-to-quarter basis as they tend to be incurred evenly throughout the year. The resulting quarterly EBITDA margins[1] will therefore tend to vary on the basis of advertising revenue fluctuations. Quarterly performance should therefore be interpreted taking the above factors into consideration, especially in the second quarter.

(1) See "Supplementary Measures".

The following chart highlights the quarterly performance of the Company's revenues for the past twelve quarters, reflecting seasonal patterns:

Quarterly Revenues

(in thousands)



The following table highlights the quarterly performance of the Company's operations for the past eight quarters, reflecting seasonal patterns:

	2009 (Restated) (1)				2010			
	Q1	Q2	Q3	Q4[2]	Q1[3]	Q2	Q3	Q4
(in thousands of $ except for per-share data)								
Revenues	244,483	209,278	232,537	219,427	**250,685**	**218,281**	**253,597**	**238,396**
EBITDA[4]	75,455	59,186	81,834	76,668	**96,813**	**62,587**	**84,934**	**64,322**
Net earnings	39,605	27,103	44,269	44,257	**56,244**	**33,643**	**48,457**	**38,401**
Basic EPS	0.71	0.48	0.79	0.79	**1.00**	**0.60**	**0.86**	**0.68**
Diluted EPS	0.70	0.48	0.78	0.79	**0.99**	**0.59**	**0.85**	**0.67**

FINANCIAL CONDITION, CASH FLOWS AND LIQUIDITY

The Company's cash flows from operating, investing and financing activities are summarized in the following table:

	3 months		12 months	
	2010	2009	2010	2009
(in thousands of $)		*(Restated)* (1)		*(Restated)* (1)
Cash provided by operating activities	**46,451**	61,434	**182,737**	220,628
Cash used for investing activities, excluding net variation of short-term investments[4]	**(29,625)**	(17,902)	**(69,950)**	(57,416)
Cash used for financing activities	**(22,738)**	(58,895)	**(124,342)**	(146,430)
Net change in cash, cash equivalents, and short-term investments	**(5,912)**	(15,363)	**(11,555)**	16,782
Cash and cash equivalents (bank overdraft) and short-term investments – beginning of period	**17,457**	38,463	**23,100**	6,318
Cash – end of period	**11,545**	23,100	**11,545**	23,100
Cash flow from operations[4]	**53,317**	62,001	**223,185**	209,390

(1) Following the adoption of CICA Handbook Section 3064, the Company has restated results of operations for each quarter of Fiscal 2009 (see "Restatement of Fiscal 2009 and 2008 Figures").

(2) Before the impact of the impairment of broadcast licences, net of future income tax recovery (see "Impairment of Broadcast Licences and Goodwill").

(3) Before the impact of future income tax rate changes (see "Income Taxes" and "Supplementary Measures").

(4) See "Supplementary Measures".

The Company's cash balances decreased from $23.1 million as at August 31, 2009 to $11.5 million as at August 31, 2010. This decrease is mainly due to reimbursements of $105.0 million of long-term debt, disbursements of $53.6 million for property, plant and equipment ("Capital Expenditures"), dividend payments of $28.3 million, disbursements of $16.3 million for other intangible and non-current assets, and disbursements of $1.6 million for the repurchase of shares under the Company's normal course issuer bid. This is partially offset by $182.7 million of cash provided by the Company's operating activities and by $10.6 million of cash provided by the exercise of stock options.

Cash flow from operations[1] decreased by $8.7 million for the quarter but increased by $13.8 million for the twelve-month period ended August 31, 2010 as compared to the same periods last year. The year-to-date increase resulted from increases in net earnings that are mainly explained by increased revenues of $55.2 million due to both higher advertising and subscription-related revenues, and to lower interest expense, mainly explained by lower interest rates and by debt reimbursements. This is partially offset by higher operating expenses of $41.6 million, excluding the Part II licence fees accrual reversal and the Copyright Board tariff increases.

The Company's financial condition is among the strongest in the industry. Cash provided by operating activities generate sufficient liquidity to cover its known operating and capital requirements, its renewed normal course issuer bid (see "Financing Activities"), its dividend payments, its debt service, its pension plan obligations and its current and longer term commitments.

The main changes to the balance sheet as at August 31, 2010 as compared to August 31, 2009 are as follows: a decrease of $11.6 million in cash as explained above; an increase of $25.4 million in accounts receivable mainly due to an increase in revenues in the fourth quarter of Fiscal 2010 as compared to the fourth quarter of Fiscal 2009; an increase of $28.3 million in property, plant and equipment (see "Investing Activities" section); an increase of $28.5 million in other intangible and non-current assets mainly due to additions to out-of-home advertising license fees, computer software and employee future benefits assets; a decrease of $13.5 million in future income tax assets mainly due to the decrease of Ontario's general corporate income tax rate from 14% to 10% to be phased in between July 1, 2010 and July 1, 2013 (see "Income Taxes" section); a decrease in long-term debt mainly due to reimbursements of $105.0 million during Fiscal 2010; a decrease of $12.7 million in the liability related to derivative financial instruments mainly due to interest rate increases in the latter part of the fiscal year, and a reduction in the nominal debt amount of the interest-rate swap; and an increase of $15.7 million in capital stock following the exercise of stock options and the conversion of restricted share units into Class A shares.

(1) See "Supplementary Measures".

Operating Activities

Cash provided by operating activities for the three-month period ended August 31, 2010 decreased by $15.0 million as compared to the same period last year. This decrease is mainly due to lower cash flow from operations [2] of $8.7 million and to an additional contribution of $9.6 million made by the Company for one of its defined benefit pension plans with a solvency deficit (see Note 16 to the audited consolidated financial statements for the year ended August 31, 2010). This was partly offset by lower working capital and other non-cash operating items requirements of $3.3 million. Lower cash flow from operations [2] is mainly explained by higher operating expenses (see "Operating Expenses" section) in the fourth quarter of Fiscal 2010 as compared to the same period last year.

Cash provided by operating activities for the twelve-month period ended August 31, 2010 decreased by $37.9 million, as compared to the same period last year. This is mainly due to higher working capital and other non-cash operating items requirements of $42.1 million and to an additional contribution of $9.6 million made by the Company for one of its defined benefit pension plans with a solvency deficit (see Note 16 to the audited consolidated financial statements for the year ended August 31, 2010). This was partially offset by higher cash flow from operations [2] of $13.8 million. Higher cash flow from operations [2] is mainly explained by increased revenues of $55.2 million due to both higher advertising and subscription-related revenues, and to lower interest expense, mainly explained by lower interest rates and debt reimbursements, partially offset by higher operating expenses of $41.6 million, excluding the Part II licence fees accrual reversal and the Copyright Board tariff increases. Higher working capital and other non-cash operating items requirements are mainly due to higher accounts receivable following the increase in revenues and to timing differences in the acquisitions and payments of program and film rights, and to higher payments of accounts payable and accrued liabilities.

Investing Activities

Cash used for investing activities during the three-month period ended August 31, 2010, increased by $11.7 million as compared to last year's corresponding period. This increase is due to higher additions to other intangible and non-current assets of $6.6 million, consisting mainly of out-of-home advertising license fees and computer software, and to higher Capital Expenditures of $5.1 million. On a year-to-date basis, cash used for investing activities, excluding the net variation of short-term investments [2], increased by $12.5 million as compared to last year's corresponding period. This is essentially due to higher additions to other intangible and non-current assets of $10.0 million, consisting mainly of out-of-home advertising license fees and computer software, and to higher Capital Expenditures of $5.3 million, partially offset by a consideration of $2.8 million paid in the first quarter of Fiscal 2009 as part of the acquisition of Standard Radio Inc.

The following table details the capital expenditures by segment:

	3 months			12 months		
	2010	2009	% Change	**2010**	2009	% Change
(in thousands of $)		*(Restated)* [1]			*(Restated)* [1]	
Capital expenditures						
Television	**5,556**	1,672	232%	**10,540**	6,461	63%
Radio	**4,232**	3,611	17%	**7,360**	8,271	-11%
Out-of-Home	**6,840**	13,535	-49%	**25,664**	31,542	-19%
Corporate	**7,107**	513	1,285%	**9,596**	1,036	826%
Total capital expenditures	**23,735**	19,331	23%	**53,160**	47,310	12%

(1) See "Restatement of Fiscal 2009 and 2008 Figures".

(2) See "Supplementary Measures".

The most significant Capital Expenditures pertain to TSF-related structures, the out-of-home Digital network, other out-of-home advertising structures, high-definition and other broadcasting equipment, as well as computer equipment and leasehold improvements.

Capital Expenditures for the three- and twelve-month periods ended August 31, 2010 increased by $4.4 million and $5.9 million respectively as compared to the same periods last year. Higher Capital Expenditures of $3.9 million and $4.1 million in Television for the three- and twelve-month periods respectively are mainly due to higher leasehold improvements following the move of the Company's executive and certain divisional offices. Higher Capital Expenditures of $6.6 million and $8.6 million in Corporate for the same periods are mainly due to higher leasehold improvements following the move of the Company's executive and certain divisional offices and to the implementation of a new centralized corporate data center. Lower Capital Expenditures in Out-of-Home in both periods are mainly explained by lower spending for Digital advertising structures.

The audited consolidated statement of cash flows for the year ended August 31, 2010 includes Capital Expenditures of $2.3 million that were unpaid and therefore excluded as at August 31, 2009 and paid in Fiscal 2010. As at August 31, 2010, $1.8 million of the $53.2 million of Capital Expenditures were unpaid and included in accounts payable and accrued liabilities.

Overall cash to be spent on Capital Expenditures and other intangible and non-current assets in Fiscal 2011 is estimated to be around $60.0 million. Spending will be concentrated in the Out-of-Home segment, mainly for TSF-related structures and for the Digital out-of-home advertising network in Toronto.

Financing Activities

Cash used for financing activities in the fourth quarter of Fiscal 2010 was $22.7 million compared to $58.9 million for the same period last year, representing a decrease of $36.2 million. This is mainly due to lower reimbursements of long-term debt of $35.0 million, and to higher proceeds of $1.4 million from the exercise of stock options. On a year-to-date basis, cash used for financing activities was $124.3 million compared to $146.4 million for the same period last year, for a decrease of $22.1 million. This is mainly due to lower reimbursements of long-term debt of $15.0 million, higher proceeds of $8.9 million from the exercise of stock options, partly offset by higher disbursements for the repurchase of shares by the Company of $1.6 million.

On December 9, 2009, the Company announced the renewal of its normal course issuer bid. Under the terms of this renewal, the Company is authorized to repurchase for cancellation up to 1,338,192 Class A shares and 69,616 Class B shares, both quantities representing no more than 2.5% of the outstanding shares as at November 30, 2009 for their respective class of shares. The share repurchase program is being conducted over a maximum period of 12 months which began on December 15, 2009. During the fiscal year ended August 31, 2010, the Company repurchased a total of 21,600 Class A shares for a total cash consideration of $0.8 million.

On December 9, 2008, the Company announced the renewal of its normal course issuer bid to repurchase for cancellation up to 2,665,620 Class A shares and 139,234 Class B shares, both quantities representing no more than 5% of the outstanding shares as at November 30, 2008 for their respective class of shares. The share repurchase program was conducted over a maximum period of 12 months which ended on December 14, 2009. During the term of this renewed bid, the Company did not repurchase any shares in Fiscal 2009 and repurchased 27,200 Class A shares for a total consideration of $0.8 million during the fiscal year ended August 31, 2010.

Capital Structure

In the management of capital, the Company includes long-term debt and shareholders' equity (excluding accumulated other comprehensive income (loss)), as well as cash and cash equivalents (bank overdraft), and short-term investments in its definition of capital. The Company's overall capital management objectives are to create shareholder value through organic growth of its operations and through accretive acquisitions, and to maintain the most optimal capital structure in order to minimize its cost of capital.

As at August 31, 2010, the Company's capital structure consisted of shareholders' equity in the amount of $1,346 million, borrowings under the Facility (as defined below) in the amount of $590.0 million, and cash of $11.5 million. The unused portion of the Facility amounted to $155.7 million ($175.0 million less $19.3 million of outstanding letters of credit). As at August 31, 2010, there were no off-balance sheet liabilities. The number of outstanding Class A and Class B shares of the Company increased from a total of 56.2 million shares as at August 31, 2009 to 56.6 million shares as at August 31, 2010, mainly due to the exercise of stock options and to the conversion of restricted share units into Class A shares.

During Fiscal 2010, the Company extended, from five to seven years, the term of the 674,130 outstanding Class A stock options granted between December 13, 2004 and December 12, 2008 to non-insider employees. The extension of the term of these options increased the fair value of such options by a range of $0.26 to $4.05 per option resulting in an additional stock-based compensation expense of $0.6 million for the year.

The following table presents additional share information:

Outstanding as at:	September 30, 2010	August 31, 2010	August 31, 2009
Class A shares	53,997,344	**53,887,874**	53,388,843
Class B shares	2,758,172	**2,758,672**	2,784,672
Special shares	65,000	**65,000**	65,000
Employee stock options	2,992,105	**3,101,075**	3,154,763
Restricted share units	282,800	**282,800**	303,800

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust its capital structure, the Company reviews the amount of dividends to be paid to shareholders annually and periodically decides to repurchase its shares on the marketplace and/or to reimburse debt.

On October 29, 2007, the Company established a $1.0 billion credit facility on an unsecured basis (the "Facility") with a syndicate of financial institutions, which has been reduced to $765.0 million as at August 31, 2010 following repayments. The Facility has a five-year term which started on October 29, 2007 and borrowings under the Facility can be in the form of bankers' acceptances, Canadian prime-rate loans, US base-rate loans or LIBOR loans, and bear interest accordingly, plus a premium based on certain financial ratios.

As at August 31, 2010, total borrowings under the Facility amounted to $590.0 million ($695.0 million as at August 31, 2009), excluding $19.3 million of outstanding letters of credit ($19.3 million as at August 31, 2009), and bear a weighted-average interest rate of 3.4% (3.8% as at August 31, 2009), after reflecting the effect of the interest-rate swap agreement described below. The Company has a prepayment option without penalty that can be exercised at any time during the term of the Facility. Under the terms of the Facility, the Company has no repayment obligations before October 29, 2012 and is required to comply with certain financial ratios. The Company has been in compliance with these financial ratios and all other covenants since the establishment of the Facility. The Company's joint ventures have additional operating revolving credit facilities of $4.5 million (at Astral's proportionate share), which were not used as at August 31, 2010 and 2009.

Borrowings under the Company's floating rate Facility are subject to interest rate fluctuations. To manage the interest-rate risk exposures related to the Facility, on October 29, 2007 the Company entered into an interest-rate swap agreement with a large Canadian bank (the "Agreement") covering part of its long-term debt. The Company does not use derivative financial instruments for trading or speculative purposes. The Agreement is based on an initial nominal debt amount of $750.0 million which is being reduced periodically ($303.5 million and $465.0 million as at August 31, 2010 and 2009 respectively) based on a predetermined schedule, until its maturity on May 29, 2012. Under the Agreement, the Company pays interest based on a fixed rate of 4.6% and receives interest based on floating 30-day bankers' acceptances rates. The Company elected to apply cash flow hedge accounting on this derivative financial instrument. Based on the current market value of the derivative financial instrument, an unrealized non-cash gain of $12.7 million ($9.1 million net of income taxes), representing the change in market value since August 31, 2009, has been recorded in the audited consolidated statement of comprehensive income for the year ended August 31, 2010.

Furthermore, interest rate fluctuations could have an impact on the Company's interest income that it earns on its cash balances. The Company has an investment policy designed to safeguard its capital and generate a reasonable return. The policy sets out the types of investment instruments that are permitted, their concentration and acceptable credit ratings.

Interest rate fluctuations would have an impact on the Company's net earnings and other comprehensive income items. A 0.5% interest rate change would have had the following impact for the year ended August 31, 2010:

(in thousands of $)	0.5% increase	0.5% decrease
Impact on net earnings of interest rate changes	(876)	876
Impact on other comprehensive income items due to changes in fair value of derivatives designated as cash flow hedges, net of taxes	940	(940)

Contractual Obligations

	Payments due in Fiscal:				
(in thousands of $)	2011	2012/13	2014/15	2016 and after	Total
Long-term debt	–	590,000	–	–	590,000
Operating leases	53,535	105,210	105,386	473,957	738,088
Pension contribution to defined benefit pension plans (1)	7,707	–	–	–	7,707
Other non-current liabilities	–	37,778	16,818	20,374	74,970
Total	61,242	732,988	122,204	494,331	1,410,765

(1) Excluding solvency deficit contributions, if any, pension contributions to the Company's defined benefit pension plans for Fiscal 2012 and after are not yet determinable but should be of the same magnitude.

In the normal course of its operations, the Company has signed agreements, with terms ranging from one to ten years, for the acquisition of program and film rights to be aired on its television services and for the use of trademarks. The acquisition of the rights and related obligations are contingent on the actual delivery of programming and on other contractual terms. In addition to the above $1,411 million of contractual obligations, the amount of program and film rights commitments that are measurable as at August 31, 2010 is estimated at $268.9 million. In addition, under the terms of the Company's agreement with the City of Toronto related to the TSF, the Company is committed to Capital Expenditures estimated at $121.1 million over the remaining 17 years of the contract, of which $18.0 million is estimated to be incurred in Fiscal 2011. These additional commitments are excluded from the amounts presented in the above table.

BUSINESS DEVELOPMENTS

On July 5, 2010, the Company launched a French-language version of the Playhouse Disney channel. Featuring entertaining and learning-based programming for younger audiences, this service features popular programming from Disney together with celebrated Canadian series.

On May 27, 2010, the Company announced the launch of its new Astral brand identity. As one of Canada's leading media companies, Astral made a strategic decision to refresh its visual identity in 2010 to reflect its new corporate profile, evolving culture and expansion across Canada. The Company will now operate publicly under the Astral name while the legal corporate name remains Astral Media Inc.

On May 27, 2010, the Company also unveiled 99.7 EZ Rock in Ottawa as the National Capital Region's new "At Work" radio station – designed by women, for women. The best soft rock and pop rock music from the past five decades is the primary content behind its mainstream adult contemporary format.

On April 23, 2010, the CRTC approved the Company's application for two broadcasting licences that could be offered in both standard and high-definition versions: i) TV-Time, a national English-language Category 2 specialty programming undertaking devoted to action and adventure programming from contemporary action and adventure films and series to classical westerns, rodeo and western horse shows; ii) Superstar, a national English-language Category 2 specialty programming undertaking devoted to romance, including relationship-themed game shows and magazine-style programs featuring romantic vacation resorts, as well as programs exploring romantic moments in people's lives, classic romantic feature films, epic mini-series and made-for-television movies. The Company is aiming to launch these networks as market conditions permit.

On March 8, 2010, the Company announced an agreement with Emmis Interactive, Inc. ("Emmis") whereby Emmis will provide its successful interactive platform and sales consulting services to Astral as part of Astral Radio's renewed emphasis on building up its Interactive business.

On December 26, 2009, the Company launched a new radio format on 97.3 FM in Toronto. The radio station formerly known as EZ Rock underwent a format flip, and adopted a new name, boom 97.3, and a revised personality lineup.

On November 30, 2009, the Company announced the return of the show "Les Grandes Gueules" on the NRJ network. After a three-year hiatus, the trio "Les Grandes Gueules" is back behind the microphone since January 18, 2010. The history of "Les Grandes Gueules" on NRJ is an unprecedented radio success, encompassing a 15-year career with record ratings unrivalled anywhere else in Canada.

In October 2009, the Company established Canada's first national digital out-of-home advertising network by expanding its innovative technology in Vancouver and Toronto, to complement ten digital boards already operating in Montreal. Vancouver's Digital network consists of nine digital faces and the Toronto network featured four digital faces as at year-end. The national Digital network is fully operational since December 2009.

STRATEGIC INITIATIVES AND OUTLOOK

The Company is involved in a dynamic industry that continues to offer both opportunities and challenges. It operates primarily in the television, radio and out-of-home advertising media sectors, all of which are highly competitive and which are seeing rapid evolution on the technological, regulatory and consumer fronts. In Fiscal 2010, with the rebound in the advertising market, the Company continued to grow its revenues. The fundamentals underlying the Company's core businesses remain positive, positioning it for continued growth as the advertising market continues to improve in 2011. Apart from advertising revenue growth, opportunities for organic growth also exist through the launch of new services, value-added products, and expansion via acquisitions.

Television

The Television group is looking to continue to generate organic growth from its current portfolio, as well as developing new sources of growth via added digital distribution and the launch of new products on multiple platforms. In Fiscal 2010, the Company launched Playhouse Disney Télé, a Disney-branded, French-language pre-school channel. With the television sector seeing rapid growth in internet-based video-entertainment services, Fiscal 2010 was also marked by the launch of several on-line services: TMN-On-Line, Family On-Line and Playhouse Disney On-Line. This new on-line window keeps the Company at the forefront of the consumer migration to other platforms. Strategically, add-ons such as On-Demand and On-Line have helped to add value to subscribers and to grow revenues.

Brands and premium content remain key factors to sustaining the Television group's current promise to consumers. Going forward, the Television group will continue to introduce new derivative, value-added and multiplatform products which will leverage its existing television offer, and to foster brand relationships and partnerships for its properties.

Radio

The Radio group expects to grow earnings in Fiscal 2011, with a rebounding in advertising sales, supported by strong program ratings and an effective national sales infrastructure. The Radio group's focus is on organic growth, on operating synergistically across its properties, and on adapting its product and brand offerings to connect with fast-evolving listeners.

In Fiscal 2011 Astral Radio will continue to refresh its brands and personality line-up. In the multi-platform arena, building on its agreement with Chicago-based Emmis Interactive, the Radio group will revamp its 83 radio websites and offer its 17 million weekly listeners with the industry's strongest interactive online presence. The revamping is expected to be completed over the course of Fiscal 2011.

Out-of-Home

The Out-of-Home group's TSF operations will continue to favourably impact revenues and earnings in Fiscal 2011. Now a major force in urban street furniture, the Out-of-Home group will continue to pursue this growth area in other urban centres.

Continuous product innovation underpins the Out-of-Home group's future growth, as illustrated by the continuing rollout of digital boards. This year, Astral Out-of-Home continued the deployment of Canada's first and largest digital out-of-home advertising network with the addition of new faces in Vancouver and Toronto. The Out-of-Home group will pursue other Digital network opportunities for future expansion, and in particular, Fiscal 2011 will see an expanded rollout of digital boards in Toronto. Continued growth in traditional out-of-home faces will be driven by strategic and disciplined inventory management, excellent client service, improved occupancy rates and product innovation.

Corporate

Globally, the Company will focus on organic growth as well as on transitioning the organization to adjust to the evolving media landscape, in order to ensure its long-term growth. With respect to its cash usage, the Company will continue to focus on reimbursing its bank debt and managing its share buyback program, taking into consideration cash needs, major business developments and opportunities, and their potential impact on shareholder value creation.

RISKS, UNCERTAINTIES AND OPPORTUNITIES

The Company faces a number of risks and uncertainties which, in many cases, also represent opportunities for its businesses. Additional risks and uncertainties, not presently known to the Company, or that the Company does not currently anticipate to be material, may impair its business operations. If any such risks materialize, the Company's business, financial condition and operating results could be adversely affected in a material way.

Acquisitions

The Company may consider making strategic acquisitions in the future. Difficulties in integrating the operations of any acquired or new businesses with Astral's existing operations could arise. An integration process may result in significant challenges, and management may be unable to accomplish such integration successfully. In order to properly plan for and execute such integration, management prepares integration plans with a list of initiatives, implementation dates, associated costs and expected synergies.

Regulated Environment

The Company's Television and Radio broadcasting operations are subject to Federal government regulation, including the *Broadcasting Act* (Canada), the *Radiocommunications Act* (Canada), and the regulations thereunder. In addition, Government directions limit the ownership by non-Canadians of voting shares in broadcasting undertakings and require Canadian control of such undertakings. The CRTC administers the *Broadcasting Act* and, among other things, grants, amends and renews broadcasting licences, and approves certain changes in corporate ownership and control. The CRTC may also adopt and implement regulations and policies and renders decisions thereunder. Changes in the above legislation or the adoption of new regulations or policies or any new decision by the CRTC could have a material adverse effect on the Company's business, financial condition or operating results.

The CRTC requires Canadian broadcasters to broadcast certain levels of Canadian content and spend a portion of their revenues on Canadian programming. Often, a portion of the production budgets of Canadian programs is financed by Canadian government agencies and incentive programs, such as the Canadian Media Fund, Telefilm Canada and federal and provincial tax credits. There can be no assurance that such financing will continue to be available at current levels, or at all. Reductions or other changes in the policies of Canada or its provinces in connection with their incentive programs could have a material adverse effect on the Company's business, financial condition or operating results.

The Company's Television, Radio and Internet operations rely upon licenses granted under the *Copyright Act* (Canada) (the "Act") in order to make use of the music components of the programming distributed by these undertakings. Under these licenses, the Company is required to pay royalties established by the Copyright Board of Canada. On June 2, 2010, the Federal Government introduced legislation to modernize Canadian copyright law (Bill C-32, An Act to amend the Copyright Act). Bill C-32 amends the Copyright Act in order to, amongst other things: i) update the rights and protections of copyright owners to better address the challenges and opportunities of the Internet, so as to be in line with international standards; and ii) permit businesses to make greater use of copyright material in digital form. The potential impact of Bill C-32 on the Canadian broadcasting sector and on the Company cannot be determined until the adoption of the Bill.

The Company's Out-of-Home Advertising business is also subject to various government laws and regulations which establish the rights, terms and conditions under which it is entitled to erect its advertising structures. Changes to such laws and regulations may inhibit the Company's ability to keep existing structures or to build new ones on specific sites in the future.

Regulatory Framework Amendments

The current regulatory framework for broadcast distribution undertakings ("BDU") and discretionary programming services, namely pay and specialty services was set in 2008 (BPN CRTC 2008-100) and responds to the CRTC's objective of reducing regulations to the minimum essential to achieve the objectives of the Broadcasting Act and to rely instead on market forces wherever possible. Most provisions will come into force on August 31, 2011 which coincides with the end of analog over-the-air broadcasting in Canada.

Discretionary services known as Category A services (former analog and Category 1 services) benefit from genre exclusivity and access distribution, except for mainstream sports and news services. The CRTC is also open to consider increased competition in other existing genres taking into account various criteria including the economic health of existing services and the consequences that might result from the introduction of competition. Once a genre is opened to competition, the competing services no longer benefit from access rights.

On January 27, 2010, the CRTC called for comments on opening up the general interest pay services genre to competition in the French-language market and on proposed conditions of licence for competing Canadian general interest pay services in the French-language market. This proceeding could result in the creation of a direct competitor to the Company's general interest French-language pay service Super Écran.

On March 22, 2010, the CRTC issued its determination on issues relating to a group-based approach to the licensing of large English-language private television ownership groups as well as the revenue support for English- and French-language conventional television broadcasters (Broadcasting Regulatory Policy CRTC 2010-167). The appropriate approach for the French-language conventional television sector and the relevance of a group-based approach will be considered at the next licence renewal proceeding for TVA and V to take place in 2011.

The large English-language private ownership groups that control both conventional stations and specialty services (CTV, Canwest and Rogers), will be required to spend at least 30% of their overall gross revenues on Canadian programming; in order to meet this obligation, ownership groups will have the flexibility to shift resources among their conventional and specialty services. The Canadian content exhibition requirement for English and French conventional television stations will be lowered from 60% to 55% during the broadcast year. Exhibition requirements for specialty television stations will continue to be set on a case-by-case basis. News and sports specialty services, pay-per-view and video-on-demand ("VOD") services are excluded from the framework. The CRTC will hold licence renewal hearings for the largest English-language private ownership groups in 2011.

The CRTC has specified that a modified group-based approach with associated flexibility could apply to other ownership groups, including those controlling multiple specialty and pay services such as Astral, and it will consider licence amendments to allow flexibility in the allocation of Canadian spending requirements.

The potential impact of the new group-based approach to the licensing of private television services on the Company's financial results cannot be determined until the new measures are implemented.

The CRTC will eliminate the Canadian Media Fund licence-fee top-up as an eligible Canadian expense to all specialty services with Canadian Programming Expenditure ("CPE") requirements and will, at the time of the licence renewals for all specialty services, consider requests to adjust required CPE levels. The changes will only take effect upon licence renewal.

The CRTC has also determined that private conventional television will be permitted to negotiate with BDUs for the value of the distribution of their programming services; in the event that the parties cannot agree, the station could require the BDU to delete the programming exhibited by the station. The CRTC has initiated a reference to the Federal Court of Appeal seeking clarification on its jurisdiction under the *Broadcasting Act* (Canada) to implement such a negotiation regime and has asked the Court to consider its request on an expedited basis. A decision by the Court is expected in the fall 2010.

The Local Programming Improvement Fund ("LPIF") will be maintained at its current level of 1.5% of the BDUs' gross revenues in support of local television in markets of less than one million of population. The CRTC has announced it would conduct a comprehensive review of the LPIF in 2011-2012.

The CRTC will allow increased advertising on the VOD platform; however, VOD licensees may only advertise in programming for which the VOD rights have been acquired from (a) a licensed Canadian broadcaster unrelated to the VOD undertaking, or (b) a related broadcaster that has also acquired the linear rights to the program. The CRTC has further determined that advertising on the VOD platform shall not be restricted to new forms of advertising. The CRTC intends to impose a condition of licence on VOD undertakings at their next licence renewals prohibiting them from offering a non-Canadian subscription VOD ("SVOD") package that is directly competitive with a Canadian linear discretionary service. This condition of licence will also apply to Canadian VOD packages that might compete directly with genre-protected Canadian discretionary services. The details of its decision are set out in the Broadcasting Regulatory Policy CRTC 2010-190. The CRTC has decided to maintain its current policy with respect to the use of local availabilities as set out in Broadcasting Public Notice 2006-69.

Other Matters

On March 3, 2010, the Federal Government announced in the Speech from the throne its intention to liberalize the foreign ownership restrictions in the satellite and telecommunications industries. On June 11, 2010, the Minister of Industry launched a public consultation on foreign investment restrictions in the telecommunications sector. The following three options are presented for consideration: i) increase the limit for direct foreign investment in broadcasting and telecommunications common carriers to 49 percent; ii) lift restrictions on telecommunications common carriers with a 10% market share or less, by revenue; or iii) remove telecommunications restrictions completely. The consultation ended on July 30, 2010. The potential impact of such a review on the Canadian broadcasting sector and on the Company cannot be determined until a final decision on these matters will be rendered.

Management constantly monitors the regulatory environment to identify risks and opportunities resulting from any changes.

New Technologies

Technologies are constantly changing and may have an impact on the Company's operating environment. The Canadian specialty, pay and pay-per-view sector has experienced growth over the past decade due to advances in cable-based delivery systems and the growth of DTH. In addition, advances in digital technology have made a number of innovative products and services possible. These products will continue to fuel growth in digital subscribers, reduce churn and contribute to incremental revenue growth. They include: Video-on-demand, Subscription-video-on-demand, High-Definition television, Personal Video Recorders, Mobile Television, Internet Protocol TV, and Internet television. Additionally, devices like the Apple iTouch / iPhone and the iPad are creating consumer demand for mobile/portable content. Also, we have seen the growth of game systems (Xbox, PS3) and other consumer electronic devices (including TV sets themselves) that enable broadband delivery of content providing increased flexibility for consumers to view high quality audio/video in the "living room".

The Company has acted as a leader in obtaining the rights to exhibit its content on multiple platforms, to provide highly competitive services in an increasingly competitive media environment. Also, Astral has generally demonstrated leadership in its businesses rather than simply reacting to developments by others and it attempts to distinguish itself from its competitors by leveraging new technologies. Consequently, a significant portion of its capital expenditures is aimed at constantly improving the Company's technological capabilities and infrastructures.

Customers and Distributors

The Television group is dependent on BDUs (including cable, DTH and multichannel multipoint distribution systems) for distribution of its television services. There could be a negative impact on revenues if distribution affiliation agreements with BDUs were not renewed on terms and conditions similar to those currently in effect. Affiliation agreements with BDUs have multi-year terms that expire at various points in time. The Company maintains strong relationships with all its distributors and is confident that it can renew its agreements on mutually satisfactory terms and conditions, as has been the case historically.

The majority of the subscriber base for the Company's Television services is reached through a small number of very significant customers, mainly the BDUs. There is always a risk that the loss of an important relationship would have a significant impact on any particular business unit. To mitigate this risk, the Company enters into long-term contracts with its customers. Furthermore, the Company has developed a broad selection of popular pay and specialty services that deliver quality programming. Astral's services have thus become key and highly demanded components of the offerings of all BDUs in the markets they serve.

Revenues

Advertising revenues are subject to fluctuations as a result of changes in the economic environment, the marketplace, new technologies and viewership levels. The Company's business units continually monitor changes in their respective markets and operating environments, and adapt their sales strategies and content offerings in order to minimize any adverse effect that the changes may cause.

Subscription revenues are dependent on the number of subscribers and the wholesale rate billed by the Company to BDUs for carriage of the individual services. The extent to which the Company's subscriber bases will grow is uncertain and is dependent upon the ability of BDUs to deploy and expand their digital technologies, their marketing efforts and the packaging of their services' offerings, as well as upon the willingness of subscribers to adopt and pay for the services. By consistently providing a high quality program offering that caters to the needs of its various audiences on multiple platforms, the Company is confident in its ability to increase its subscriber bases in the future.

The Company's television broadcast signals are subject to theft and as a result, potential revenue loss. An increase in the number of illegal receivers in Canadian homes could adversely impact the Company's existing revenues and inhibit its capacity to grow its subscriber base. Legal, regulatory, promotional as well as technical measures have been taken, in partnership with BDUs and other industry players, in order to fight signal theft. The Company believes these steps will continue to curtail signal theft and reduce erosion of its subscriber bases.

Competition

From time to time, the CRTC issues new licences for a variety of services. Competitive licences granted to other licensees increase the competition for viewers, listeners, programming and advertising dollars.

In recent years, the Company has launched a number of digital television specialty services and new programming channels, and has been able to limit the impact of competition by delivering strong programming and strengthening its brands.

The Company also faces the emergence of new indirect and unregulated competitors (personal video recorders, mobile television, Internet protocol TV, Internet television, satellite radio, cell phone radio, iPad, iPods / iTouch / iPhone (see "New Technologies"). The Company does not expect these competitors to have a significant impact on the Company's services over the next few years.

Quality programming is a key factor driving the success of the Company's television and radio services. Increasing competition for popular quality programming can cause prohibitive cost increases that may prevent the Company from renewing supply agreements for specific popular programs or contracts for on-air personalities. The Company maintains strong relationships with studios, producers and performers and continually monitors its markets and audiences to clearly define their needs in order to maintain the overall quality of its program offerings and deliver content that sustains the popularity of its services.

The Canadian out-of-home advertising industry is fragmented, consisting of a few large companies, as well as numerous smaller and local companies operating a limited number of display faces in a few local markets. Astral Out-of-Home also competes with other advertising media such as television, radio, print media and Internet.

Economic Conditions

The Company's revenues and operating results are and will continue to be influenced by prevailing general economic conditions. In such cases, purchasers of the Company's advertising inventories may reduce their advertising budgets. In addition, the deterioration of economic conditions could adversely affect payment patterns which could increase the Company's bad debt expense. During an economic downturn, there can be no assurance that the Company's operating results, prospects and financial condition would not be adversely affected. This risk is mitigated by the fact that approximately 45% of the Company's revenues are subscriber-based. These are significantly more stable in an uncertain economic environment.

Credit Risk

Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument in which the Company is entitled to receive payment fails to perform. Accounts receivable arise mainly from monthly wholesale fees charged to distributors in connection with specialty and pay television subscriptions and from the sales of advertising aired or posted on the Company's Television, Radio and Out-of-Home Advertising properties.

The Company's credit exposure is higher in a weakened global economic environment; however it is difficult to predict the impact this could have on the collection of the Company's accounts receivable balances. To mitigate such risk, the Company performs ongoing customer credit evaluations and takes alternative means to guarantee the amounts due from some of its debtors. Allowances, which are estimated based on historical loss rates adjusted for current events, are monitored by management on an ongoing basis. Accounts receivable are written off against the allowance for doubtful accounts only when the Company believes that an outstanding amount will not be recovered. For the year ended August 31, 2010, the Company recorded allowances for doubtful accounts of $2.5 million in operating expenses on the audited consolidated statement of earnings. Historically, the Company has not suffered any material losses related to credit risk. As at August 31, 2010 and August 31, 2009, no customer represented 10% or more of consolidated accounts receivable. The maximum credit risk to which the Company is exposed is equal to its accounts receivable.

Pension Plan Obligations

Economic conditions could also adversely impact the funding and expense associated with Astral's defined benefit pension plans. There can be no assurance that Astral's pension expense and funding of its defined benefit pension plans will not increase in the future and thereby negatively impact its operating results and financial condition. Defined benefit funding risks may occur if total pension liabilities exceed the total value of the plans' assets. Unfunded differences may arise from lower than expected investment returns, changes in the discount rate used to value pension obligations, and actuarial loss experiences. This risk is mitigated by the fact that Astral has policies and procedures in place to monitor its investment risk and funding position. It is also mitigated by the fact that Astral's defined benefit pension plans are no longer available to new employees. Historically, Astral has funded all unfunded differences on a prompt basis.

Broadcast Licences and Goodwill

As disclosed in the Critical Accounting Estimate section, the Company's broadcast licences and goodwill are not amortized but are tested for impairment annually, or more frequently if events or circumstances indicate that it is more likely than not that the broadcast licences and / or goodwill value might be impaired. The fair value of broadcasts licences and goodwill is and will continue to be influenced by assumptions, based on prevailing general economic conditions, used to support the discounted future cash flows calculated by the Company to assess the fair value of its broadcast licences and goodwill. During an economic downturn, there can be no assurance that the Company's broadcasts licences and goodwill value would not be adversely affected following changes in such assumptions. The Company monitors the value of its broadcasts licences and goodwill on an ongoing basis.

Tax Matters

In the preparation of its consolidated financial statements, the Company is required to estimate income taxes in each of the jurisdictions in which it operates taking into consideration tax rules and regulations, interpretations and legislation that pertain to the Company's activities. In addition, the Company is subject to audits from different tax authorities on an ongoing basis and the outcome of such audits could materially affect the amount of income tax payable or receivable recorded on its consolidated balance sheets and the income tax expense recorded on its consolidated statements of earnings. Any cash payment or receipt resulting from such audits would have an impact on the Company's cash resources available for its operations. In order to mitigate this risk, the Company relies on internal professionals who maintain an up-to-date knowledge base on new developments in the Canadian and provincial income tax laws and their interpretation. In addition, external advisors are involved in the preparation of the Company's income tax returns and in all transactions out of the normal course of operations. Management believes that it has sufficient amounts accrued for outstanding income tax matters based on all of the information that is currently available.

Future Financing

The Company is fully funded for its current operations and has access to a credit facility of $765.0 million as at August 31, 2010 (see "Capital Structure") which matures on October 29, 2012. The Company's future growth through acquisitions might require additional bank financing. However, risk factors such as disruptions in the capital markets could reduce the amount of capital available, or increase the cost of such capital, and there can be no assurance that additional financing would be available to the Company or, if available, that it can be obtained on a timely basis and on acceptable terms. Failure to obtain such additional financing, when and if required, could have a material adverse effect on the Company's future growth through acquisitions. This risk is however mitigated by the fact that the Company has access, until October 29, 2012, to the unused portion of its Facility which amounted to $155.7 million as at August 31, 2010 ($175.0 million less $19.3 million of outstanding letters of credits). Also, the Company may finance future capital requirements with internally generated funds.

ACCOUNTING MATTERS

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company's significant accounting policies are presented in Note 1 to the audited consolidated financial statements for the year ended August 31, 2010.

New Accounting Policies

The Company's accounting policies were unchanged in Fiscal 2010, with the exception of the adoption of new accounting policies on goodwill and intangible assets.

Effective September 1, 2009, the Company adopted, retroactively with restatement of prior period amounts, the following CICA recommendations:

> Section 3064, *Goodwill and Intangible Assets*, which replaced Section 3062, *Goodwill and Other Intangible Assets*, Section 3450, *Research and Development* and EIC-27, *Revenues and Expenditures during the Pre-operating Period*. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

Following the adoption of Section 3064, the Company reclassified the net carrying value of computer software that met the definition of intangible assets from property, plant and equipment to other intangible and non-current assets on the consolidated balance sheets. The amortization expense related to these assets previously disclosed in depreciation was reclassified as amortization of intangible and non-current assets on the consolidated statements of earnings. The Company also wrote off start-up and business pre-operating costs and related future income tax liabilities through opening retained earnings. The prior year's net earnings for the three- and twelve-month periods ended August 31, 2009 were restated to recognize business pre-operating costs of new services as operating expenses, to eliminate the amortization of business pre-operating costs and to reverse the future income tax expense related to such business pre-operating costs in the consolidated statement of earnings.

Following the adoption of Section 3064, cumulative adjustments to the consolidated balance sheet as at August 31, 2009 and to the consolidated statements of earnings and cash flows for the year ended August 31, 2009, are summarized in Note 1.c) to the audited consolidated financial statements for the year ended August 31, 2010 and in the "Restatement of Fiscal 2009 and 2008 Figures" section of this MD&A.

Future Accounting Changes

The Company believes that the future adoption of the following CICA recommendations will have an impact on the Company's future financial statements:

i) Section 1582, *Business Combinations*, was issued and replaces Section 1581, *Business Combinations*. This new section establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. It requires the acquiring entity in a business combination to recognize most of the assets acquired and liabilities assumed in the transaction at their acquisition-date fair values including non-controlling interests and contingent considerations. Subsequent changes in the fair value of contingent considerations classified as liabilities are to be recognized in earnings. Acquisition-related costs and restructuring costs are also to be expensed as incurred rather than capitalized as a component of the business combination. In addition, any previously unrecognized future tax assets, related to the acquiree and created subsequent to the business combination, are to be recognized in earnings rather than as a reduction of goodwill.

ii) Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests*, were issued and together replace Section 1600, *Consolidated Financial Statements*. These new sections establish standards for the preparation of consolidated financial statements and for the accounting of a non-controlling interest in a subsidiary in the consolidated financial statements subsequent to a business combination.

The Company is required to apply Sections 1582, 1601 and 1602 prospectively as of September 1, 2011. Section 1582 is the Canadian equivalent to International Financial Reporting Standard IFRS 3(R), *Business Combinations*. Section 1602 is the Canadian equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, *Consolidated and Separate Financial Statements*. Any effects on the Company's financial results of future periods will depend on the nature and significance of business combinations that are subject to these sections.

International Financial Reporting Standards

On February 13, 2008, Canada's Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for publicly accountable profit-oriented enterprises for fiscal years beginning on or after January 1, 2011. After that date, IFRS will replace Canadian GAAP for those enterprises. The Company will thus apply IFRS in Fiscal 2012 and will issue its consolidated financial statements in accordance with IFRS, including Fiscal 2011 comparative figures using the same reporting standards, starting September 1, 2011.

In order to prepare for the initial opening comparative balance sheet under IFRS on September 1, 2010 (the "Effective Date"), the Company is following a three-phase transition plan: initial diagnostic and assessment, in-depth analysis, and implementation. The Company has completed the initial high-level diagnostic, and a preliminary IFRS impact assessment was conducted to classify the impact of individual IFRS items on the Company's consolidated financial statements as high, moderate or low.

The second phase began in the first quarter of Fiscal 2010 and its completion is planned for the first quarter of Fiscal 2011. In this phase, the Company is performing a detailed analysis of IFRS, including the identification of the differences between IFRS and Astral's current accounting policies, in order to prioritize the key areas that will be more significantly impacted by the changeover, and to determine the options permitted under IFRS at the Effective Date and on an ongoing basis in order to finalize conclusions.

This phase also includes detailed planning of information technology and human resources requirements as they relate to the changeover. Moreover, internal procedures and systems that require updating and adapting will be identified, including adjustments to existing processes and the implementation of additional internal controls over financial reporting and disclosure controls and procedures that are necessary to certify financial reporting during the changeover and post-implementation periods.

Finally, in the third phase, the Company will implement the accounting changes and the required modifications to internal procedures, controls and systems so that they are in place and operating effectively for first fiscal year under IFRS.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. In the period leading to the changeover, AcSB will continue to issue new accounting standards that are aligned with IFRS, which will reduce the impact of adopting IFRS on the Effective Date. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period. As a result of the upcoming changes, the final impact of IFRS on the Company's consolidated financial statements can only be determined once all of the IFRS applicable at the Effective Date are known.

Based on its initial assessment, the Company has identified the following list of International Accounting Standards Board pronouncements that differ from Canadian GAAP and that could impact the Company's consolidated financial statements. The list of items should not be seen as exhaustive and is subject to change following the completion of the second phase of the transition plan and potential modifications to IFRS prior to adoption by the Company:

i) First-time adoption of IFRS;

ii) Financial statement presentation and disclosure;

iii) Asset impairment;

iv) Employee benefits;

v) Share-based payments;

vi) Property, plant and equipment;

vii) Income taxes;

viii) Provisions and contingencies.

At this point, Astral has assessed most of the exemptions from full retrospective application available under IFRS 1 – *First time adoption of IFRS* on the Effective Date and their potential impact on the Company's consolidated financial statements. In order to prepare its opening balance sheet under IFRS as at the Effective Date, Astral is using the following significant exemptions and Management has estimated, on a preliminary basis, the following impacts on the opening balance sheet:

IFRS 1 Exemption	Significant Impact
1. Employee Benefits	Astral will apply the exemption giving the Company the ability to record net unamortized cumulative actuarial gains and losses on the Effective Date related to Astral's pension plans through opening retained earnings. The application of this exemption will result in an opening balance reduction of approximately $15 million of Astral's long-term pension plan asset, and an increase of its long-term pension and non-pension liabilities of approximately $15 million. The above adjustments counterpart will result in a pre-tax decrease of opening retained earnings of approximately $30 million.
2. Business Combinations	Astral will apply the exemption whereby the Company is given the ability of not re-opening purchase price allocations regarding business acquisitions which were completed prior to September 1, 2010. However, as at the Effective Date, Astral will be required to record a provision for a contingent consideration related to a prior business acquisition, at its best estimate of fair value at this date, with a corresponding adjustment (before income taxes) to retained earnings. Management estimates that this additional consideration will be less than $10 million. Subsequent changes in estimates will be recorded in the statement of earnings.

Pursuant to its transition plan, the Company also analyzed most of the identified differences itemized in the preceding list. Significant accounting differences, between Canadian GAAP and IFRS, and preliminary estimated impacts, regarding recognition, measurement, presentation and disclosure for the items analyzed to date, are as follows:

Accounting Items	Significant Differences Identified
1. Employee Benefits	• Astral's accounting measurement date will be August 31 under IFRS while under Canadian GAAP the measurement date is June 30. • After the Effective Date, Astral will recognize its future pension plans' actuarial gains and losses through other comprehensive income with no impact on earnings, while under Canadian GAAP, the Company is using the corridor method to amortize actuarial gains and losses through earnings. • After the Effective Date, Astral will determine pension costs using a fair value of plan assets approach, while under Canadian GAAP, Astral is using a market-related value approach to determine the pension costs under which changes in fair value of the pension plans' assets are taken into account over a five-year period. • Additional disclosures will be required under IAS 19, including disclosure of employee benefits for key management personnel as required under IAS 24 – Related Party Transactions.
2. Income Taxes	• On and after the Effective Date, Astral will measure deferred tax assets and liabilities for indefinite-life intangible assets using the effective tax rates derived from the relevant tax structure, while under Canadian GAAP, Astral is using normal corporate income tax rates. This difference is estimated to reduce future income tax liabilities related to broadcast licences by approximately $90 million on the Effective Date. Such adjustment will be offset by an increase of opening retained earnings. • Additional disclosures will be required under IFRS such as explanations for the variation of the statutory income tax rate from one period to another. • All deferred tax balances will be classified as non-current.

3. Indefinite-life Intangible Assets and Impairment of Assets	• Under IFRS, indefinite-life intangible assets are not amortized; rather they are tested for impairment annually, as is the case under Canadian GAAP. Under previous Canadian GAAP (prior to Fiscal 2002), indefinite-life intangible assets were amortized. Therefore, previously recorded amortization of broadcast licences, prior to the Canadian GAAP accounting policy change, will be reversed at the Effective Date. Such reversal will increase the broadcast licences carrying value and retained earnings opening balance in the Television segment by $35 million. • Under IFRS, asset impairment testing will need to be performed at the Cash Generating Unit level ("CGU") where a CGU is determined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. This will result in performing impairment tests at a lower level than under Canadian GAAP, where aggregation of assets for impairment test purposes was permitted when certain criteria were met. This will impact Astral as it will need to perform its impairment tests at lower levels than is currently the case for goodwill, broadcast licences, property, plant and equipment, and other assets. This lower level for impairment testing could result in more frequent identification of impairment under IFRS, but of potentially lower values. • Under IFRS, with the exception of goodwill, any prior years' impairment losses could potentially be reversed if circumstances have changed. Canadian GAAP prohibits reversal of impairment losses. • Additional disclosures will be required under IFRS such as a description of cash-generating units, discount rate and other significant assumptions used by Management in performing impairment tests. • Astral is in the process of finalizing its impairment tests under IFRS as at the Effective Date.
4. Provisions	• Thresholds for recognition of provisions, including contingent liabilities are different under IFRS compared to Canadian GAAP. Such differences could impact the timing of when a provision should be recorded. • Under IFRS, an entity will need to recognize a provision for onerous contracts if the unavoidable costs of meeting the contractual obligations exceed the future economic benefits related to the contract. Except under certain circumstances, Canadian GAAP does not require an entity to record such provision. Management is currently reviewing its significant contracts to determine if there are any provisions for onerous contracts to be recorded as at the Effective Date under IFRS.

The above table of significant differences addresses only the items analyzed to date and should not be seen as exhaustive, and is subject to change following the completion of the second phase of the transition plan and potential modifications to IFRS prior to their adoption by the Company. As the Company assesses its IFRS requirements, adjustments to internal controls over financial reporting and disclosure controls and procedures will be needed, and new controls could be necessary.

The Company has secured the appropriate internal and external resources to complete the transition plan on a timely basis. Astral will also provide sufficient training sessions to all relevant resources. During the transition, Astral will monitor ongoing changes to IFRS and adjust the transition plan accordingly. Management is providing the Audit Committee with timely project status updates as well as indications, decisions and conclusions regarding IFRS options. Astral's transition status is currently on track with its implementation schedule calling for initial reporting under IFRS effective September 1, 2011. With the exception of the above mentioned quantified impacts, the adoption of IFRS standards is not currently expected to have a material impact on the Company's financial statements as of the Effective Date of the changeover.

As disclosed in the Capital Structure section, the Company is required to comply with certain financial ratios under the terms of its Facility. The Company does not believe that the implementation of IFRS analyzed to date will have a significant impact on those financial ratios. Additional disclosure on the impact of the adoption of IFRS on Astral's consolidated financial statements will be provided in future MD&As.

Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. The Ontario Securities Commission defines critical accounting estimates as those that require assumptions to be made about matters that are highly uncertain at the time the estimates are determined, and when the use of different reasonable estimates or changes to the accounting estimates would have a significant impact on a company's financial condition or results of operations. Based on this definition, the Company has identified the following critical accounting estimates:

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts to provide for the estimated potential losses that would result from amounts not recovered from customers. The allowance is reviewed periodically and is based on an analysis of specific significant accounts outstanding, the age of the receivable, customer credit worthiness, and historical collection experience.

Accrued Liabilities and Contingencies

Accrued liabilities, including those related to retroactive regulatory rulings, legal issues and other contingencies, are established on the basis of management's best estimate of the probable outcome and resolution of these matters. While management believes that these accrued liabilities are adequate, the use of different assumptions or estimates could have a significant impact on the Company's results of operations and financial condition.

Impairment of Assets

Long-lived assets, comprising property, plant and equipment and other intangible and non-current assets (excluding employee future benefits), are tested for impairment whenever there have been events or circumstances that indicate that their carrying value may not be recoverable. If the carrying value of a long-lived asset intended for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition, an impairment charge is recognized as depreciation or amortization expense on the consolidated statements of earnings, measured as any excess of the carrying value of the asset over its fair value.

Broadcast licences and goodwill are not amortized but are tested for impairment annually, or more frequently if events or circumstances indicate that it is more likely than not that their value might be impaired. The impairment test for broadcast licences consists of comparing their carrying amount to their fair value. An impairment charge, if any, representing the excess of the carrying amount over the fair value, is then recognized on the consolidated statements of earnings. The impairment test for goodwill is carried out in two steps. The first step consists of comparing the fair value of a reporting unit to its carrying value. When the fair value of a reporting unit exceeds its carrying amount, no impairment charge is recognized and the second step of this impairment test is not required. However, when the fair value is lower than the carrying value, the second step is required, and consists of allocating the fair value of the reporting unit to its identifiable assets and liabilities in order to determine the implied fair value of goodwill. If the carrying value of goodwill exceeds its implied fair value, an impairment charge representing the excess is then recognized on the consolidated statements of earnings. The Company uses the discounted future cash flows method to assess the fair value of its broadcast licences and reporting units. (see "Broadcast Licences and Goodwill" section).

Income Taxes

In the preparation of its consolidated financial statements, the Company is required to estimate income taxes in each of the jurisdictions in which it operates taking into consideration tax rules and regulations, interpretations and legislation that pertain to the Company's activities. The Company is also subject to audits from different tax authorities on an ongoing basis and the outcome of such audits could materially affect the amount of income tax payable or receivable recorded on its consolidated balance sheets and the income tax expense recorded on its consolidated statements of earnings. The Company has to estimate the outcome of such audits and it believes that it has sufficient amounts accrued for outstanding income tax matters based on all of the information that is currently available. In addition, the Company accounts for income taxes using the liability method. Under this method, future income tax assets and liabilities are determined by reference to the temporary differences between the carrying values and the tax basis of assets and liabilities. The future income tax assets and liabilities are measured using the income tax rates that are expected to apply when these differences are expected to be recovered or settled. Future income tax assets are recognized to the extent that realization of such assets is considered more likely than not. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in earnings in the period that includes the substantive enactment date of the change.

Employee Future Benefits

The Company has two voluntary defined benefit pension plans (the "Plan") which are no longer available to new employees. The Company ensures that contributions are sustained at a level sufficient to cover future benefits. Key assumptions include the discount rate, the expected long-term rate of return on Plan assets and the rate of salary escalation, all of which are disclosed in Note 16 to the audited consolidated financial statements for the year ended August 31, 2010.

In addition, the Company has a Supplementary Executive Retirement Plan (the "SERP") to provide supplemental pension benefits to certain key executives. The SERP is not funded, except in the case of a change of control of the Company, and benefits are paid as required. Key assumptions include the discount rate and the rate of salary escalation, all of which are disclosed in Note 16 to the audited consolidated financial statements for the year ended August 31, 2010.

The Company also has a non-pension post-retirement benefit plan, which provides health benefits and dental care to certain employees who were hired as part of the acquisition of the Standard Radio assets. Key assumptions include the discount rate, and the health and dental care cost trend rate, all of which are also disclosed in Note 16 to the audited consolidated financial statements for the year ended August 31, 2010.

The discount rate assumption used to calculate the present value of the Company's employee future benefits plans' projected benefit payments was determined using a measurement date of June 30, 2010 and is based on yields of long-term high-quality fixed income investments. The expected long-term rate of return on pension plan assets was obtained by calculating a weighted-average rate based on targeted asset allocations of the plans. The expected returns of each asset class are based on a combination of historical performance analysis and forward-looking views of the financial markets. The targeted asset allocation of the plans is generally 60% for equity and 40% for fixed income securities. The rate of salary escalation is used to project current plan earnings in order to estimate pension benefits at future dates. This assumption was determined on the basis of market data obtained from independent sources. The Company believes that the assumptions are reasonable based on information currently available, but changes to these assumptions could impact the employee future benefits expenses and obligations recognized in future periods.

Stock-based Compensation

The Company has an employee stock option plan, a restricted share unit plan and a deferred share unit plan, which are described in Note 9.c) to the audited consolidated financial statements for the year ended August 31, 2010. The Company accounts for stock-based compensation using the fair value method of accounting for stock options granted after September 1, 2003 and for all restricted share units granted. The intrinsic value method is used to account for deferred share units granted. Stock-based compensation costs are recorded in operating expenses on the consolidated statements of earnings, and credited to contributed surplus on the consolidated balance sheets for the stock option plan and the restricted share unit plan, and to accounts payable and accrued liabilities for the deferred share unit plan.

Inter-company and Related-party Transactions

Inter-company and related-party transactions and balances between companies and divisions owned by the Company are eliminated upon consolidation for subsidiaries and on a pro-rata basis for joint ventures. There are no other significant related-party transactions to report.

SUPPLEMENTARY MEASURES

In addition to discussing earnings measures in accordance with GAAP, this MD&A provides the following supplementary measures which are also factors used by management in monitoring and evaluating the performance of the Company and its business segments:

EBITDA (earnings before interest, taxes, depreciation and amortization) is provided to assist investors in determining the ability of the Company to generate cash flow from operating activities and to cover financial charges. Other items such as restructuring charges and the impairment of broadcast licences are excluded from earnings in the determination of EBITDA as they are not considered to be in the ordinary course of business. EBITDA is also an indicator widely used for business valuation purposes. EBITDA margin is defined as the ratio obtained by dividing EBITDA by revenues.

The following table reconciles GAAP measures disclosed in the consolidated statements of earnings for the periods ended August 31, 2010 and 2009 to EBITDA:

	3 months		12 months	
	2010	2009	**2010**	2009
(in thousands of $)		*(Restated)* [1]		*(Restated)* [1]
Earnings (loss) before income taxes	**50,534**	(338,308)	**251,517**	(173,885)
Impairment of broadcast licences	**–**	399,459	**–**	399,459
Depreciation and amortization	**7,793**	6,463	**30,832**	26,218
Interest expense, net	**5,995**	7,978	**26,307**	36,968
Restructuring charges	**–**	1,076	**–**	4,383
EBITDA	**64,322**	76,668	**308,656**	293,143

Earnings before income taxes, excluding impairment of broadcast licences. This measure provides an indication of the Company's ability to generate earnings and cash flows from its ongoing operations, by excluding the non-cash impairment of broadcast licences.

The following table reconciles GAAP measures disclosed in the consolidated statements of earnings for the periods ended August 31, 2010 and 2009 to earnings before income taxes, excluding impairment of broadcast licences:

	3 months		12 months	
	2010	2009	**2010**	2009
(in thousands of $)		*(Restated)* [1]		*(Restated)* [1]
Earnings (loss) before income taxes	**50,534**	(338,308)	**251,517**	(173,885)
Impairment of broadcast licences	**–**	399,459	**–**	399,459
Earnings before income taxes, excluding impairment of broadcast licences	**50,534**	61,151	**251,517**	225,574

(1) See "Restatement of Fiscal 2009 and 2008 Figures".

Net earnings and basic earnings per share before Copyright Board tariff increases, Part II licence fees accrual reversal, impairment of broadcast licences and future income tax recoveries. These measures provide an indication of the Company's ability to generate earnings and cash flows from its ongoing operations, by excluding the non-cash future income tax recovery or expense resulting from income tax rate changes, some regulatory charges over which the Company has no control, and the impact of the non-cash impairment of broadcast licences.

The following tables reconcile GAAP measures disclosed in the consolidated statements of earnings for the periods ended August 31, 2010 and 2009 to net earnings and basic earnings per share, before Copyright Board tariff increases, Part II licence fees accrual reversal, impairment of broadcast licences and future income tax recoveries:

	3 months		12 months	
	2010	2009	**2010**	2009
(in thousands of $)		*(Restated)* (1)		*(Restated)* (1)
Net earnings (net loss)	**38,401**	(273,232)	**185,142**	(162,255)
Copyright Board tariff increases, net of income taxes	**6,714**	–	**6,714**	–
Part II licence fees accrual reversal, net of income taxes	**–**	–	**(8,010)**	–
Impairment of broadcast licences	**–**	399,459	**–**	399,459
Future income tax recovery resulting from impairment of broadcast licences	**–**	(81,970)	**–**	(81,970)
Future income tax recovery resulting from income tax rate changes	**–**	–	**(8,397)**	–
Net earnings before Copyright Board tariff increases, Part II licence fees accrual reversal, impairment of broadcast licences and future income tax recoveries	**45,115**	44,257	**175,449**	155,234

	3 months		12 months	
	2010	2009	**2010**	2009
(in dollars)		*(Restated)* (1)		*(Restated)* (1)
Basic earnings (loss) per share	**0.68**	(4.86)	**3.28**	(2.89)
Copyright Board tariff increases, net of income taxes	**0.12**	–	**0.12**	–
Part II licence fees accrual reversal, net of income taxes	**–**	–	**(0.14)**	–
Impairment of broadcast licences	**–**	7.11	**–**	7.12
Future income tax recovery resulting from impairment of broadcast licences	**–**	(1.46)	**–**	(1.46)
Future income tax recovery resulting from income tax rate changes	**–**	–	**(0.15)**	–
Basic earnings per share, before Copyright Board tariff increases, Part II licence fees accrual reversal, impairment of broadcast licences and future income tax recoveries	**0.80**	0.79	**3.11**	2.77

(1) See "Restatement of Fiscal 2009 and 2008 Figures".

Cash flow from operations is defined as cash provided by operating activities before the additional pension plan contributions and the net change in non-cash operating items. This measure provides an indication of the Company's ability to generate cash flows without considering certain timing and other factors causing variations in non-cash operating items.

The following table reconciles GAAP measures disclosed in the consolidated statements of cash flows for the periods ended August 31, 2010 and 2009 to cash flow from operations:

	3 months		12 months	
	2010	2009	**2010**	2009
(in thousands of $)		*(Restated)* (1)		*(Restated)* (1)
Cash provided by operating activities	**46,451**	61,434	**182,737**	220,628
Additional pension plan contributions	**9,641**	–	**9,641**	–
Net change in non-cash operating items	**(2,775)**	567	**30,807**	(11,238)
Cash flow from operations	**53,317**	62,001	**223,185**	209,390

Cash used for investing activities, excluding net variation of short-term investments provides an indication of the Company's use of cash flows for the acquisition of long-term assets. Also, the Company does not consider the variation of short-term investments as investing activities as they can be cashed on demand to meet future financial obligations.

The following table reconciles GAAP measures disclosed in the consolidated statements of cash flows for the periods ended August 31, 2010 and 2009 to cash used for investing activities, excluding net variation of short-term investments:

	3 months		12 months	
	2010	2009	**2010**	2009
(in thousands of $)		*(Restated)* (1)		*(Restated)* (1)
Cash used for investing activities	**(29,625)**	(17,902)	**(69,950)**	(47,454)
Net variation of short-term investments	**–**	–	**–**	(9,962)
Cash used for investing activities, excluding net variation of short-term investments	**(29,625)**	(17,902)	**(69,950)**	(57,416)

The above supplementary measures do not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies.

(1) See "Restatement of Fiscal 2009 and 2008 Figures".

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. The Company's President and Chief Executive Officer and its Senior Vice-President and Chief Financial Officer are responsible for designing and maintaining the Company's disclosure controls and procedures ("DC&P"). They are assisted in this responsibility by the Disclosure Committee ("DC") which is composed of senior managers of the Company. The DC requires that it be fully apprised of any material information affecting the Company so that it may evaluate and discuss this information and determine the appropriateness and timing of its public information releases.

The President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer have supervised management's evaluation of the effectiveness of the Company's DC&P, as defined in National Instrument 52-109. As at August 31, 2010, they have concluded that the Company's DC&P are adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been known to them to ensure that such information required to be disclosed in the Company's filings is recorded, processed and reported on a timely basis.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management has designed internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with GAAP in its consolidated financial statements.

The President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company have supervised the evaluation of the design and effectiveness of the Company's ICFR, as per National Instrument 52-109 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in the document entitled Internal Control – Integrated Framework. Based on the evaluations, they have concluded that ICFR is adequate and effective to provide such reasonable assurance, as at August 31, 2010.

The President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer have also evaluated whether there were changes in the Company's ICFR in the quarter ended August 31, 2010, that have materially affected, or are reasonably likely to materially affect its ICFR. No such changes were identified through their evaluation. There were no material weaknesses identified in the evaluation of the design and effectiveness of DC&P and of ICFR.

Management's Responsibility for Financial Information

The accompanying consolidated financial statements of Astral Media Inc. and all the information in this Annual Report are the responsibility of management.

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

The Company has designed and maintains disclosure controls and procedures ("DC&P") as well as high quality systems of internal control over financial reporting ("ICFR") consistent with reasonable cost. Such controls are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Company's assets are appropriately accounted for and adequately safeguarded. As at August 31, 2010, the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company, after supervising and participating in the evaluation of the effectiveness of the Company's DC&P and ICFR, have concluded that they are adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been known to them and disclosed, that the Company's financial reporting is reliable and its consolidated financial statements are in compliance with GAAP.

The Board of Directors ("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 these responsibilities principally through the Audit Committee ("the Committee") which consists of four independent directors who are appointed by the Board and are also unrelated to the Company. The Committee meets periodically with management as well as with the independent external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the consolidated financial statements and the external auditors' report thereon and reports its findings to the Board for consideration when the Board approves the consolidated financial statements for issuance to the Company's shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors. The external auditors have full and free access to the Committee.

On behalf of the shareholders, the consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards. Their opinion is presented hereafter.

Ian Greenberg
President and Chief Executive Officer

Claude Gagnon, CA
Senior Vice-President and Chief Financial Officer

Montréal (Québec)
October 15, 2010

Auditors' Report

To the Shareholders of Astral Media Inc.

We have audited the consolidated balance sheets of Astral Media Inc. as at August 31, 2010 and 2009 and the consolidated statements of earnings, retained earnings, comprehensive income and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

Ernst & Young LLP

Ernst & Young LLP[1]
Chartered Accountants

Montréal (Québec)
October 15, 2010

(1) CA auditor permit no. 15859

Consolidated Balance Sheets

as at August 31

(in thousands of Canadian dollars)	Notes	2010	2009 *(Restated – see Note 1.c))*
ASSETS			
Current			
Cash		$ 11,545	$ 23,100
Accounts receivable	19	169,240	143,803
Program and film rights	3	106,084	81,298
Prepaid expenses and other current assets		29,451	27,904
		316,320	276,105
Program and film rights	3	65,923	72,466
Property, plant and equipment	4	179,938	151,637
Broadcast licences	5	1,413,059	1,408,037
Goodwill		356,945	356,945
Other intangible and non-current assets	6	79,362	50,894
Future income tax assets	13	66,005	79,522
		$ 2,477,552	$ 2,395,606
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 138,119	$ 138,771
Income taxes payable		16,654	12,191
Program and film rights payable		64,908	58,220
Future income tax liabilities	13	5,329	4,481
		225,010	213,663
Long-term debt	7	588,447	692,761
Future income tax liabilities	13	240,382	243,353
Program and film rights payable		12,668	6,955
Other non-current liabilities	8	62,302	58,312
Derivative financial instruments	19	9,699	22,377
		1,138,508	1,237,421
SHAREHOLDERS' EQUITY			
Capital stock	9	768,762	753,028
Contributed surplus	10	17,200	17,068
Retained earnings		560,119	404,198
Accumulated other comprehensive loss	11	(7,037)	(16,109)
		553,082	388,089
		1,339,044	1,158,185
		$ 2,477,552	$ 2,395,606

Commitments and contingencies (Note 15).
See accompanying notes.

On behalf of the Board:

Ian Greenberg

Ian Greenberg
Director

André Bureau
Director

Consolidated Statements of Earnings

for the years ended August 31

(in thousands of Canadian dollars except for per-share data)	Notes	2010	2009 *(Restated – see Note 1.c))*
Revenues		$ 960,959	$ 905,725
Operating expenses		652,303	612,582
		308,656	293,143
Depreciation		24,859	21,467
Amortization of intangible and non-current assets		5,973	4,751
Interest expense, net	12	26,307	36,968
Restructuring charges		–	4,383
		251,517	225,574
Impairment charge on broadcast licences	5	–	399,459
Earnings (loss) before income taxes		251,517	(173,885)
Income tax provision before undernoted	13	74,772	70,340
Future income tax recovery resulting from impairment charge on broadcast licences	5, 13	–	(81,970)
Future income tax recovery resulting from income tax rate changes	13	(8,397)	–
		66,375	(11,630)
Net earnings (net loss)		$ 185,142	$ (162,255)
Earnings (loss) per share	9		
– Basic		$ 3.28	$ (2.89)
– Diluted		$ 3.24	$ (2.89)

See accompanying notes.

Consolidated Statements of Cash Flows

for the years ended August 31

(in thousands of Canadian dollars)	Notes	2010	2009 *(Restated – see Note 1.c))*
Cash and cash equivalents provided by (used for):			
OPERATING ACTIVITIES			
Net earnings (net loss)		$ 185,142	$ (162,255)
Non-cash charges (credits):			
Part II licence fees accrual reversal	15	(11,552)	–
Stock-based compensation costs	9, 10	5,987	5,912
Depreciation and amortization		30,832	26,218
Imputed interest on other non-current liabilities	12	2,182	2,637
Amortization of deferred financing costs		686	687
Impairment charge on broadcast licences	5	–	399,459
Future income tax expense (recovery) net before undernoted	13	18,305	(63,268)
Future income tax recovery resulting from income tax rate changes	13	(8,397)	–
		223,185	209,390
Additional pension plan contributions	16	(9,641)	–
Net change in non-cash operating items	14	(30,807)	11,238
Cash provided by operating activities		182,737	220,628
INVESTING ACTIVITIES			
Short-term investments – cashed		–	9,962
Additions to property, plant and equipment		(53,646)	(48,374)
Additions to other intangible and non-current assets		(16,304)	(6,255)
Business acquisition, net of cash acquired		–	(2,787)
Cash used for investing activities		(69,950)	(47,454)
FINANCING ACTIVITIES			
Repayment of long-term debt	7	(105,000)	(120,000)
Shares repurchased	9	(1,610)	–
Stock options exercised	9	10,569	1,654
Dividends		(28,301)	(28,084)
Cash used for financing activities		(124,342)	(146,430)
Net change in cash		(11,555)	26,744
Cash (bank overdraft) – beginning of year		23,100	(3,644)
Cash – end of year		$ 11,545	$ 23,100

See accompanying notes and supplementary cash flow information (Note 14).

Consolidated Statements of Retained Earnings

for the years ended August 31

(in thousands of Canadian dollars)	Notes	2010	2009 *(Restated – see Note 1.c))*
Retained earnings – beginning of year (as previously reported)		$ 411,079	$ 597,188
Adjustment to the opening balance due to the adoption of an accounting policy	1	(6,881)	(2,651)
Retained earnings – beginning of year (as restated)		404,198	594,537
Net earnings (net loss) (August 31, 2009 – as previously reported)		185,142	(158,025)
Net impact of the adoption of an accounting policy	1	–	(4,230)
Net earnings (net loss) (August 31, 2009 – as restated)		185,142	(162,255)
Shares repurchased – excess of purchase price over carrying value	9	(920)	–
Dividends		(28,301)	(28,084)
Retained earnings – end of year (August 31, 2009 – as restated)		$ 560,119	$ 404,198

See accompanying notes.

Consolidated Statements of Comprehensive Income

for the years ended August 31

(in thousands of Canadian dollars)	Notes	2010	2009 *(Restated – see Note 1.c))*
Net earnings (net loss)		$ 185,142	$ (162,255)
Other comprehensive income (loss)			
Change in fair value of derivatives designated as cash flow hedges, net of income tax expense (recovery) of $3.6 million and ($1.2 million) respectively	11	9,072	(3,108)
Comprehensive income (loss)		$ 194,214	$ (165,363)

See accompanying notes.

Notes to Consolidated Financial Statements

for the years ended August 31, 2010 and 2009

Astral Media Inc. ("Astral" or the "Company") is incorporated under the *Canada Business Corporations Act* and its shares are traded on the Toronto Stock Exchange. Its activities consist primarily of specialty, pay and pay-per-view television broadcasting, radio broadcasting and out-of-home advertising.

1. Accounting Policies

a) Basis of Presentation

These consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates. These consolidated financial statements should be read in conjunction with the 2010 Management's Discussion and Analysis ("MD&A"). All amounts herein are expressed in Canadian dollars.

Certain comparative figures have been reclassified to conform with the basis of presentation adopted in Fiscal 2010.

b) Principles of Consolidation

The consolidated financial statements include the accounts of Astral Media Inc. and its wholly-owned subsidiaries, as well as its proportionate share of assets, liabilities, revenues, expenses and cash flows of joint ventures. All inter-company transactions and balances are eliminated on consolidation for subsidiaries and on a pro-rata basis for joint ventures.

c) Accounting Changes

Effective September 1, 2009, the Company adopted, retroactively with restatement of prior period amounts, the following Canadian Institute of Chartered Accountants' ("CICA") recommendations:

> Section 3064, *Goodwill and Intangible Assets*, which replaced Section 3062, *Goodwill and Other Intangible Assets*, Section 3450, *Research and Development* and EIC-27, *Revenues and Expenditures during the Pre-operating Period*. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

Following the adoption of Section 3064, the Company reclassified the net carrying value of computer software that met the definition of intangible assets from property, plant and equipment to other intangible and non-current assets on the consolidated balance sheets. The amortization expense related to these assets previously disclosed in depreciation was reclassified as amortization of intangible and non-current assets on the consolidated statements of earnings. The Company also wrote off start-up and business pre-operating costs and related future income tax liabilities through opening retained earnings. Net earnings for the year ended August 31, 2009 were restated to recognize business pre-operating costs of new services as operating expenses, to eliminate the amortization of business pre-operating costs and to reverse the future income tax expense related to such business pre-operating costs in the consolidated statement of earnings.

Following the adoption of Section 3064, cumulative adjustments to the consolidated balance sheet as at August 31, 2009 and to the consolidated statements of earnings and cash flows for the year then ended are summarized as follows:

Balance Sheet

(in thousands)	As at August 31, 2009 *increase / (decrease)*
Prepaid expenses and other current assets	$ (369)
Property, plant and equipment	(7,323)
Other intangible and non-current assets	(1,934)
	$ (9,626)
Future income tax liabilities	$ (2,745)
Retained earnings	(6,881)
	$ (9,626)

Statement of Earnings

(in thousands except for per-share data)	Year ended August 31, 2009 *increase / (decrease)*
Operating expenses	$ 7,236
Depreciation	(3,297)
Amortization of intangible and non-current assets	1,995
Loss before income taxes	(5,934)
Income tax recovery	(1,704)
Net loss	$ (4,230)
Loss per share	
– Basic	$ (0.07)
– Diluted	$ (0.07)

1. Accounting Policies (continued)

Statement of Cash Flows

(in thousands)	Year Ended August 31, 2009 *increase / (decrease)*
Operating activities	
Net loss	$ (4,230)
Depreciation and amortization	(1,302)
Future income tax expense	(1,704)
	(7,236)
Net change in non-cash operating items	203
Cash provided by operating activities	(7,033)
Investing activities	
Additions to property, plant and equipment	2,930
Additions to other intangible and non-current assets	4,103
Cash used for investing activities	7,033
Net change in cash	$ –

Following the adoption of Section 3064, the opening consolidated retained earnings balance as at September 1, 2008 was reduced by $2.7 million.

d) Revenue Recognition

The Company earns revenue from several sources. Revenue recognition policies are as follows:

i) Monthly wholesale fees charged to distributors in connection with specialty and pay-television subscriptions are recorded as revenue on a pro-rata basis over the month;

ii) Advertising revenue is recorded in the months that advertising airs on the Company's radio and television stations or appears on the Company's advertising panels, street furniture equipment and web sites; and,

iii) Revenue from pay-per-view television sales and other transactional sales is recorded as the services or products are provided.

e) Financial Instruments

The Company uses the following classifications and policies with respect to the recognition and measurement of financial instruments:

i) Cash is classified as "Financial Assets Held for Trading". This financial asset is marked to market through the consolidated statements of earnings at each period end.

ii) Accounts receivable are classified as "Loans and Receivables". After their initial fair value measurement, these financial assets are measured at amortized cost using the effective interest rate method through the consolidated statements of earnings.

iii) Accounts payable and accrued liabilities, short-term and long-term program and film rights payable, long-term debt and certain other non-current liabilities are classified as "Other Financial Liabilities". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method through the consolidated statements of earnings.

iv) Transaction costs, other than those related to financial assets and liabilities held for trading, if any, are added to the carrying amounts of the related financial assets and liabilities on the consolidated balance sheets.

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement:

i) Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

ii) Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other industry standard valuation techniques derived from observable market inputs.

iii) Level 3: This level includes valuations based on inputs which are less observable, unavailable, or where the observable data does not support a significant portion of the instruments' fair value.

f) Hedge Accounting

In accordance with its risk management strategy (see Note 19.a)i)), the Company uses derivative financial instruments to manage its interest rate exposures in connection with its bank credit facility (see Note 7). As at August 31, 2010 and 2009, the derivative financial instrument consisted of an interest-rate swap agreement. The Company has elected to apply hedge accounting to this agreement and treats this derivative financial instrument as a cash flow hedge. Under cash flow hedge accounting, derivative financial instruments are marked to market at each period end and unrealized gains or losses are recognized in the consolidated statements of comprehensive income to the extent the hedging relationship is effective. Net payments due or receivable in connection with the derivative financial instruments are recorded as adjustments to interest expense on long-term debt in the consolidated statements of earnings.

The Company formally documents and assesses the nature of any relationship between a hedging instrument and a hedged item, both at the hedge's inception and on an ongoing basis. The Company also documents and assesses whether a derivative financial instrument that is used in a hedging transaction is effective in offsetting changes in the fair value or cash flows of a hedged item. The Company does not use derivative financial instruments for trading or speculative purposes.

A hedging relationship is terminated if the hedge ceases to be effective, at which time any unrealized gain or loss on the derivative financial instrument is recognized in the consolidated statements of earnings over the period ending when the related hedged item ceases to exist. Subsequently, the related derivative financial instrument is recorded at fair value on the consolidated balance sheets and changes in its fair value are recognized in the consolidated statements of earnings.

g) Earnings (Loss) per Share

Basic earnings (loss) per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted earnings per share amounts are calculated under the treasury stock method, using the weighted average number of shares that would have been outstanding had the relevant outstanding dilutive securities been exercised or converted at the beginning of the year, or at their respective grant dates, if later. The "if-converted" method is used with regards to the Company's Special shares (see Note 9), under which such shares are assumed to have been converted to Class B subordinate voting shares at the beginning of the year.

1. Accounting Policies (continued)

h) Program and Film Rights

Program and film rights are purchased on a fixed or variable 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 asset is classified as either a current or non-current asset based on the availability period. The related liability is classified as either current or non-current based on contract payment terms. The cost of fixed program and film rights is expensed over the lesser of the availability period and a maximum period that varies depending upon the type of program, generally ranging from 12 to 60 months. Program rights acquired on a variable cost basis are not capitalized and their cost is determined and expensed over their contracted exhibition period, on the basis of the average number of subscribers to the network exhibiting the program and of other contractual terms.

Investments in programs and films to be produced by a third party are recorded as the Company's obligations are incurred, and are carried at the lower of cost and estimated net realizable value.

Any impairment charges are recorded as operating expenses on the consolidated statements of earnings.

i) Property, Plant and Equipment

Property, plant and equipment are recorded at cost and are depreciated on a straight-line basis over their estimated useful life which is as follows:

Buildings	30 years
Out-of-home advertising equipment	7 to 20 years
Equipment, furniture and fixtures	3 to 10 years
Computer hardware	3 to 6 years

Leasehold improvements are depreciated on a straight-line basis over the remaining term of the related leases.

Street furniture equipment is depreciated on a straight-line basis over the lesser of its estimated useful life and the remaining term of the related contract.

j) Asset Retirement Obligations

The Company records a liability for an asset retirement obligation related to the lease of an out-of-home advertising site or of office premises when it is committed to return the site or the premises to their original state. The associated asset retirement costs are capitalized as part of the carrying value of the related property, plant and equipment, and subsequently depreciated, while the liability is accreted to its total amount. For the years ended August 31, 2010 and 2009, the depreciation and accretion expenses related to the asset retirement obligations are not significant and are included in depreciation and operating expenses respectively on the consolidated statements of earnings.

k) Broadcast Licences and Goodwill

The cost of acquiring businesses is allocated to the fair value of the net identifiable tangible and intangible assets acquired. Identifiable indefinite-life intangible assets acquired consist primarily of the Company's broadcast licences. The excess of the cost of the acquired businesses over the fair value of the net identifiable tangible and intangible assets acquired is allocated to goodwill.

l) Other Intangible and Non-current Assets

Other intangible and non-current assets are all externally purchased and include capitalized amounts related to out-of-home advertising license fees and rights, computer software, trademarks, customer relationships and other miscellaneous long-term prepaid expenses.

Out-of-home advertising license fees related to a contract with the City of Toronto (the "City") are amortized over the 20-year term of the contract, on the basis of the minimum amounts guaranteed to be paid annually to the City which reflects the pattern of the estimated economic benefits to be earned by the Company under the terms of the contract. Other out-of-home advertising license fees and rights are amortized on a straight-line basis over the term of their related contracts.

Computer software, trademarks and customer relationships are amortized on a straight-line basis over periods ranging between three and ten years.

Other long-term prepaid expenses are amortized on a straight-line basis over the term of their related contractual arrangements.

m) Impairment of Assets

i) Long-lived assets, comprising property, plant and equipment and other intangible and non-current assets (excluding employee future benefits), are tested for impairment whenever there have been events or circumstances that indicate that their carrying value may not be recoverable. If the carrying value of a long-lived asset intended for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition, an impairment charge is recognized as depreciation or amortization expense on the consolidated statements of earnings, measured as any excess of the carrying value of the asset over its fair value.

ii) Broadcast licences and goodwill are not amortized but are tested for impairment annually, or more frequently if events or circumstances indicate that it is more likely than not that their value might be impaired. The impairment test for broadcast licences consists of comparing their carrying amount to their fair value. An impairment charge, if any, representing the excess of the carrying amount over the fair value, is then recognized on the consolidated statements of earnings. The impairment test for goodwill is carried out in two steps. The first step consists of comparing the fair value of a reporting unit to its carrying value. When the fair value of a reporting unit exceeds its carrying amount, no impairment charge is recognized and the second step of this impairment test is not required. However, when the fair value is lower than the carrying value, the second step is required, and consists of allocating the fair value of the reporting unit to its identifiable assets and liabilities in order to determine the implied fair value of goodwill. If the carrying value of goodwill exceeds its implied fair value, an impairment charge representing the excess is then recognized on the consolidated statements of earnings. The Company uses the discounted future cash flows method to assess the fair value of its broadcast licences and reporting units.

   In the fourth quarter of Fiscal 2010, the Company tested its broadcast licences and goodwill for impairment and concluded that no provision for impairment of broadcast licences or goodwill was required. In the fourth quarter of Fiscal 2009, the Company recorded an impairment charge of $399.5 million ($317.5 million, net of a future income tax recovery of $82.0 million, or a net loss of $5.66 per share) related to its Radio broadcast licences (see Note 5), while no provision for impairment of goodwill related to its three business segments, nor for its Television broadcast licences was required for the year ended August 31, 2009.

1. Accounting Policies (continued)

n) Deferred Financing Costs

Deferred financing costs are amortized over the term of the related bank credit agreement using the effective interest rate method, and such amortization is recorded as interest expense on the consolidated statements of earnings.

o) Income Taxes

The Company accounts for income taxes using the liability method. Under this method, future income tax assets and liabilities are determined by reference to the temporary differences between the carrying values and the tax basis of assets and liabilities. The future income tax assets and liabilities are measured using the income tax rates that are expected to apply when these differences are expected to be recovered or settled. Future income tax assets are recognized to the extent that realization of such assets is considered more likely than not. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in earnings in the period that includes the substantive enactment date of the change.

p) Employee Future Benefits

The Company has two voluntary defined benefit pension plans (the "Plan"), which are no longer available to new employees, and a non-pension post-retirement benefit plan (the "NPPR") which provides health benefits and dental care to certain employees who were hired before January 1, 2002. In addition, the Company also has a Supplementary Executive Retirement Plan (the "SERP") to provide supplemental pension benefits to certain key executives. For the purpose of calculating the expected return on Plan assets, these assets are valued using a market-related value approach under which changes in the fair value of the Plan's assets are taken into account over a five-year period. The cost of pensions earned by employees is actuarially determined using the projected unit credit cost method for the Plan and for the SERP, and the projected benefit method prorated on services for the NPPR, and management's best estimates of expected Plan investment performance, salary escalation, retirement ages of employees and expected health care and dental costs. The Company uses the corridor method to amortize actuarial gains or losses over the average remaining service life of active employees. Under the corridor method, amortization is recorded only if, at the beginning of the fiscal year, the accumulated unamortized net actuarial gains or losses exceed 10% of the greater of the accrued pension benefit obligation and the value of the pension plan assets.

Defined contribution components of the Plan are also available to all employees hired on or after December 1, 2005. The pension expense related to these defined contribution components consists of the contribution paid by the Company for services rendered by the employees during the period.

Pension expenses related to all of the above plans are included in operating expenses on the consolidated statements of earnings.

q) Stock-based Compensation

The Company has an employee stock option plan, a restricted share unit plan and a deferred share unit plan, which are described in Note 9.c). The Company accounts for stock-based compensation using the fair value method of accounting for stock options granted after September 1, 2003 and for all restricted share units granted. The intrinsic value method is used to account for deferred share units granted. Stock-based compensation costs are recorded in operating expenses on the consolidated statements of earnings, and credited on the consolidated balance sheets to contributed surplus for the stock option plan and the restricted share unit plan, and to accounts payable and accrued liabilities for the deferred share unit plan.

r) Future Accounting Changes

The Company believes that the future adoption of the following CICA recommendations will have an impact on the Company's future financial statements:

i) Section 1582, *Business Combinations*, was issued and replaces Section 1581, *Business Combinations*. This new section establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. It requires the acquiring entity in a business combination to recognize most of the assets acquired and liabilities assumed in the transaction at their acquisition-date fair values including non-controlling interests and contingent considerations. Subsequent changes in the fair value of contingent considerations classified as liabilities are to be recognized in earnings. Acquisition-related costs and restructuring costs are also to be expensed as incurred rather than capitalized as a component of the business combination. In addition, any previously unrecognized future tax assets, related to the acquiree and created subsequent to the business combination, are to be recognized in earnings rather than as a reduction of goodwill.

ii) Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests*, were issued and together replace Section 1600, *Consolidated Financial Statements*. These new sections establish standards for the preparation of consolidated financial statements and for the accounting of a non-controlling interest in a subsidiary in the consolidated financial statements subsequent to a business combination.

The Company is required to apply Sections 1582, 1601 and 1602 prospectively as of September 1, 2011. Section 1582 is the Canadian equivalent to International Financial Reporting Standard IFRS 3 (R), *Business Combinations*. Section 1602 is the Canadian equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, *Consolidated and Separate Financial Statements*. Any effects on the Company's financial results of future periods will depend on the nature and significance of business combinations that are subject to these sections.

2. Joint Ventures

The Company's significant investments in joint ventures are as follows as at August 31:

	Percentage Owned 2010	2009
Viewer's Choice Canada Inc.	50.1	50.1
Historia & Séries+, S.E.N.C.	50	50
TELETOON Canada Inc.	50	50

The following is a summary of the Company's proportionate share of the financial position, results of operations and cash flows from operating, investing and financing activities of the joint ventures included in the consolidated financial statements:

(in thousands)	2010	2009 *(Restated – see Note 1.c))*
Cash	$ 6,071	$ 4,599
Other current assets	28,423	25,675
Non-current assets	28,765	33,502
Current liabilities	(21,128)	(24,449)
Non-current liabilities	(863)	(1,078)
Net assets	$ 41,268	$ 38,249

(in thousands)	2010	2009 *(Restated – see Note 1.c))*
Revenues	$ 68,547	$ 62,293
Operating expenses	32,452	30,353
Depreciation and amortization	115	122
Interest expense (income), net	39	(20)
Income tax provision	7,204	6,711
Net earnings	$ 28,737	$ 25,127
Cash provided by operating activities	$ 25,071	$ 22,534
Cash used for investing activities	$ (79)	$ (183)
Cash used for financing activities	$ –	$ –

3. Program and Film Rights

As at August 31, 2010, total program and film rights recorded on the consolidated balance sheet amounted to $172.0 million ($153.8 million as at August 31, 2009), including $23.6 million of investments in programs and films ($18.1 million as at August 31, 2009).

For the year ended August 31, 2010, the expense for program and film rights recorded in operating expenses on the consolidated statement of earnings amounted to $196.9 million ($183.9 million for the year ended August 31, 2009), including $9.2 million for the write-down of investments in programs and films ($8.6 million for the year ended August, 31, 2009).

4. Property, Plant and Equipment

	2010		2009	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
(in thousands)			*(Restated – see Note 1.c))*	
Land and buildings	$ 15,148	$ 1,318	$ 15,350	$ 953
Out-of-home equipment	139,511	42,962	114,842	35,770
Equipment, furniture and fixtures	107,267	67,822	96,913	59,581
Computer hardware	29,783	20,606	24,735	15,128
Leasehold improvements	39,915	18,978	28,073	16,844
Total	$ 331,624	$ 151,686	$ 279,913	$ 128,276
Net book value	$ 179,938		$ 151,637	

5. Broadcast Licences

The changes in broadcast licences are summarized as follows:

	2010	2009
(in thousands)		
Beginning of year	$ 1,408,037	$ 1,807,496
Addition	5,022	–
Impairment charge	–	(399,459)
End of year	$ 1,413,059	$ 1,408,037

During the third quarter of Fiscal 2010, the Company recorded a broadcast licence addition of $5.0 million related to spending obligations under the conditions of a licence granted by the Canadian Radio-television and Telecommunications Commission ("CRTC") to operate a radio station in the Ottawa market launched in May 2010.

5. Broadcast Licences (continued)

During the fourth quarter of Fiscal 2009, the Company tested its broadcast licences for impairment using the discounted future cash flows method. The test was based on assumptions comprising, amongst others, management's best estimates of projected operating earnings, discount rate, expected terminal growth rate of operating earnings and future capital expenditures. The economic environment at that time and the ensuing decline of advertising revenue had resulted in a decrease in the fair value of the Company's Radio broadcast licences. Consequently, in the fourth quarter of Fiscal 2009, the Company recorded an impairment charge of $399.5 million ($317.5 million, net of future income tax recovery of $82.0 million, or a net loss of $5.66 per share). This impairment charge related entirely to the Radio segment.

6. Other Intangible and Non-current Assets

	2010		2009	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
(in thousands)			*(Restated – see Note 1.c))*	
Employee future benefits (Note 16)	$ 15,200	$ –	$ 7,025	$ –
Out-of-home advertising license fees and rights	39,648	854	29,287	324
Computer software	36,924	22,268	24,876	17,554
Trademarks	5,050	885	5,050	420
Customer relationships	1,791	1,126	1,791	768
Other	7,838	1,956	3,501	1,570
Total	$ 106,451	$ 27,089	$ 71,530	$ 20,636
Net book value	$ 79,362		$ 50,894	

7. Credit Facilities

The components of the Company's long-term debt are as follows:

	2010	2009
(in thousands)		
One-month bankers' acceptances	$ 589,300	$ 694,600
Canadian prime rate loans	700	400
Deferred financing costs	(1,553)	(2,239)
Long-term debt	$ 588,447	$ 692,761

On October 29, 2007, the Company established a $1.0 billion credit facility on an unsecured basis (the "Facility") with a syndicate of financial institutions, which was reduced to $765.0 million as at August 31, 2010 following repayments. The Facility has a five-year term which started on October 29, 2007 and borrowings under the Facility can be in the form of bankers' acceptances, Canadian prime-rate loans, US base-rate loans or LIBOR loans, and bear interest accordingly, plus a premium based on certain financial ratios. In order to manage the interest-rate risk exposures related to the Facility, the Company entered into an interest-rate swap agreement covering part of its long-term debt (see Note 19.a)i)).

As at August 31, 2010, total borrowings under the Facility amounted to $590.0 million ($695.0 million as at August 31, 2009), excluding $19.3 million of outstanding letters of credit ($19.3 million as at August 31, 2009), bearing a weighted-average interest rate of 3.4% (3.8% as at August 31, 2009), after reflecting the effect of the interest-rate swap agreement. It also has a prepayment option without penalty that can be exercised at any time during the term of the Facility, and it has no repayment obligation prior to its maturity date of October 29, 2012.

Under the terms of the Facility, the Company is required to comply with certain covenants and financial ratios, and has always been in compliance with these since the establishment of the Facility.

The Company's joint ventures have additional operating revolving credit facilities of $4.5 million (at Astral's proportionate share), which were not used as at August 31, 2010 and 2009.

8. Other Non-current Liabilities

(in thousands)	**2010**	2009
Amounts payable under conditions of CRTC licence acquisitions	**$ 31,266**	$ 35,258
Employee future benefits (Note 16)	**16,619**	15,880
Amounts payable under out-of-home advertising license fees and rights	**4,650**	–
Amounts payable under software license fees	**3,700**	–
Asset retirement obligations	**3,136**	2,950
Other non-current liabilities	**2,931**	4,224
	$ 62,302	$ 58,312

The current portion of amounts payable under conditions of CRTC licence acquisitions, of amounts payable under out-of-home advertising license fees and rights, of amounts payable under software license fees and of other non-current liabilities are included in accounts payable and accrued liabilities on the consolidated balance sheets.

9. Capital Stock

a) Authorized

An unlimited number of Class A non-voting shares ("Class A shares").

An unlimited number of Class B subordinate voting shares ("Class B shares"), entitled to one vote each and exchangeable for Class A shares on a one-for-one basis.

65,000, 5% non-cumulative Special shares ("Special shares"), entitled to ten votes each and convertible on the basis of two Class B shares for each Special share.

In order to ensure compliance with Federal Government directions, the *Broadcasting Act* and regulations governing specialty, pay and pay-per-view television services and radio stations (the "Regulations"), the Company has imposed restrictions on the issuance, transfer and, if applicable, voting of the Company's shares. Pursuant to such restrictions, the Company can prohibit the issuance of shares or refuse to register the transfer of shares or, if applicable, prohibit the voting of shares in circumstances that would or could adversely affect the ability of the Company and its affiliates to obtain, maintain, renew or amend any licence required to carry on any business of the Company and its affiliates, under the provisions of the Regulations, including a licence to carry on a broadcasting undertaking, or to comply with such provisions or with those of any such licence.

b) Issued and Outstanding Capital Stock

	2010		2009	
	Number of shares outstanding	Carrying value of shares	Number of shares outstanding	Carrying value of shares
(in thousands except for number of shares)				
Class A shares:				
Beginning of year	**53,388,843**	**$ 749,980**	53,200,874	$ 745,070
Conversion of Class B shares	**26,000**	**25**	3,000	3
Stock options exercised (Notes 9.c) and 10)	**416,031**	**12,217**	79,469	1,671
Conversion of restricted share units (Notes 9.c) and 10)	**105,800**	**4,207**	105,500	3,236
Shares repurchased (Note 9.g))	**(48,800)**	**(690)**	–	–
End of year	**53,887,874**	**765,739**	53,388,843	749,980
Class B shares:				
Beginning of year	**2,784,672**	**2,723**	2,787,672	2,726
Conversion to Class A shares	**(26,000)**	**(25)**	(3,000)	(3)
End of year	**2,758,672**	**2,698**	2,784,672	2,723
Special shares	**65,000**	**325**	65,000	325
		$ 768,762		$ 753,028

c) Stock Option Plan, Restricted Share Unit Plan and Deferred Share Unit Plan

Under the provisions of the Company's employee stock option plan, the Company may grant options to key employees to purchase a maximum number of Class A shares equal to 10% of the aggregate number of outstanding Class A and Class B shares on a non-diluted basis, when combined with the number of shares reserved for issuance under the Company's other stock-based compensation arrangements (the "Rolling maximum"). The option exercise price is set at the closing price for the Class A shares on the Toronto Stock Exchange on the last business day before the date on which the options are granted. Under the stock option plan, approximately 30% of the stock options vest progressively over four years from the date of grant for options granted on or after September 1, 2003 (five years for options granted up to August 31, 2003) and approximately 70% vest on the basis of the level of achievement of certain financial performance targets measured over a period of three fiscal years beginning with the fiscal year of their grant. During Fiscal 2010, the Company extended the term of the 674,130 outstanding stock options granted to non-insider employees between December 13, 2004 and December 12, 2008, from five to seven years (see Note 9.d)). Options have a term ranging from 5 to 10 years.

Under the Company's restricted share unit plan, restricted share units ("RSUs") can be granted to key employees as part of their long-term compensation program. RSUs are granted without any monetary consideration being payable to the Company, and their vesting is entirely based on the level of achievement of certain financial performance targets measured over a period of three fiscal years beginning with the fiscal year of their grant. Upon vesting, each RSU is convertible into one fully paid Class A share issued from treasury, up to a maximum number of Class A shares equal to 20% of the Rolling maximum, without any further monetary consideration payable to the Company in respect thereof.

Under the Company's deferred share unit plan, deferred share units ("DSUs") can be granted to key employees as part of their long-term compensation program, and to the Company's directors as consideration for their compensation entitlements. A DSU is a phantom share of the Company with the same value as a Class A share. It is converted and its value is paid in cash to the holder following termination of employment or Board service, such value determined on the basis of the market value of Class A shares on the date of payment. No shares are required to be reserved under the Company's deferred share unit plan. For key employees, DSUs vest entirely on the basis of the level of achievement of certain financial performance targets measured over a period of three fiscal years beginning with the fiscal year of their grant, while for directors, DSUs are fully vested upon grant.

The compensation costs related to these plans are disclosed in Note 9.d).

The status of the Company's employee stock option plan as at August 31 is summarized as follows:

	2010		2009	
	Number of options outstanding	Weighted average exercise price ($)	Number of options outstanding	Weighted average exercise price ($)
Beginning of year	**3,154,763**	**27.83**	3,104,096	28.55
Granted	**386,052**	**31.89**	371,892	20.98
Exercised	**(416,031)**	**25.40**	(79,469)	20.80
Cancelled	**(17,808)**	**30.48**	(23,917)	36.80
Expired	**(5,901)**	**37.31**	(217,839)	28.00
End of year	**3,101,075**	**28.63**	3,154,763	27.83
Exercisable – end of year	**2,090,929**	**27.14**	2,217,730	25.43

9. Capital Stock (continued)

The following table summarizes information relating to the outstanding stock options:

Range of exercise prices ($)	Number of options outstanding at August 31, 2010	Weighted average remaining life (years)	Weighted average exercise price ($)	Number of options exercisable at August 31, 2010	Weighted average exercise price ($)
20.98 – 30.00	1,788,604	2.12	23.06	1,456,348	23.53
30.01 – 43.76	1,312,471	3.36	36.22	634,581	35.43
20.98 – 43.76	3,101,075	2.64	28.63	2,090,929	27.14

The status of the Company's restricted share unit plan as at August 31 is summarized as follows:

	2010	2009
Number of units:		
Outstanding – beginning of year	303,800	329,800
Granted	87,600	79,500
Converted to Class A shares	(105,800)	(105,500)
Cancelled	(2,800)	–
Outstanding – end of year	282,800	303,800

The status of the Company's deferred share unit plan as at August 31 is summarized as follows:

	2010	2009
Number of units:		
Outstanding – beginning of year	71,371	37,562
Granted	42,521	33,809
Cashed	(3,395)	–
Outstanding – end of year	110,497	71,371

d) Stock-based Compensation Costs

During the second quarter of Fiscal 2010, the Company granted 386,052 options to key employees to purchase Class A shares of the Company (371,892 options to purchase Class A shares were granted in the second quarter of Fiscal 2009). The fair value of options granted was determined using the Black-Scholes option pricing model and the following assumptions:

	Fiscal 2010 Grant	Fiscal 2009 Grant
Assumptions:		
Risk-free interest rate	**2.30%**	2.15%
Expected volatility in the market price of the shares	**20.60%**	24.60%
Expected dividend yield	**1.57%**	2.38%
Expected life	**5.5 years**	4.5 years
Fair value per option:	**$6.02**	$3.66

The extension of the term of the 674,130 options granted to non-insider employees between December 13, 2004 and December 12, 2008 (see Note 9.c)) increased the fair value of such options by a range of $0.26 to $4.05 per option resulting, for the year ended August 31, 2010, in an additional stock-based compensation expense of $0.6 million.

During the second quarter of Fiscal 2010, the Company also granted 87,600 RSUs to key employees (79,500 RSUs were granted in the second quarter of Fiscal 2009). The fair value of the RSUs granted is $31.86 per unit ($20.75 per unit in Fiscal 2009) which is equal to the market price of a Class A share of the Company at the time of the grant.

The compensation costs related to stock options and RSUs granted to employees are recorded in operating expenses on the consolidated statements of earnings, over their expected vesting period for stock options, and over a three-year vesting period for RSUs. Such compensation costs are credited to contributed surplus on the consolidated balance sheets. For the year ended August 31, 2010, these stock-based compensation costs amounted to $6.0 million ($5.9 million for the year ended August 31, 2009) (see Note 10).

For the year ended August 31, 2010, the compensation costs related to the Company's deferred share unit plan amounted to $1.8 million ($1.0 million for the year ended August 31, 2009) and are recorded in operating expenses on the consolidated statements of earnings.

e) Employee Share Purchase Plan

The Company's employee share purchase plan provides employees with an opportunity to acquire Class A shares through salary deductions, subject to a maximum of 10% of their annual salary. The Company contributes an amount equal to 20% of the employees' contributions towards the purchase of the shares. For the years ended August 31, 2010 and 2009, the Company's contributions are not significant and are recorded in operating expenses on the consolidated statements of earnings. Shares are acquired on the open market and the price paid for the shares is determined at the end of each month, based on the average price of all shares purchased by the plan's custodian during the month.

9. Capital Stock (continued)

f) Earnings (Loss) per Share

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

(in thousands)	2010	2009 *(Restated – see Note 1.c))*
Net earnings (net loss) (numerator)	$ 185,142	$ (162,255)
Weighted average number of shares outstanding (denominators):		
Weighted average number of shares outstanding – basic	56,471	56,100
Effect of dilutive securities	696	–
Weighted average number of shares outstanding – diluted	57,167	56,100

For the year ended August 31, 2010, 381,239 stock options were excluded from the computation of diluted earnings per share due to their anti-dilutive effect (given the consolidated net loss incurred by the Company for the year ended August 31, 2009, all dilutive securities were excluded from the computation of diluted loss per share due to their anti-dilutive effect).

g) Normal Course Issuer Bids

On December 9, 2008, the Company announced a renewal of its normal course issuer bid. Under the terms of this renewal, the Company is authorized to repurchase for cancellation up to 2,665,620 Class A shares and 139,234 Class B shares, both quantities representing no more than 5% of the outstanding shares as at November 30, 2008 for their respective class of shares. The share repurchase program was conducted over a maximum period of 12 months which ended on December 14, 2009.

On December 9, 2009, the Company announced a further renewal of its normal course issuer bid. Under the terms of this renewal, the Company is authorized to repurchase for cancellation up to 1,338,192 Class A shares and 69,616 Class B shares, both quantities representing no more than 2.5% of the outstanding shares as at November 30, 2009 for their respective class of shares. The share repurchase program is being conducted over a maximum period of 12 months which began on December 15, 2009.

For the year ended August 31, 2010, the Company repurchased a total of 48,800 Class A shares for a total cash consideration of $1.6 million. The cash consideration exceeded the carrying value of the shares by $0.9 million, which amount was charged to retained earnings. For the year ended August 31, 2009, the Company did not repurchase any Class A or Class B shares.

10. Contributed Surplus

The following table summarizes the changes in the Company's contributed surplus:

(in thousands)	2010	2009
Beginning of year	$ 17,068	$ 14,409
Stock-based compensation costs (Note 9.d))	5,987	5,912
Stock options exercised	(1,648)	(17)
Restricted share units converted to Class A shares (Note 9.b))	(4,207)	(3,236)
End of year	$ 17,200	$ 17,068

11. Accumulated Other Comprehensive Loss

The following table summarizes the changes in the Company's accumulated other comprehensive loss:

(in thousands)	2010	2009
Beginning of year	$ (16,109)	$ (13,001)
Other comprehensive income (loss) for the year (net of income tax expense (recovery) of $3.6 million and ($1.2 million) respectively)	9,072	(3,108)
End of year	$ (7,037)	$ (16,109)

12. Interest and Financial Expenses

(in thousands)	2010	2009
Interest expense on long-term debt	$ 6,659	$ 16,295
Interest expense related to swap agreement, net	16,076	16,960
Imputed interest on other non-current liabilities	2,182	2,637
Other interest expense and financing costs, net	1,390	1,076
	$ 26,307	$ 36,968

13. Income Taxes

On November 16, 2009, the Ontario government substantively enacted a progressive decrease of its general corporate income tax rate from 14.0% to 10.0%, to be phased in between July 1, 2010 and July 1, 2013. Upon each enacted rate change, over which the Company has no control, the Company is required to re-measure its future income tax assets and liabilities using the newly enacted corporate income tax rates, taking into account the rates anticipated to be in effect when the respective future income tax assets are realized or liabilities are settled. During the first quarter of Fiscal 2010, this resulted in a non-cash future income tax recovery of $8.4 million ($0.15 per share) recorded in the consolidated statement of earnings.

The total income tax expense (recovery) varies from the amounts that would be computed by applying the weighted average statutory income tax rate to the earnings (loss) before income taxes of the Company, its wholly-owned subsidiaries and joint ventures for the following reasons:

(in thousands except for income tax rates)	**2010**	2009 *(Restated – see Note 1.c))*
Statutory income tax rate	**31.0%**	32.1%
Provision (recovery) based on statutory rate applied to earnings (loss) before income taxes	**$ 77,970**	$ (55,817)
Non-deductible stock-based compensation costs	**1,855**	1,946
Permanent differences and rate differential between the origination and reversal of temporary differences related to impairment charge on broadcast licences	**–**	46,458
Rate differential between the origination and reversal of temporary differences related to broadcast licences	**(3,157)**	(2,734)
Future income tax recovery resulting from income tax rate changes	**(8,397)**	–
Resolution of tax contingencies	**(3,008)**	(2,991)
Other items	**1,112**	1,508
Income tax provision (recovery)	**$ 66,375**	$ (11,630)

Major components of the income tax provision (recovery) are as follows:

(in thousands)	**2010**	2009 *(Restated – see Note 1.c))*
Current income tax expense	**$ 56,467**	$ 51,638
Future income tax expense relating to origination and reversal of temporary differences	**18,305**	18,702
Future income tax recovery resulting from impairment charge on broadcast licences	**–**	(81,970)
Future income tax recovery resulting from income tax rate changes	**(8,397)**	–
Income tax provision (recovery)	**$ 66,375**	$ (11,630)

Significant future income tax assets and liabilities arising from the effect of temporary differences are as follows:

(in thousands)	**2010**	2009 *(Restated – see Note 1.c))*
Future income tax assets:		
Other non-current liabilities, including employee future benefits	**$ 11,605**	$ 11,506
Derivative financial instruments	**2,654**	6,257
Provisions and reserves	**3,793**	3,173
Other	**3,352**	447
Total future income tax assets	**21,404**	21,383
Future income tax liabilities:		
Property, plant and equipment and other intangible and non-current assets	**(11,239)**	(7,511)
Broadcast licences, customer relationships and goodwill	**(183,362)**	(177,177)
Income from partnerships	**(5,695)**	(3,866)
Other	**(814)**	(1,141)
Total future income tax liabilities	**(201,110)**	(189,695)
Net future income tax liability	**$ (179,706)**	$ (168,312)

The net future income tax liability is included under the following captions on the consolidated balance sheets:

(in thousands)	**2010**	2009 *(Restated – see Note 1.c))*
Future income tax assets	**$ 66,005**	$ 79,522
Future income tax liabilities – current	**(5,329)**	(4,481)
Future income tax liabilities	**(240,382)**	(243,353)
Net future income tax liability	**$ (179,706)**	$ (168,312)

14. Consolidated Statements of Cash Flows

a) Net Change in Non-cash Operating Items

(in thousands)	**2010**	2009 *(Restated – see Note 1.c))*
Decrease (increase) in accounts receivable and other assets	**$ (25,518)**	$ 18,366
Increase in program and film rights	**(18,243)**	(4,957)
Increase in accounts payable and accrued liabilities, and income taxes payable	**553**	10,160
Increase (decrease) in program and film rights payable	**12,401**	(12,331)
	$ (30,807)	$ 11,238

14. Consolidated Statements of Cash Flows (continued)

b) Interest Paid, Received and Income Taxes Paid

(in thousands)	2010	2009
Interest paid	$ (23,727)	$ (34,259)
Interest received	$ 288	$ 615
Income taxes paid	$ (62,520)	$ (49,946)

c) Non-cash Transactions

The consolidated statements of cash flows exclude the following additions that were unpaid as at August 31:

(in thousands)	2010	2009
Additions to property, plant and equipment	$ 1,822	$ 2,308
Addition to broadcast licences	$ 5,022	$ –
Additions to other intangible and non-current assets	$ 9,962	$ –

15. Commitments and Contingencies

a) Commitments

The minimum amounts payable under long-term operating lease contracts, including the Company's proportionate share of amounts payable by joint ventures, are as follows:

(in thousands)	
2011	$ 53,535
2012	52,063
2013	53,147
2014	53,731
2015	51,655
2016 and thereafter	473,957
	$ 738,088

In the normal course of its operations, the Company has signed agreements, with terms ranging from one to ten years, for the acquisition of program and film rights to be aired on its television services. The acquisition of the rights and related obligations is contingent on the actual delivery of programming and on other contractual terms. In addition to the above commitments of $738.1 million, the amount of program and film rights commitments that are measurable, as at August 31, 2010, is estimated at $268.9 million.

Under the terms of a 20-year agreement signed with the City of Toronto (the "City"), the Company has the exclusive right to post advertising on the street furniture related to the program covered by the agreement, and is required to pay the City a percentage of revenues generated from the sale of such advertising. Total capital expenditures committed under the terms of the agreement, for the remaining 17 years of the contract, are estimated at $121.1 million and are excluded from the above table.

b) Contingencies

i) The Company and its joint ventures are involved in various legal actions which are normal to the businesses of the Company and its joint ventures. In the opinion of the Company, potential liabilities that may result from these legal actions have been adequately provided for and are not expected to have a material adverse effect on the Company's financial position.

ii) Astral's Television and Radio operations rely upon licenses granted under the *Copyright Act* (Canada) in order to make use of the music components of the programming distributed by these undertakings. Under these licenses, Astral is required to pay royalties established by the Copyright Board of Canada. The various levels of royalties payable by the Company are subject to change, and any amendments could result in Astral's broadcasting undertakings being required to pay additional, and potentially retroactive, royalties under these licenses. The Company is paying or accruing for the royalties using current prescribed rates.

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

Consequently, the Company recognized during the fourth quarter of Fiscal 2010, a total expense of $9.7 million ($6.7 million net of income taxes or $0.12 per share) of which $5.9 million represented the retroactive portion of the tariff increases related to Fiscal 2008 and Fiscal 2009, and $3.8 million represented the incremental portion related to Fiscal 2010. Most of this total expense resulted from new royalties payable under the tariffs for AVLA/SOPROQ and ArtistI.

iii) The Canadian Association of Broadcasters (the "CAB"), on behalf of its members, challenged in Court the validity of the Part II licence fees payable annually to the CRTC by television and radio broadcasters, as well as broadcast distribution undertakings. In December 2006, the Federal Court ruled that the Part II licence fees were an illegal tax. The Federal Government appealed the Federal Court judgment, and on April 28, 2008, the Appeal Court ruled that the Federal Court mischaracterized the legal test to be applied to distinguish a tax from a regulatory charge and that the fees represented, in fact, administrative costs incurred by the CRTC. On June 27, 2008, the CAB, on behalf of its members, filed an application for leave to appeal the Appeal Court decision to the Supreme Court of Canada (the "SCC"), which application was granted on December 18, 2008. The CRTC confirmed to the CAB that it would not attempt to collect outstanding Part II fees until the earlier of (i) the Appeal Court decision is affirmed by the SCC; or (ii) the matter is settled between the parties. The Company had been paying or accruing, as the case may be, the Part II licence fees using known rates since the beginning of legal proceedings.

15. Commitments and Contingencies (continued)

In October 2009, the CAB announced that its Board of Directors, along with other fee-paying stakeholders, approved the terms of a settlement agreement with the Government of Canada pertaining to the Part II licence fees issue. The agreement has resulted in the CAB and other named parties discontinuing the legal challenge before the SCC. As provided by the agreement, fees and interest due to the Government, but not collected by the CRTC due to ongoing litigation issues for the fiscal years 2007, 2008 and 2009, were waived and there will not be any recovery of the amounts paid by the stakeholders to the Government for any prior year. Going forward, further to the Government's recommendation, the CRTC published amendments to the Part II licence fee regime to cap the fees, which amendments came into force on June 23, 2010. The revised fee regime is effective for the fiscal year beginning September 1, 2009.

In the first quarter of Fiscal 2010, following the settlement of the Part II licence fees issue, the Part II licence fees accrued as at August 31, 2009, amounting to $11.6 million ($8.0 million, net of income taxes, or $0.14 per share), were reversed through operating expenses on the Company's consolidated statement of earnings, of which $3.2 million relates to the Television segment and $8.4 million to the Radio segment.

The purchase price of a previous business acquisition is subject to a contingent consideration, the amount of which is based on the impact on future earnings of the final resolution of matters pertaining to the Part II licence fees settlement agreement. The Company will therefore be required to pay an additional cash consideration estimated to be less than $10.0 million. The additional consideration will be accounted for as an increase of goodwill in the period in which the amount is agreed to.

16. Employee Future Benefits

The Company has two voluntary defined benefit pension plans (the "Plan") which are no longer available to new employees. The Plan provides pension benefits based on length of service and final average earnings of each member. The most recent actuarial valuations for funding purposes were performed as at December 31, 2009 and as at October 29, 2007 respectively, and the next valuations required will be performed for both plans as at December 31, 2010. The Company also has a non-pension post-retirement benefit plan (the "NPPR") which provides health benefits and dental care to certain employees who were hired before January 1, 2002. The NPPR is not available to new employees.

In addition, the Company has a Supplementary Executive Retirement Plan (the "SERP") to provide supplemental pension benefits to certain key executives. The SERP is not funded, except in the case of a change of control of the Company, and benefits are paid as required.

The Company measures all accrued benefit obligations and the fair value of the Plan's assets for accounting purposes as at June 30 of each year.

The significant actuarial assumptions used in measuring the Company's accrued benefit obligations and benefit costs are as follows (weighted-average assumptions as at June 30):

	2010			2009		
	Plan	SERP	NPPR	Plan	SERP	NPPR
Accrued benefit obligations:						
Discount rate	5.40%	5.40%	5.40%	5.90%	5.90%	5.90%
Rate of salary escalation	4.00%	4.00%	–	4.00%	4.00%	–
Dental costs	–	–	3.50%	–	–	3.50%
Health care cost trend rates	–	–	8.00% (1)	–	–	8.60% (2)
Benefit plan costs:						
Discount rate	5.90%	5.90%	5.90%	6.25%	6.25%	6.25%
Expected long-term rate of return on plan assets	6.50%	–	–	6.50%	–	–
Rate of salary escalation	4.00%	4.00%	–	4.25%	4.25%	–

(1) Grading down to an ultimate rate of 4.30% per annum in Fiscal 2031 and thereafter.
(2) Grading down to an ultimate rate of 4.70% per annum in Fiscal 2025 and thereafter.

Information about the Company's retirement plans, as at June 30, is as follows:

	2010			2009		
	Plan	SERP	NPPR	Plan	SERP	NPPR
(in thousands)						
Benefit obligations:						
Benefit obligations – opening	$ 67,287	$ 10,993	$ 4,174	$ 57,478	$ 9,958	$ 5,030
Curtailment gain	–	–	–	–	–	(261)
Current service cost	7,353	481	188	6,679	449	211
Interest cost	4,304	665	256	3,885	638	316
Benefits paid	(3,395)	(405)	(11)	(3,976)	(410)	(2)
Actuarial loss (gain) on accrued benefit obligations	6,712	333	(190)	3,221	358	(1,120)
Benefit obligations – closing	$ 82,261	$ 12,067	$ 4,417	$ 67,287	$ 10,993	$ 4,174
Plan assets:						
Fair value of plan assets – opening	$ 52,972	$ –	$ –	$ 55,054	$ –	$ –
Actual return (loss) on plan assets	2,830	–	–	(6,360)	–	–
Employer contributions	6,589	405	11	8,254	410	2
Benefits paid	(3,395)	(405)	(11)	(3,976)	(410)	(2)
Fair value of plan assets – closing	$ 58,996	$ –	$ –	$ 52,972	$ –	$ –

16. Employee Future Benefits (continued)

Elements included in the expense related to the Company's retirement plans are as follows:

	2010			2009		
	Plan	SERP	NPPR	Plan	SERP	NPPR
(in thousands)						
Current service cost	$ 7,353	$ 481	$ 188	$ 6,679	$ 449	$ 211
Interest cost	4,304	665	256	3,885	638	316
Curtailment gain	–	–	–	–	–	(261)
Actual loss (return) on plan assets	(2,830)	–	–	6,360	–	–
Actuarial loss (gain) on accrued benefit obligations	6,712	333	(190)	3,221	358	(1,120)
Adjustments to recognize the long-term nature of employee future benefit costs:						
Difference between expected return and actual return (loss) on plan assets for the year	(1,557)	–	–	(10,286)	–	–
Difference between amortization of past service costs for the year and actual past service costs for the year	–	66	–	–	66	–
Difference between actuarial loss recognized for the year and actual actuarial loss on accrued benefit obligation for the year	(6,500)	(336)	121	(3,176)	(358)	1,094
Net benefit plan expense	$ 7,482	$ 1,209	$ 375	$ 6,683	$ 1,153	$ 240

Assumed health care and dental cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care and dental cost trend rates would have the following effects for Fiscal 2010:

	Increase	Decrease
(in thousands)		
Total of current service and interest cost	$ 115	$ (87)
Post-retirement accrued benefit obligation	$ 1,040	$ (802)

Plan assets, measured as at June 30, consist of:

	2010	2009
	Plan	Plan
Equity securities	**58.0%**	54.9%
Debt securities	**42.0%**	45.1%
	100.0%	100.0%

The status of the Company's retirement plans as at August 31 is as follows:

	2010			2009		
	Plan	SERP	NPPR	Plan	SERP	NPPR
(in thousands)						
Benefit obligations	**$(82,261)**	**$(12,067)**	**$ (4,417)**	$ (67,287)	$ (10,993)	$ (4,174)
Fair value of plan assets	**58,996**	**–**	**–**	52,972	–	–
Funded status – plan deficit	**(23,265)**	**(12,067)**	**(4,417)**	(14,315)	(10,993)	(4,174)
Employer contributions after June 30 excluding undernoted	**1,053**	**66**	**2**	1,190	75	–
Additional pension plan employer contributions after June 30	**9,641**	**–**	**–**	–	–	–
Unamortized past service costs	**–**	**581**	**–**	–	647	–
Unamortized net actuarial loss (gain)	**27,771**	**670**	**(1,850)**	19,714	334	(1,729)
Accrued benefit asset (liability)	**$ 15,200**	**$(10,750)**	**$ (6,265)**	$ 6,589	$ (9,937)	$ (5,903)

Both defined benefit pension plans had an accrued benefit obligation in excess of plan assets as at June 30, 2010 and 2009. After June 30, 2010, the Company contributed an amount of $9.6 million to fund the entire solvency deficit calculated as at December 31, 2009 for one of its defined benefit pension plans.

16. Employee Future Benefits (continued)

The accrued benefit asset (liability) is included under the following captions on the consolidated balance sheets:

	2010			
(in thousands)	Plan	SERP	NPPR	Total
Other intangible and non-current assets (Note 6)	$ 15,200	$ –	$ –	$ 15,200
Accounts payable and accrued liabilities	–	(396)	–	(396)
Other non-current liabilities (Note 8)	–	(10,354)	(6,265)	(16,619)
	$ 15,200	$ (10,750)	$ (6,265)	$ (1,815)

	2009			
(in thousands)	Plan	SERP	NPPR	Total
Other intangible and non-current assets (Note 6)	$ 7,025	$ –	$ –	$ 7,025
Accounts payable and accrued liabilities	–	(396)	–	(396)
Other non-current liabilities (Note 8)	(436)	(9,541)	(5,903)	(15,880)
	$ 6,589	$ (9,937)	$ (5,903)	$ (9,251)

Defined contribution components of the Plan are also available to all employees hired on or after December 1, 2005. For the year ended August 31, 2010, the contribution amounts paid by the Company for services rendered by the employees during the year under the defined contribution components of the Plan are $1.7 million and are included in operating expenses on the consolidated statement of earnings ($1.6 million for the year ended August 31, 2009).

17. Business Segments

The Company's business segments are Television, Radio and Out-of-Home. The Television segment comprises the Company's specialty, pay and pay-per-view television services. Its revenues are derived from subscription fees, advertising sales and pay-per-view sales. The Radio segment comprises the Company's FM and AM radio stations and its revenues are derived from advertising sales. The Out-of-Home segment comprises activities related to posting advertising on the Company's inventory of out-of-home faces and street furniture equipments, and its revenues are derived from the sale of such advertising. Advertising revenues in each of the three business segments tend to follow seasonal patterns. All activities are conducted in Canada.

	2010			
	Television	Radio	Out-of-Home	Consolidated
(in thousands)	$	$	$	$
Revenues	550,728	333,563	76,668	960,959
Earnings before undernoted items	204,236	105,325	25,991	335,552
Depreciation and amortization	(9,790)	(10,890)	(9,011)	(29,691)
Earnings before unallocated items	194,446	94,435	16,980	305,861
Interest expense, net				(26,307)
Corporate costs (including depreciation and amortization of $1,141)				(28,037)
Income tax provision				(66,375)
Net earnings				185,142
Identifiable assets at year end (excluding Corporate assets of $68,117)	807,363	1,073,492	171,635	2,052,490
Goodwill at year-end	29,776	240,929	86,240	356,945
Additions to property, plant and equipment (excluding Corporate additions of $9,596)	10,540	7,360	25,664	43,564
Additions to intangible assets (excluding Corporate additions of $5,338)	397	4,333	11,048	15,778
Addition to broadcast licences	–	5,022	–	5,022

17. Business Segments (continued)

	2009 (Restated – see Note 1.c))			
	Television	Radio	Out-of-Home	Consolidated
(in thousands)	$	$	$	$
Revenues	513,265	323,002	69,458	905,725
Earnings before undernoted items	181,760	109,815	26,175	317,750
Depreciation and amortization	(9,054)	(9,950)	(6,443)	(25,447)
Restructuring charges	(616)	(3,767)	–	(4,383)
Earnings before unallocated items	172,090	96,098	19,732	287,920
Interest expense, net				(36,968)
Corporate costs (including depreciation and amortization of $771)				(25,378)
Impairment charge on Radio's broadcast licences				(399,459)
Income tax recovery				11,630
Net loss				(162,255)
Identifiable assets at year end (excluding Corporate assets of $44,030)	790,565	1,063,755	140,311	1,994,631
Goodwill at year-end	29,776	240,929	86,240	356,945
Additions to property, plant and equipment (excluding Corporate additions of $1,036)	6,461	8,271	31,542	46,274
Additions to intangible assets (excluding Corporate additions of $641)	864	4,562	188	5,614
Addition to broadcast licences	–	–	–	–

18. Guarantees

Some agreements to which the Company is party, specifically those related to acquisitions and dispositions of business assets, and the leasing of its premises, include indemnification provisions that may require the Company to make payments to a vendor or purchaser for breach of fundamental representation and warranty terms in the agreements, with respect to matters such as corporate status, title of assets, environmental issues, consents to transfer, employment matters, litigation, taxes payable and other potential material obligations. The maximum potential amount of future payments that the Company could be required to make under these indemnification provisions is not reasonably quantifiable as certain indemnifications are not subject to a monetary limitation. As at August 31, 2010, management does not believe that these indemnification provisions would require any material cash payment by the Company, and insurance coverage, estimated by management to be reasonable and sufficient, exists in order to minimize the previously mentioned risks.

The Company indemnifies its directors and officers against claims reasonably incurred and resulting from the performance of their services to the Company, and maintains liability insurance for its directors and officers as well as those of its subsidiaries.

19. Financial Instruments

a) Risks Arising from Financial Instruments

In the normal course of business, the Company has exposures, consisting primarily of interest rate risk, credit risk and liquidity risk, arising from its financial instruments. The Company manages these risk exposures on an ongoing basis.

i) Interest Rate Risk

Borrowings under the Company's Facility are subject to interest rate fluctuations. To manage the volatility relating to this exposure, the Company is party to derivative financial instruments. The Company does not use derivative financial instruments for trading or speculative purposes. On October 29, 2007, the Company entered into an interest-rate swap agreement with a large Canadian bank to hedge its exposure to interest rate fluctuations (the "Agreement"). The Agreement is based on an initial nominal debt amount of $750.0 million which is being reduced periodically ($303.5 million and $465.0 million as at August 31, 2010 and August 31, 2009 respectively), based on a predetermined schedule, until its maturity on May 29, 2012. Under the Agreement, the Company pays interest based on a fixed rate of 4.6% and receives interest based on floating 30-day bankers' acceptances rates. The Company elected to apply cash flow hedge accounting on this derivative financial instrument.

Furthermore, interest rate fluctuations could have an impact on the Company's interest income that it earns on its cash balance. The Company has an investment policy designed to safeguard its capital and generate a reasonable return. The policy sets out the types of permissible investment instruments, their concentration and acceptable credit ratings.

Interest rate fluctuations would have an impact on the Company's net earnings and on other comprehensive income items. A 0.5% interest rate change would have had the following impact for the year ended August 31, 2010:

	0.5% increase	0.5% decrease
(in thousands)		
Impact on net earnings of interest rate changes	$ (876)	$ 876
Impact on other comprehensive income items due to changes in fair value of derivatives designated as cash flow hedges, net of taxes	$ 940	$ (940)

19. Financial Instruments (continued)

ii) Credit Risk

Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument in which the Company is entitled to receive payment fails to perform. Accounts receivable arise mainly from monthly wholesale fees charged to distributors in connection with specialty and pay television subscriptions and from the sales of advertising aired or posted on the Company's Television, Radio and Out-of-Home properties.

The Company's credit exposure is influenced by the global economic environment; however it is difficult to predict the impact this could have on the collection of the Company's accounts receivable balances. To mitigate such risk, the Company performs ongoing customer credit evaluations and generally does not require collateral. Allowances, which are estimated on the basis of historical loss rates adjusted for current events, are monitored by management on an ongoing basis. Accounts receivable are written off against the allowance for doubtful accounts only when the Company believes that an outstanding amount will not be recovered. For the year ended August 31, 2010, the Company recorded allowances for doubtful accounts of $2.5 million ($1.8 million for the year ended August 31, 2009) in operating expenses on the consolidated statements of earnings. Historically, the Company has not suffered any material losses related to credit risk. As at August 31, 2010 and 2009, no customer represented 10% or more of consolidated accounts receivable. The maximum credit risk to which the Company is exposed is equal to its accounts receivable.

Pursuant to their respective payment terms, consolidated accounts receivable are aged as follows as at August 31, 2010:

(in thousands)	
In line with payment terms	$ 91,477
Under 31 days past due	38,724
31-60 days past due	22,173
61-90 days past due	14,505
Over 90 days past due	6,617
	173,496
Allowance for doubtful accounts	(4,256)
Total	$ 169,240

For the years ended August 31, 2010 and 2009, two customers of the Television segment accounted for 23% of consolidated revenues.

iii) Liquidity Risk

Liquidity risk is the risk that the Company would not be able to meet its financial obligations as they come to maturity or can only do so at excessive costs. Based on the Company's ability to generate cash flows through its ongoing operations, management believes that cash flows are sufficient to cover its known operating and capital requirements, as well as its dividend payments, its debt service, and its current and longer term commitments. Therefore, management evaluates that the Company's liquidity risk is low. The liquidity risk is also considered to be low due to the fact that the Company has access to the unused portion of its Facility which amounted to $155.7 million as at August 31, 2010. Furthermore, the Company's Facility has no capital repayment obligation until the maturity date of October 29, 2012. Finally, the Company manages its liquidity risk by monitoring its cash resources through ongoing financial and cash flow forecasts.

The maturity dates of the Company's financial liabilities as at August 31, 2010 are as follows:

	Maturing in the next 12 months	Maturing in 13 to 36 months	Maturing in 37 to 60 months	Maturing in more than 60 months	Total
(in thousands)					
Accounts payable and accrued liabilities	$ 138,119	$ –	$ –	$ –	$ 138,119
Amounts payable under conditions of CRTC licence acquisitions	–	20,757	10,645	1,650	33,052
Amounts payable under out-of-home advertising license fees and rights	–	1,270	1,270	3,175	5,715
Program and film rights payable	64,908	13,211	–	–	78,119
Amounts payable under software license fees	–	1,858	1,971	–	3,829
Long-term debt	–	590,000	–	–	590,000
Interest payments on long-term debt	8,830	10,233	–	–	19,063
Net payments under the interest-rate swap agreement	8,186	2,004	–	–	10,190
Other non-current financial liabilities	–	742	400	833	1,975
Total	$ 220,043	$ 640,075	$ 14,286	$ 5,658	$ 880,062

Interest payments on long-term debt and net payments under the interest-rate swap agreement disclosed in the above table have been calculated using the fixed interest rate under the swap agreement and the 30-day bankers' acceptances floating rate as at August 31, 2010.

19. Financial Instruments (continued)

b) Fair Values

	2010		2009	
	Carrying value	Fair value	Carrying value	Fair value
(in thousands)	$	$	$	$
Financial assets				
Financial assets held for trading				
Cash	11,545	11,545	23,100	23,100
Loans and receivables				
Accounts receivable	169,240	169,240	143,803	143,803
Financial liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	138,119	138,119	138,771	138,771
Program and film rights payable – short-term	64,908	64,908	58,220	58,220
Program and film rights payable – long-term	12,668	12,668	6,955	6,955
Amounts payable under out-of-home advertising license fees and rights	4,650	4,650	–	–
Amounts payable under conditions of CRTC licence acquisitions	31,266	32,178	35,258	33,761
Amounts payable under software license fees	3,700	3,700	–	–
Long-term debt	588,447	573,781	692,761	688,756
Derivatives designated as cash flow hedges				
Interest-rate swap agreement	9,699	9,699	22,377	22,377

The fair value of cash, accounts receivable, accounts payable and accrued liabilities, and short-term program and film rights payable approximate their carrying value because of the short-term maturity of these instruments.

The fair value of long-term program and film rights payable, of amounts payable under out-of-home advertising license fees and rights, of amounts payable under conditions of CRTC licence acquisitions, and of amounts payable under software license fees, are calculated using a discounted cash flow method of estimated future cash payments and management's best estimates, including payment dates which are scheduled up to Fiscal 2020.

The fair value of long-term debt, net of deferred financing costs, is calculated using a discounted cash flow method and management's best estimates for a long-term debt with similar credit risks, including a comparative market interest rate of 2.6%, adjusted to take into account the Company's own credit risk, and a repayment date in October 2012.

The fair value of the interest-rate swap agreement is calculated using a method based on the net present value of future cash flows derived from quotes and assumptions obtained from a major financial institution, adjusted to take into account the Company's own credit risk.

The Company's only financial instrument that is measured at fair value on a recurring basis in periods subsequent to its initial recognition is the interest-rate swap agreement. Per the fair value hierarchy described in Section 3862 of the CICA Handbook, the Company's interest-rate swap agreement is classified as being a Level 2 instrument.

20. Capital Risk Management

In the management of capital, the Company includes long-term debt and shareholders' equity (excluding accumulated other comprehensive loss) as well as cash in its definition of capital.

The components of the Company's capital structure are as follows:

(in thousands)	2010	2009 *(Restated – see Note 1.c))*
Long-term debt	$ 588,447	$ 692,761
Less: Cash	(11,545)	(23,100)
	576,902	669,661
Shareholders' equity	1,339,044	1,158,185
Less: accumulated other comprehensive loss	7,037	16,109
	1,346,081	1,174,294
	$ 1,922,983	$ 1,843,955

The Company's overall capital management objectives are to create shareholder value through organic growth of its operations and through accretive acquisitions, and to maintain the most optimal capital structure in order to minimize its cost of capital.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust its capital structure, the Company reviews the amount of dividends to be paid to shareholders annually and periodically decides to repurchase shares on the marketplace and/or to reimburse debt. Related decisions are taken after review of financial and operational forecasts which are based on estimated revenues, operating expenses, capital expenditures, dividends and other investing and financing activities. Forecasts are regularly updated by management, a practice which the Company views as critical in the current environment.

In order to ensure compliance with Federal Government directions, the *Broadcasting Act* and regulations governing specialty, pay and pay-per-view television services and radio stations (the "Regulations"), the Company has imposed restrictions on the issuance, transfer and, if applicable, voting of the Company's shares (see Note 9.a)).

Consistent with the terms of the Facility, the Company is subject to certain covenants such as debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") and interest coverage ratios. EBITDA is a measure that does not have a standardized meaning described by GAAP and may not be comparable to similar measures presented by other companies.

As at August 31, 2010, and throughout the year, the Company was in compliance with the above Regulations and covenants, and the Company's capital management objectives have not changed since August 31, 2009.

Shareholders' Information

	Class A shares *(non-voting)*	Class B shares *(one vote per share)*
Listing	TSX	TSX
Symbol	ACM.A	ACM.B
Recent price (1)	$39.93	$39.78
High / low – 12 months ended October 18, 2010	$39.93 / $30.25	$39.78 / $30.25
Shares outstanding (2)	53,887,874	2,758,672
Price / Earnings ratio (3)	12.2 x	12.1 x
Price / Cash flow ratio	10.1 x	10.1 x
Price / Book value ratio	1.7 x	1.7 x
Book value per share	$23.63	$23.63
Dividends per share last 12 months (4)	$0.50	$0.50

(1) As at October 8, 2010.
(2) As at August 31, 2010. Does not include 65,000 special shares entitled to 10 votes each.
(3) The Price / Earnings ratio is calculated on the basis of basic earnings per share.
(4) The semi-annual dividend rate has been $0.25 per share since December 5, 2007.

Contacts

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Corporate Information

Annual Meeting of Shareholders
December 9, 2010
2:30 p.m.
L'Astral
305, rue Sainte-Catherine Ouest
Montréal, Québec, H2X 2A3

Auditors
Ernst & Young LLP

Banks
RBC Royal Bank
National Bank of Canada

Transfer Agent & Registrar
Computershare Investor Services Inc.

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