

2008ASTRALMEDIA.COM

2008 ANNUAL REPORT



Table of contents

Management's Discussion and Analysis:

Forward-looking Statements	14
Profile	15
Year's Highlights	15
Performance Review	16
Financial Condition, Cash Flows and Liquidity	29
Business Developments	34
Strategic Initiatives and Outlook	36
Risks, Uncertainties and Opportunities	38
Accounting Matters	43
Disclosure Controls and Procedures	51
Internal Control Over Financial Reporting	51

Financial Statements and Notes:

Management's responsibility for financial information	52
Auditors' report	53
Consolidated Financial Statements	54
Notes to Consolidated Financial Statements	58

Financial review

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the periods ended August 31, 2008

The purpose of this Management's Discussion and Analysis ("MD&A"), dated October 29, 2008 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 2008 Annual Report.

Copies of these documents, the Company's Annual Information Form ("AIF"), its Management Proxy Circular dated October 29, 2008, 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 office, 2100, rue Sainte-Catherine Ouest, bureau 1000, Montréal, Québec, H3H 2T3, 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.astralmedia.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 2008.

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. 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 change, 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 Media is a leading Canadian media company, reaching people through a combination of highly targeted media properties in television, radio, outdoor advertising, and interactive media. The Company is the country's largest broadcaster of English- and French-language pay and specialty television and operates, on its own or with partners, 20 television services, including The Movie Network/HBO Canada, Super Écran, Family, Canal Vie, Canal D, VRAK.TV, and TELETOON. Astral Media is also Canada's largest radio broadcaster with 83 licensed radio stations in 8 provinces, including Énergie, RockDétente, Virgin Radio, EZ Rock, The Mix and The Bear. Astral Media Outdoor is one of Canada's most dynamic and innovative outdoor advertising companies with over 7,500 faces located in the largest markets in Québec and Ontario. Astral Media also operates over 100 websites with a high level of interactivity and a variety of different products and services on-line. The Company 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

- The acquisition of substantially all of the assets of Standard Radio Inc. ("Standard") during the first quarter of Fiscal 2008 (the "Standard Acquisition")
- The start of the 20-year street furniture program with the City of Toronto (the "TSF") on September 1, 2007
- 11% increase in basic earnings per share from continuing operations, before the impact of future income tax rate changes ^{(1) (2)} (28% increase in basic earnings per share from continuing operations)
- 19% increase in net earnings from continuing operations, before the impact of future income tax rate changes ^{(1) (2)} (37% increase in net earnings from continuing operations)
- 40% increase in EBITDA ⁽³⁾
- 35% increase in revenues
- 35% increase in cash flow from continuing operations ⁽²⁾ (14% increase in cash flow from continuing operating activities)
- The launch of the new English-language specialty service, TELETOON Retro and of Playhouse Disney ⁽⁴⁾
- The launch of a new radio station in Regina, Saskatchewan: Big Dog 92.7, CHBD-FM
- The launch of the first Virgin Radio station in North America
- The CRTC's ⁽⁵⁾ decision to grant the Company a new radio licence in the Ottawa-Gatineau market
- The announcement of the launch of TÉLÉTOON Rétro, a new French-language specialty service, on September 4, 2008
- The announcement of the launch on October 30, 2008 of HBO Canada ⁽⁶⁾.

(1) See "Income Taxes".

(2) See "Supplementary Measures".

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

(4) Playhouse Disney is a Family multiplex channel.

(5) Canadian Radio-television and Telecommunications Commission.

(6) HBO Canada will be a The Movie Network multiplex channel.

Performance Review

SELECTED ANNUAL FINANCIAL INFORMATION

	2008	2007	2006
<i>(in thousands of \$ except for per-share data)</i>			
Revenues	865,370	640,518	589,714
EBITDA ⁽¹⁾	289,578	206,694	189,818
Earnings from continuing operations before income taxes	229,301	194,912	173,908
Net earnings from continuing operations	178,721	130,693	122,166
Net earnings	177,010	131,194	122,439
Weighted average number of shares outstanding – basic	56,257	52,763	53,800
Basic earnings per share from continuing operations	3.18	2.48	2.27
Diluted earnings per share from continuing operations	3.12	2.42	2.24
Basic earnings per share	3.15	2.49	2.28
Diluted earnings per share	3.09	2.43	2.24
Cash and cash equivalents (bank overdraft), and short-term investments	6,318	72,365	113,686
Total assets	2,716,607	1,527,054	1,400,360
Long-term debt	812,074	-	-
Cash dividends per share (Class A and B shares)	0.50	0.40	0.30

The most significant variances in the results of operations between Fiscal 2008, 2007 and 2006 are the result of acquisitions that took place in Fiscal 2008 and Fiscal 2007. Advertising revenue growth in Fiscal 2008 also pertains to the fact that the broadcasting calendar includes one additional week, for a total of 53 weeks compared to 52 weeks in Fiscal 2007. Variances are also due to the growth of organic advertising revenues in all three segments of the Company, as well as the growth of subscription-related revenues, in both pay and specialty television.

Revenue growth in the Television segment for Fiscal 2008 compared to Fiscal 2007 is partly due to the acquisition of an additional 50% ownership interest in MusiquePlus Inc. (“MusiquePlus”) in the fourth quarter of Fiscal 2007 ⁽²⁾. Revenue growth in the Radio segment is mainly due to the Standard Acquisition ⁽²⁾ during the first quarter of Fiscal 2008. Revenue growth in the Outdoor Advertising segment was mostly driven by the TSF which started on September 1, 2007 ⁽²⁾. Revenue growth for Fiscal 2007 compared to Fiscal 2006 is partly due to the acquisition of an additional 10% ownership interest in TELETOON Canada Inc. during the first quarter of Fiscal 2007.

The variances that are explained throughout this MD&A relate to financial results excluding the impact of future income tax rate changes that were substantively enacted in Fiscal 2008 and 2007. The impact of future income tax rate changes is explained in the “Income Taxes” section. Also, comparative figures throughout this MD&A have been adjusted following the reclassification of TATV’s results of operations into Discontinued Operations (see “Discontinued Operations” and “Business Developments”).

(1) See “Supplementary Measures”.

(2) See “Business Developments”.

CONSOLIDATED RESULTS FROM CONTINUING OPERATIONS

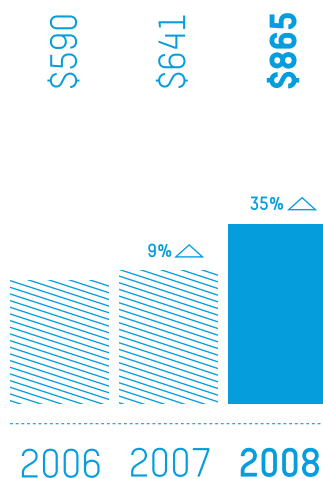
	3 MONTHS			12 MONTHS		
	2008	2007	% change	2008	2007	% change
<i>(in thousands of \$ except for per-share data)</i>						
Revenues	229,872	160,584	43%	865,370	640,518	35%
Operating expenses	148,818	105,483	41%	575,792	433,824	33%
EBITDA ⁽¹⁾	81,054	55,101	47%	289,578	206,694	40%
Depreciation and amortization	6,386	4,423	44%	22,812	15,952	43%
Interest expense (income), net	11,101	(1,132)	n/a	37,465	(4,170)	n/a
Earnings from continuing operations before income taxes	63,567	51,810	23%	229,301	194,912	18%
Income tax provision before future income tax recovery ⁽²⁾	22,761	17,794	28%	78,839	68,288	15%
Net earnings from continuing operations before the impact of future income tax rate changes ^{(1) (2)}	40,806	34,016	20%	150,462	126,624	19%
Future income tax recovery resulting from income tax rate changes ⁽²⁾	-	(4,069)	n/a	(28,259)	(4,069)	n/a
Net earnings from continuing operations	40,806	38,085	7%	178,721	130,693	37%
Basic earnings per share from continuing operations, before the impact of future income tax rate changes ^{(1) (2)}	0.72	0.65	11%	2.67	2.40	11%
Earnings per share – impact of future income tax rate changes ⁽²⁾	-	0.07	n/a	0.51	0.08	n/a
Basic earnings per share from continuing operations	0.72	0.72	-%	3.18	2.48	28%
Diluted earnings per share from continuing operations	0.72	0.71	1%	3.12	2.42	29%
Weighted average number of shares outstanding – basic (in thousands)	56,362	52,713	7%	56,257	52,763	7%
Weighted average number of shares outstanding – diluted (in thousands)	56,993	53,852	6%	57,206	53,912	6%
Cash flow from continuing operations ⁽¹⁾	60,055	43,894	37%	205,342	151,999	35%

(1) See "Supplementary Measures".

(2) See "Income Taxes".

Revenues

(in millions)



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 the 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. Outdoor Advertising revenues are derived from the sale of advertising on the Company's inventory of outdoor faces and street furniture equipment, and are influenced by their number in inventory, their location and size, occupancy levels, as well as market and general economic conditions.

Revenues are detailed as follows:

	3 MONTHS			12 MONTHS		
	2008	2007	% change	2008	2007	% change
<i>(in thousands of \$)</i>						
Subscription related - Television	95,808	93,913	2%	382,714	372,221	3%
Advertising						
Television	22,469	20,457	10%	108,171	96,504	12%
Radio	88,720	28,875	207%	296,302	115,701	156%
Outdoor Advertising	21,366	14,849	44%	72,061	49,775	45%
Total Advertising	132,555	64,181	107%	476,534	261,980	82%
Other	1,509	2,490	-39%	6,122	6,317	-3%
Total Revenues	229,872	160,584	43%	865,370	640,518	35%

Total revenue growth for the year ended August 31, 2008 was driven mainly by acquisitions in the Television and Radio segments as well as by organic growth in all segments. On October 29, 2007, the Company completed the Standard Acquisition (see "Business Developments"). Total year-to-date revenues include those generated by ten months of operations of the assets acquired as part of the Standard Acquisition, and the impact of the acquisition of an additional 50% ownership interest in MusiquePlus in the fourth quarter of Fiscal 2007. On an organic basis ⁽¹⁾, total revenue increases would have been 8% and 6% respectively for the three- and twelve-month periods ended August 31, 2008.

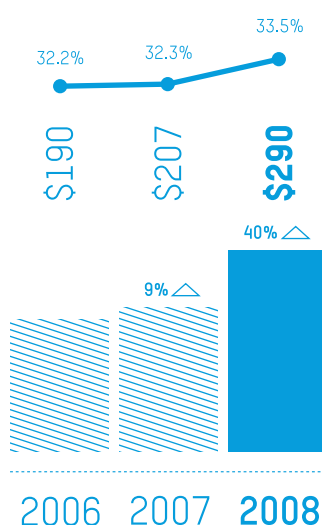
(1) Excluding the impact of the results of operations of the assets acquired as part of the Standard Acquisition, the impact of an additional 50% ownership interest in MusiquePlus (see "Business Developments") and of one-time adjustments related to distribution affiliates.

Television advertising revenue growth was mainly driven by market growth, higher ratings and effective sales organizations. Radio advertising revenue growth was driven mainly by the Standard Acquisition. The Outdoor Advertising revenue increase was driven by the TSF which started on September 1, 2007 as well as by market growth and effective sales organization. Variances are explained in the "Business Segment Performance" section.

EBITDA⁽²⁾

(in millions)

EBITDA margin⁽²⁾



Operating Expenses

The 41% increase in operating expenses for the quarter and 33% for Fiscal 2008 is mainly explained by the inclusion of the results of operations of the assets acquired as part of the Standard Acquisition, and the impact of the acquisition of an additional 50% ownership interest in MusiquePlus. The Company's most significant operating expenses are television programming costs which totalled \$246.6 million in Fiscal 2008, compared to \$220.7 million in Fiscal 2007, and salaries and benefits which amounted to \$213.3 million in Fiscal 2008, compared to \$123.1 million in Fiscal 2007. On an organic basis⁽¹⁾, the total operating expenses increases would have been 10% and 6% respectively for the three- and twelve-month periods ended August 31, 2008, which is in line with the overall organic revenue growth. Variances are explained in the "Business Segment Performance" section.

EBITDA⁽²⁾

The increase in the Company's EBITDA⁽²⁾ is due mainly to the inclusion of the results of operations of the assets acquired as part of the Standard Acquisition, as well as those of the additional 50% ownership interest in MusiquePlus, the results of the TSF, and to increased advertising revenues in the Television and Outdoor Advertising segments. On an organic basis⁽¹⁾, EBITDA⁽²⁾ growth would have been 2% and 6% for the four quarter and Fiscal 2008 respectively. Overall EBITDA margins⁽²⁾ of 35.3% for the quarter and 33.5% for Fiscal 2008 compare favourably with the 34.3% and 32.3% respective EBITDA margins⁽²⁾ for the same periods last year. Variances are explained in the "Business Segment Performance" section.

EBITDA⁽²⁾ by Segment

	3 MONTHS			12 MONTHS		
	2008	2007	% change	2008	2007	% change
<i>(in thousands of \$)</i>						
Television	41,815	42,900	-3%	179,513	170,903	5%
Radio	37,191	11,435	225%	111,140	41,017	171%
Outdoor Advertising	8,370	6,472	29%	23,645	16,703	42%
Corporate	(6,322)	(5,706)	11%	(24,720)	(21,929)	13%
EBITDA⁽²⁾	81,054	55,101	47%	289,578	206,694	40%
EBITDA margin⁽²⁾	35.3%	34.3%	3%	33.5%	32.3%	4%

(1) Excluding the impact of the results of operations of the assets acquired as part of the Standard Acquisition, the impact of an additional 50% ownership interest in MusiquePlus (see "Business Developments") and of one-time adjustments related to distribution affiliates.

(2) See "Supplementary Measures".

Depreciation and Amortization

Any significant depreciation and amortization variance by segment is reviewed in the "Business Segment Performance" section.

The total depreciation and amortization expense of \$6.4 million for the quarter and \$22.8 million for the twelve-month period increased by \$2.0 million and \$6.9 million respectively as compared to the same periods last year. These increases are mainly the result of the additional depreciation and amortization expense emanating from the assets acquired as part of the Standard Acquisition and from the acquisition and the deployment of street furniture equipment for the TSF.

Interest

Interest expense includes mainly interest on the Company's long-term debt and imputed interest on other non-current liabilities, net of interest income earned on cash, cash equivalents and short-term investments. Net interest for the three- and twelve-month periods ended August 31, 2008 shows an expense of \$11.1 million and \$37.5 million respectively, as compared to an income of \$1.1 million and \$4.2 million for the same periods last year. This change is mainly due to the borrowing required as part of the financing of the Standard Acquisition, bearing an interest rate of 4.8% as at August 31, 2008, after giving effect to an interest-rate swap agreement, which accounted for \$10.0 million and \$35.0 million of the interest expense in the three- and twelve-month periods ended August 31, 2008 respectively. This compares with no interest expense on long-term debt in the same periods last year. In addition, imputed interest on other non-current liabilities amounted to \$0.7 million and \$2.5 million respectively for the three- and twelve-month periods ended August 31, 2008 as compared to no imputed interest for the same periods last year. Finally, lower interest income is mainly due to lower average combined balances of cash, cash equivalents and short-term investments as compared to last year, following the use of cash on-hand as part of the financing of the Standard Acquisition. Interest rates relating to income earned on cash, cash equivalents and short-term investments in Fiscal 2008 varied between 3.0% and 4.6%, as compared to 4.1% and 4.5% last year.

Income Taxes

During Fiscal 2008, the Federal government enacted a phased-in decrease to the Federal general corporate income tax rate and the British Columbia government substantively enacted a decrease to its general corporate income tax rate. Upon each substantively 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 substantively 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. These rate changes resulted in a non-cash future income tax recovery of \$28.3 million (\$0.51 per share) recorded in Fiscal 2008 in the audited consolidated statement of earnings. During Fiscal 2007, the Federal government enacted a decrease to its corporate income tax rate which resulted in a non-cash future income tax recovery of \$4.1 million (\$0.08 per share).

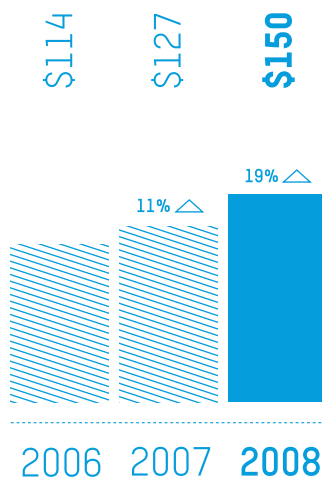
During the fourth quarter of Fiscal 2008, the Company recorded an income tax expense of \$1.2 million related to a potential tax liability. Excluding this additional expense, the effective income tax rates for both the three- and twelve-month periods would have been 33.9% (excluding the future income tax recovery described above) which is lower than the effective rates of 34.3% and 35.0% for the same periods last year (also excluding the future income tax recovery described above). The rate decreases are due mainly to the current impact of the Federal government decrease in its general corporate income tax rate described above. The effective income tax rates for the fourth quarter and for the year are higher than the statutory rate of 33.0%, mainly due to the non-deductible stock-based compensation expense.

Net Earnings and Earnings per Share (“EPS”) from Continuing Operations

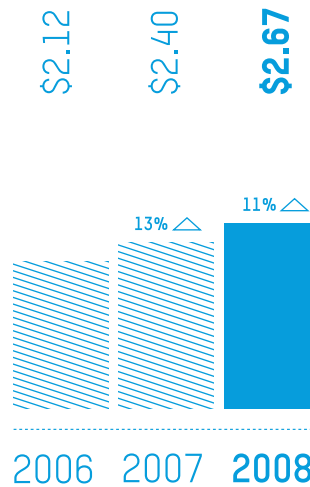
The increase in net earnings and basic EPS from continuing operations compared to last year’s corresponding periods is mainly explained by the impact of the Standard Acquisition, by the TSF, by the overall organic growth of the Company’s businesses, and by the higher future income tax recovery recorded as a result of substantively enacted future income tax rate changes, as explained in the “Income Taxes” section.

Excluding the impact of future income tax rate changes in both Fiscal 2008 and Fiscal 2007, the growth of net earnings and basic EPS from continuing operations was 20% and 11% respectively for the fourth quarter and 19% and 11% respectively for the year. The growth of basic EPS from continuing operations is lower than the growth of net earnings from continuing operations, due to an increase in the weighted average number of shares outstanding, mainly as a result of shares issued as part of the financing of the Standard Acquisition, the conversion of restricted share units and the exercise of stock options, partially offset by shares repurchased under the Company’s normal course issuer bids (see “Financial Condition”).

Net Earnings from Continuing Operations ⁽¹⁾
(in millions)



Basic EPS from Continuing Operations ⁽¹⁾
(in dollars)



Discontinued Operations

In August 2008, the Company announced the closing of its classified ad division TATV. A loss from operations of \$1.2 million (net of income tax recovery of \$0.6 million) was recorded in discontinued operations on the audited consolidated statement of earnings for the year ended August 31, 2008, including exit costs of \$1.3 million (net of income tax recovery of \$0.6 million), such as severance costs and penalties for the cancellation of a contractual obligation, and the write-off of the carrying value of TATV’s property, plant and equipment which are no longer used by the Company. Comparative figures in the audited consolidated statements of earnings and in the audited consolidated statements of cash flows have been adjusted following the reclassification of TATV’s results of operations into discontinued operations.

In Fiscal 2008, the Company recorded an income tax expense of \$0.5 million related to additional future income tax liabilities with regards to a previously discontinued operation.

(1) Before the impact of future income tax rate changes (see “Income Taxes” and “Supplementary Measures”).

Net Earnings and EPS

Net earnings and EPS include the results of operations from discontinued operations.

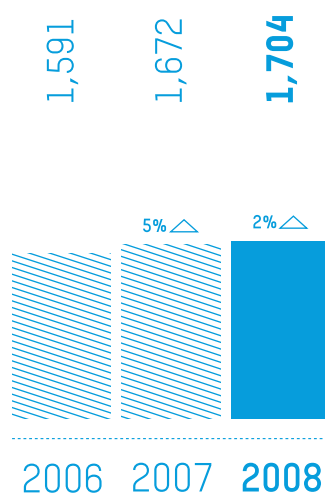
BUSINESS SEGMENT PERFORMANCE

Television

	3 MONTHS			12 MONTHS		
	2008	2007	% change	2008	2007	% change
<i>(in thousands of \$)</i>						
Revenues	119,786	116,860	3%	497,007	475,042	5%
Operating expenses	77,971	73,960	5%	317,494	304,139	4%
EBITDA ⁽¹⁾	41,815	42,900	-3%	179,513	170,903	5%
Depreciation and amortization	2,155	1,901	13%	8,001	6,726	19%
	39,660	40,999	-3%	171,512	164,177	4%
EBITDA margin ⁽¹⁾	34.9%	36.7%	-5%	36.1%	36.0%	- %

Pay-TV Subscribers (M & S)

(in thousands)



The Television segment revenue increase in Fiscal 2008 is mainly due to the growth of advertising sales, to the increases in the number of pay- and specialty-television subscribers and to the additional 50% ownership interest in MusiquePlus (see "Business Developments") which generated revenue gains of 3% for the fourth quarter (2% organically ⁽²⁾) and 5% for the year (3% organically ⁽²⁾), respectively. These increases resulted from the continuing expansion of digital distribution services and high-definition service offerings, high-quality and exclusive programming, web initiatives and strong brand recognition.

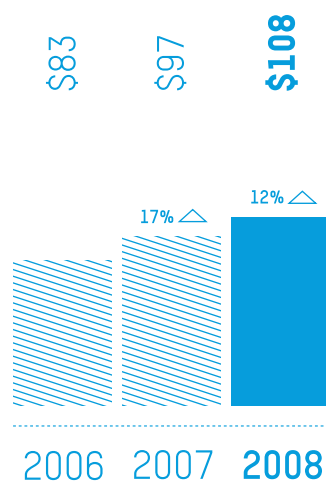
Pay-television revenues (The Movie Network ("M"), Super Écran ("S"), Mpix and cinépop) remained stable in the fourth quarter and increased by 2% for the year. The number of pay-television subscribers as at August 31, 2008 increased by 2% year-over-year, as compared to a 5% increase in the prior year.

(1) See "Supplementary Measures".

(2) Excluding the impact of the additional 50% ownership interest in MusiquePlus (see "Business Developments") and of one-time adjustments related to distribution affiliates.

In Fiscal 2008, specialty television advertising revenues increased by 10% and 12% for the fourth quarter and for the year respectively (10% and 8% respectively on an organic basis ⁽¹⁾), while specialty television subscriber revenue growth was 7% and 6% for the fourth quarter and the year respectively over last year's corresponding periods (6% and 4% respectively on an organic basis ⁽²⁾). The Canadian specialty television advertising market grew by an estimated 8% year-over-year in Fiscal 2008, while the overall Québec French-language television advertising market increased by 4%⁽³⁾. The strong performance of Astral's specialty television services is owed mainly to targeted made-to-measure original programming, favourable ratings, focused sales strategies and optimal inventory management. For Fiscal 2008, the French-language specialty television's market share for the adult 25-54 age category grew by approximately 3%, while the conventional networks suffered a decrease of approximately 2% in the same age category ⁽⁴⁾. The Company's Television advertising revenues accounted for 22% and 20% of total Television revenues in Fiscal 2008 and Fiscal 2007 respectively.

Television Advertising Revenues (in millions)



Television operating expenses were 5% higher than those of last year for the fourth quarter (5% organically ⁽²⁾) and 4% over last year for Fiscal 2008 (2% organically ⁽²⁾), due mainly to higher programming costs and higher salaries and benefits. 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 in accordance with the higher number of subscribers and related revenues generated by the Company's pay services, as well as increased programming spending requirements for both pay and specialty services, and as a result of the acquisition of an additional 50% ownership interest in MusiquePlus.

The Television EBITDA margin ⁽⁵⁾ for the quarter decreased to 34.9% compared to 36.7% last year mainly due to higher one-time adjustments related to distribution affiliates during the fourth quarter of Fiscal 2007. For the twelve-month period, the EBITDA margin ⁽⁵⁾ remained stable at 36.1%, compared to 36.0% last year. On an organic basis ⁽²⁾, the Television EBITDA margins ⁽⁵⁾ were 34.6% and 36.3% respectively for the three- and twelve-month periods ended August 31, 2008.

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. The increases of \$0.3 million and \$1.3 million in Television's depreciation and amortization expense for the fourth quarter and for the twelve-month period of Fiscal 2008 are mainly due to the additional depreciation expense following the acquisition of an additional 50% ownership interest in MusiquePlus and to the depreciation expense related to high-definition ("HD") television programming equipment.

During the third quarter of Fiscal 2008, the CRTC approved the application by Family Channel to amend its broadcasting licence to allow the service to be made available for distribution in HD format. During the first quarter of Fiscal 2008, the Company launched a new English-Language specialty service, TELETOON Retro, and Playhouse Disney, a Family multiplex channel (see "Business Developments"). On August 31, 2008, the Company sold its 20.04% investment in Canal Indigo, S.E.N.C. (see "Business Developments").

(1) Excluding the impact of the additional 50% ownership interest in MusiquePlus (see "Business Developments").

(2) Excluding the impact of the additional 50% ownership interest in MusiquePlus (see "Business Developments") and of one-time adjustments related to distribution affiliates.

(3) TVB - Time Sales Survey - August 2008.

(4) BBM results, Québec francophone, cumulative average since August 27, 2007.

(5) See "Supplementary Measures".

Radio⁽¹⁾

	3 MONTHS			12 MONTHS		
	2008	2007 ⁽¹⁾	% change	2008	2007 ⁽¹⁾	% change
<i>(In thousands of \$)</i>						
Revenues	88,720	28,875	207%	296,302	115,701	156%
Operating expenses	51,529	17,440	195%	185,162	74,684	148%
EBITDA ⁽²⁾	37,191	11,435	225%	111,140	41,017	171%
Depreciation and amortization	2,448	1,080	127%	8,128	3,848	111%
	34,743	10,355	236%	103,012	37,169	177%
EBITDA margin ⁽²⁾	41.9%	39.6%	6%	37.5%	35.5%	6%

Fiscal 2008 was an important year for the Radio group with the Standard Acquisition, the launch of a new radio station in Regina, the launch in Toronto of the first Virgin Radio station in North America and the granting by the CRTC of a new radio licence in the Ottawa-Gatineau market (see "Business Developments"). The Standard Acquisition, completed on October 29, 2007, explains most of the variances between Fiscal 2008 and Fiscal 2007.

The Radio group recorded revenue increases of 207% and 156% respectively in the fourth quarter and Fiscal 2008, due mainly to the inclusion of the results of operations of the assets acquired as part of the Standard Acquisition. Excluding the results of operations of these assets, Astral's radio stations in Québec and in the Atlantic provinces recorded organic revenue increases of 9.2% and 1.2% respectively for the same periods, while the overall corresponding market increased by approximately 8.5% during the fourth quarter and by 0.4% in Fiscal 2008. The Radio group's organic revenue growth is therefore slightly above the general market performance.

Following soft ratings in December 2007, the Radio group implemented changes to programming and network personalities. The July 2008 BBM results show that investments made in programming have paid off. Astral's radio stations' share of commercial listening hours in the Montréal French market have increased by 11%⁽³⁾ since the December 2007 survey. The improvement in ratings is expected to continue in Fiscal 2009.

The Radio group's operating expenses increased by 195% and 148% respectively for the three- and twelve-month periods ended August 31, 2008, due mainly to the inclusion of the results of operations of the assets acquired as part of the Standard Acquisition. This resulted in EBITDA⁽²⁾ increases of 225% and 171% for the three- and twelve-month periods ended August 31, 2008. The Standard Acquisition also had a positive impact on the Radio group's EBITDA margin⁽²⁾ which increased to 37.5% in Fiscal 2008 compared to 35.5% in the prior year. Excluding the results of operations of Standard, Astral's radio stations recorded an organic EBITDA⁽²⁾ increase of 9% in the fourth quarter and an organic EBITDA⁽²⁾ decrease of 5% for the year ended August 31, 2008. This decrease is mainly due to the soft performance in the Québec radio advertising market combined with the fact that certain fixed costs remained the same. Consequently, the Radio group's organic EBITDA margins⁽²⁾ remained stable at 39.4% in the fourth quarter of Fiscal 2008, compared to 39.6% for the fourth quarter of Fiscal 2007, while decreasing to 33.4% for the twelve-month period of Fiscal 2008 from 35.5% for the same period last year.

(1) Comparative figures have been adjusted following the reclassification of TATV's results of operations into Discontinued Operations (see "Discontinued Operations" and "Business Developments").

(2) See "Supplementary Measures".

(3) BBM results. S2 2008, July 2008.

Due to the nature of the Company's activities, the depreciation and amortization expense in the Radio segment is relatively stable from one year to another. The depreciation and amortization expense increases of \$1.4 million and \$4.3 million for the fourth quarter and Fiscal 2008 respectively are mainly due to the impact of the Standard Acquisition.

Outdoor Advertising

	3 MONTHS			12 MONTHS		
	2008	2007	% change	2008	2007	% change
<i>(in thousands of \$)</i>						
Revenues	21,366	14,849	44%	72,061	49,775	45%
Operating expenses	12,996	8,377	55%	48,416	33,072	46%
EBITDA ⁽¹⁾	8,370	6,472	29%	23,645	16,703	42%
Depreciation and amortization	1,522	1,176	29%	5,474	4,390	25%
	6,848	5,296	29%	18,171	12,313	48%
EBITDA margin ⁽¹⁾	39.2%	43.6%	-10%	32.8%	33.6%	-2%

In Fiscal 2008, increases in results of operations for the Outdoor Advertising segment were driven by the TSF, which started on September 1, 2007 (see "Business Developments").

The increases in revenues for the three- and twelve-month periods ended August 31, 2008 are due to the TSF and to a strong performance of all of Outdoor Advertising's products. The increases in operating expenses for the three- and twelve-month periods ended August 31, 2008 are mainly due to the TSF, to higher variable costs related to the increase in revenues for the same periods, and to the increase in rental costs resulting from the signing of leases for additional sites for new structures, and other certain timing factors. This resulted in EBITDA ⁽¹⁾ increases of \$1.9 million or 29% and of \$6.9 million or 42% respectively for the three- and twelve-month periods ended August 31, 2008.

The depreciation and amortization expense increased by \$0.3 million and \$1.1 million respectively for the three- and twelve-month periods ended August 31, 2008, due mainly to the acquisition and deployment of street furniture equipment for the TSF and to the addition of other advertising structures.

(1) See "Supplementary Measures".

Corporate

	3 MONTHS			12 MONTHS		
	2008	2007	% change	2008	2007	% change
<i>(In thousands of \$)</i>						
Corporate costs	(4,907)	(4,135)	19%	(18,450)	(15,866)	16%
Stock-based compensation	(1,415)	(1,571)	-10%	(6,270)	(6,063)	3%
Corporate EBITDA ⁽¹⁾	(6,322)	(5,706)	11%	(24,720)	(21,929)	13%
Depreciation and amortization	(261)	(266)	-2%	(1,209)	(988)	22%
	(6,583)	(5,972)	10%	(25,929)	(22,917)	13%

Total Corporate EBITDA ⁽¹⁾ charges increased by \$0.6 million in the fourth quarter of Fiscal 2008 and by \$2.8 million for the year compared to the same periods last year. Of these amounts, \$2.4 million for the year is attributable to capital tax resulting from the borrowing required as part of the financing of the Standard Acquisition (\$0.7 million for the quarter). Other general expenses remained stable in Fiscal 2008, compared to last year.

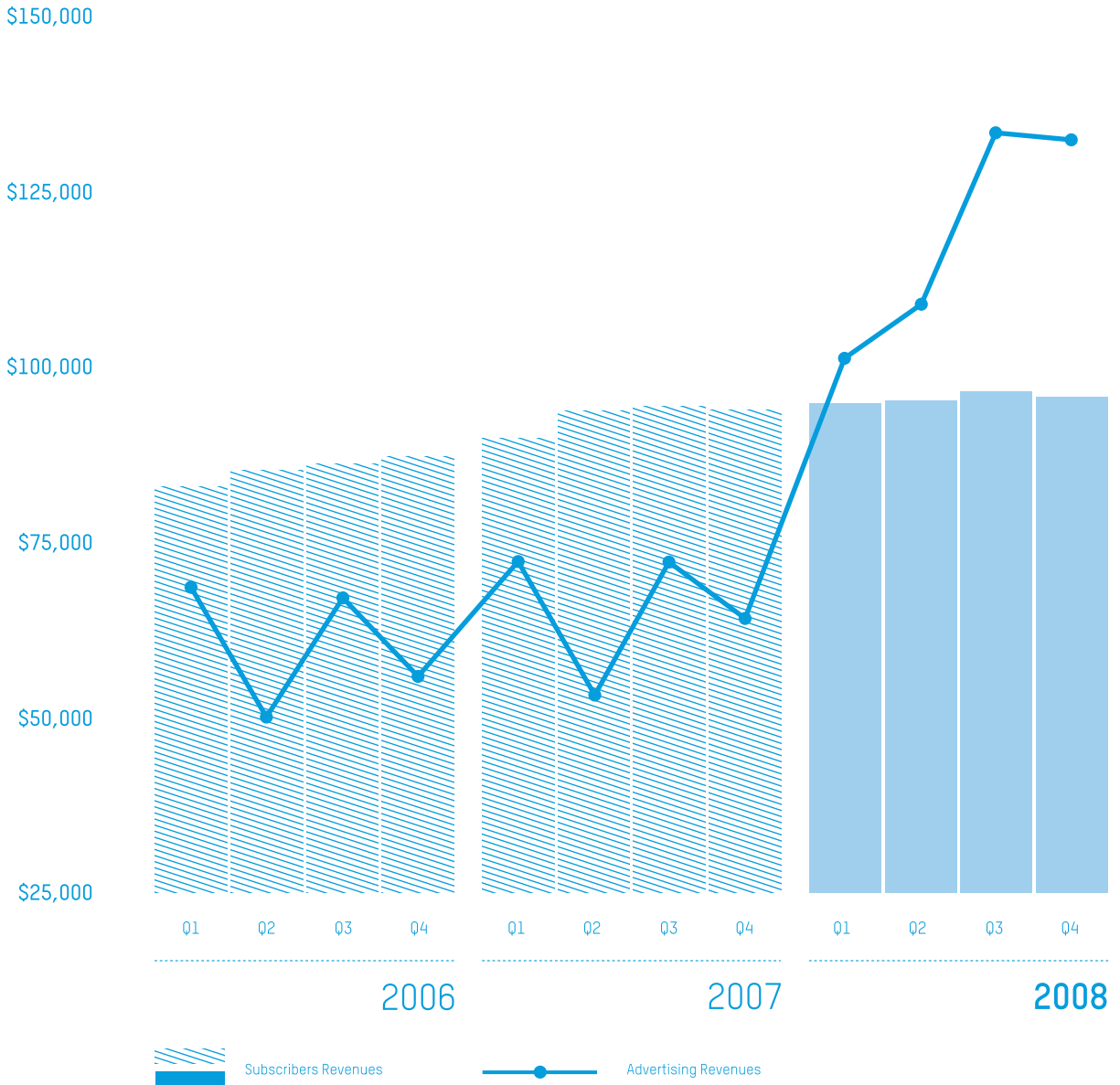
QUARTERLY PERFORMANCE

With the Standard Acquisition and the TSF, approximately 55% of the Company's revenues now consist of advertising revenues that tend to follow seasonal patterns, with the second quarter being the least favourable. Subscriber-based revenues, which do not vary significantly on a quarter-to-quarter basis, now 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 over 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.

(1) See "Supplementary Measures".

Quarterly Revenues
(in thousands)



The following table highlights the quarterly performance of the Company's operations for the past eight quarters, reflecting seasonal patterns and continuing year-over-year growth at all levels.

	2007				2008			
	Q1	Q2	Q3	Q4 ⁽²⁾	Q1	Q2 ⁽²⁾	Q3	Q4
<i>(In thousands of \$ except for per-share data)</i>								
Revenues	163,608	148,483	167,843	160,584	197,704	205,850	231,944	229,872
EBITDA ⁽¹⁾	52,751	41,014	57,828	55,101	65,451	61,063	82,010	81,054
Net earnings from continuing operations	32,507	24,466	35,635	34,016	37,506	28,946	43,204	40,806
Basic EPS from continuing operations	0.61	0.46	0.68	0.65	0.69	0.50	0.76	0.72
Diluted EPS from continuing operations	0.60	0.45	0.67	0.63	0.67	0.49	0.75	0.72
Net earnings	32,649	24,628	35,867	38,050	37,536	57,254	43,282	38,938
Basic EPS	0.62	0.47	0.68	0.64	0.69	0.50	0.76	0.69
Diluted EPS	0.60	0.46	0.67	0.63	0.68	0.49	0.75	0.68

(1) See "Supplementary Measures".

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

Financial Condition, Cash Flows and Liquidity

	3 MONTHS			12 MONTHS		
	2008	2007	% change	2008	2007	% change
<i>(in thousands of \$)</i>						
Cash flow from continuing operations ⁽¹⁾	60,055	43,894	37%	205,342	151,999	35%

	AS AT AUGUST 31		
	2008	2007	% change
<i>(in thousands of \$)</i>			
Cash and cash equivalents (bank overdraft)	(3,644)	21,237	-117%
Short-term investments	9,962	51,128	-81%
Total cash and cash equivalents (bank overdraft), and short-term investments	6,318	72,365	-91%

The increase in cash flow from continuing operations ⁽¹⁾ compared to last year is attributable to increased earnings from operations, mainly explained by the Standard Acquisition, by the additional 50% ownership interest in MusiquePlus, by the TSF, and by the overall organic growth of the Company's businesses. The Company expects this trend to continue in Fiscal 2009. The combined balances of the Company's cash, cash equivalents (bank overdraft) and short-term investments decreased to \$6.3 million as at August 31, 2008 from \$72.4 million as at August 31, 2007. The Company's short-term investments consist of highly liquid investments only. The decrease is attributable mainly to the use of cash on-hand of \$76.9 million as part of the consideration paid for the Standard Acquisition (see Note 2 to the audited consolidated financial statements for the year ended August 31, 2008), disbursements of \$55.4 million for the repurchase of shares under the Company's normal course issuer bids, dividend payments of \$28.5 million, disbursements of \$36.0 million for capital expenditures and reimbursement of long-term debt in the amount of \$10.0 million. This cash usage was partially offset by \$149.0 million provided in Fiscal 2008 by the Company's continuing operating activities.

The Company's financial condition is amongst the strongest in the industry. Cash flow from continuing 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 (see "Financing Activities"), its debt service and its current and longer term commitments.

(1) See "Supplementary Measures".

Significant balance sheet variations as at August 31, 2008, as compared to August 31, 2007, are mainly due to the impact of the assets and liabilities acquired under the Standard Acquisition and to the TSF. In addition, the increase of \$58.8 million in accounts receivable is also due to higher television advertising revenues in the fourth quarter of Fiscal 2008, as compared to the fourth quarter of Fiscal 2007. The increase of \$46.7 million in accounts payable and accrued liabilities is also due to higher variable costs related to the revenue increases, to an amount of \$3.4 million related to capital expenditures unpaid at the end of the year and to timing factors. The increase of \$22.4 million in net current and long-term program and film rights is mainly due to differences in the timing of obligations related to the acquisition of program rights. The decrease of \$20.4 million in net income taxes payable and receivable is mostly due to the increase of the deductible interest paid on the long-term debt as part of the Standard Acquisition as well as tax planning initiatives related to this transaction.

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

	3 MONTHS		12 MONTHS	
	2008	2007	2008	2007
<i>(in thousands of \$)</i>				
Cash flow from continuing operating activities	55,792	36,597	148,990	130,403
Discontinued operations	(237)	(487)	(591)	(621)
Cash used for investing activities, excluding variation of short-term investments ⁽¹⁾	(21,809)	(71,579)	(945,836)	(128,372)
Cash provided by (used for) financing activities	(52,420)	(17,922)	731,390	(42,731)
Net change in cash, cash equivalents, and short-term investments ⁽¹⁾	(18,674)	(53,391)	(66,047)	(41,321)
Cash and cash equivalents, and short-term investments – beginning of period ⁽¹⁾	24,992	125,756	72,365	113,686
Cash and cash equivalents (bank overdraft), and short-term investments – end of period ⁽¹⁾	6,318	72,365	6,318	72,365

OPERATING ACTIVITIES

Cash provided by continuing operating activities for the year ended August 31, 2008 increased by \$18.6 million as compared to last year due to increased cash flow from continuing operations ⁽¹⁾ of \$53.3 million, mainly explained by the Standard Acquisition (see "Business Developments"), by the additional 50% ownership interest in MusiquePlus, by the TSF and by the overall organic growth of the Company's businesses. This was partially offset by increased working capital requirements of \$34.8 million, mainly explained by higher sales and receivables as well as higher acquisitions of program and film rights.

(1) See "Supplementary Measures".

INVESTING ACTIVITIES

Cash used for investing activities during the three- and twelve-month periods ended August 31, 2008, excluding the variation of short-term investments ⁽¹⁾, decreased by \$49.8 million and increased by \$817.5 million respectively, as compared to last year's corresponding periods. The decrease in the fourth quarter is due to cash consideration paid during the fourth quarter of Fiscal 2007 for the acquisition of an additional 50% ownership interest in MusiquePlus (\$32.9 million, net of cash acquired) and to a payment of \$28.9 million made for the TSF (see "Business Developments"). The year-to-date increase is mainly due to the cash consideration paid for the Standard Acquisition (see "Business Developments") in the first quarter of Fiscal 2008. The remainder of the increase is due to higher capital expenditures as explained below.

Capital expenditures for the three- and twelve-month periods ended August 31, 2008 were \$21.4 million and \$39.4 million respectively, as compared to \$7.3 million and \$17.3 million spent in the same periods of Fiscal 2007. The most significant capital expenditures pertain to TSF-related structures, other outdoor advertising structures, high-definition and other broadcasting equipment, as well as computer hardware and software.

The increase in capital expenditures as compared to the same periods last year is mainly explained by the deployment, during the fourth quarter of Fiscal 2008, of TSF-related structures and to the impact of the Standard Acquisition. As at August 31, 2008, \$3.4 million out of the \$39.4 million of capital expenditures was unpaid and included in accounts payable and accrued liabilities. Capital spending for Fiscal 2009 in all three segments is estimated to be in the range of \$45.0 million to \$50.0 million and should be concentrated in the Outdoor Advertising segment, mainly for TSF-related structures.

The following table details the capital expenditures by segment.

	3 MONTHS			12 MONTHS		
	2008	2007	% change	2008	2007	% change
<i>(in thousands of \$)</i>						
Capital expenditures						
Television	4,383	2,034	115%	9,832	7,194	37%
Radio	3,154	1,397	126%	8,529	3,884	120%
Outdoor Advertising	13,128	2,432	440%	19,723	4,500	338%
Corporate	743	1,434	-48%	1,283	1,718	-25%
Total capital expenditures	21,408	7,297	193%	39,367	17,296	128%

FINANCING ACTIVITIES

Cash used for financing activities during the fourth quarter of Fiscal 2008 increased by \$34.5 million compared to the same period last year due mainly to higher disbursements for the repurchase of shares under the Company's normal course issuer bid (\$21.0 million), to the reimbursement made on its credit facility (\$10.0 million), and to higher dividend payment (\$3.6 million). Cash provided by financing activities during Fiscal 2008 increased by \$774.1 million compared to last year due mainly to net borrowings of \$815.0 million by the Company under its credit facility (see "Capital Structure"), partially offset by increased disbursements of \$31.4 million for the repurchase of shares under the Company's normal course issuer bids, higher dividend payments of \$7.4 million and increased financing costs of \$2.2 million.

(1) See "Supplementary Measures".

On December 12, 2007, the normal course issuer bid that was announced by the Company on December 6, 2006 was concluded. During the 12-month term of the bid, the Company repurchased 186,700 Class A non-voting shares ("Class A shares") for a total cash consideration of \$7.7 million.

On December 5, 2007, the Company announced a further renewal of its normal course issuer bid to repurchase for cancellation up to 1,400,000 Class A shares and 71,400 Class B subordinated voting shares ("Class B shares"). On July 30, 2008, the Company increased the maximum number of shares that it can repurchase to 2,732,749 Class A shares and to 139,401 Class B shares, both quantities representing no more than 5% of the outstanding shares as at November 30, 2007 for their respective class of shares. The share repurchase program is being conducted over the maximum period of 12 months which began on December 13, 2007.

On December 5, 2007, the Company also announced a 25% increase of its annual dividend payment from \$0.40 to \$0.50 per share, which represents an additional annual outflow of approximately \$5.7 million.

The following table summarizes information relating to the Company's activity under its normal course issuer bids for the periods ended August 31, 2008:

	3 MONTHS		12 MONTHS	
	NUMBER OF SHARES REPURCHASED	CASH CONSIDERATION	NUMBER OF SHARES REPURCHASED	CASH CONSIDERATION
<i>(in thousands of \$ except for number of shares)</i>				
Issuer bid starting :				
December 13, 2006	n/a	n/a	6,000	249
December 13, 2007	815,500	25,323	1,610,400	55,167
Total	815,500	25,323	1,616,400	55,416

CAPITAL STRUCTURE

With respect to the Standard Acquisition, the Company established a \$1.0 billion credit facility (the "Facility"), which has been reduced to \$990.0 million as at August 31, 2008, with a syndicate of financial institutions. 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 issued, 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, 2008, total borrowings under the Facility amounted to \$815.0 million (nil as at August 31, 2007), excluding \$19.3 million of outstanding letters of credit (\$16.1 million as at August 31, 2007), and bear an interest rate of 4.8%, after giving effect to an interest-rate swap agreement. The Company fully guarantees the Facility on an unsecured basis and also has a prepayment option without penalty which can be exercised at any time during the term of the Facility. Under the terms of the Facility, the Company has certain financial ratios to comply with. The Company was in compliance with all these financial ratios as at August 31, 2008.

The Company's joint ventures also have operating revolving credit facilities of \$4.5 million (at Astral's proportionate share), which were not used as at August 31, 2008 and 2007.

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 (see Note 22 to the audited consolidated financial statements for the year ended August 31, 2008). These derivative financial instruments are used to manage interest-rate risks on bank debt. During the first quarter of Fiscal 2008, the Company entered into an interest-rate swap agreement (the "Agreement") to hedge its exposure on interest rate fluctuations. The Agreement is based on an initial nominal amount of \$750.0 million (\$616.4 million as at August 31, 2008) which is being reduced periodically, based on a predetermined schedule, until its maturity on May 29, 2012. Under the Agreement, the Company pays a fixed interest rate of 4.6% and receives floating interest rate based on 30-day bankers acceptances. The Company elected to apply cash flow hedge accounting on this derivative financial instrument. For the year ended August 31, 2008, the application of this accounting treatment did not have a significant impact on the consolidated statement of earnings. Based on the current market value of the derivative financial instrument, an unrealized non-cash loss of \$18.4 million (\$13.2 million net of income taxes) has been recorded in the audited consolidated statements of comprehensive income for the year ended August 31, 2008 and on the audited consolidated balance sheet as at that date.

As at August 31, 2008, the Company's capital structure consisted of shareholders' equity in the amount of \$1.3 billion, and borrowings under the Facility in the amount of \$815.0 million. As at August 31, 2008, there were no off-balance sheet liabilities. The number of outstanding shares of the Company increased from a total of 52.6 million shares at the end of Fiscal 2007 to 56.1 million shares as at August 31, 2008 mainly due to the issuance of 4.8 million of Class A shares as part of the consideration paid for the Standard Acquisition (see "Business Developments"), the conversion of restricted share units and the exercise of stock options, partially offset by shares repurchased under the Company's normal course issuer bids.

The following table presents additional share information:

OUTSTANDING AS AT:	SEPTEMBER 30, 2008	AUGUST 31, 2008	AUGUST 31, 2007
Class A shares	53,203,890	53,200,874	49,777,203
Class B shares	2,787,672	2,787,672	2,792,022
Special shares	65,000	65,000	65,000
Employee stock options	3,095,778	3,104,096	2,979,397
Restricted share units	329,800	329,800	317,422

CONTRACTUAL OBLIGATIONS

	PAYMENTS DUE IN FISCAL:				TOTAL
	2009	2010/11	2012/13	2014 AND AFTER	
<i>(In thousands of \$)</i>					
Long-term debt	-	-	815,000	-	815,000
Operating leases ⁽¹⁾	39,001	70,813	73,920	485,475	669,209
Other non-current obligations	-	32,934	17,804	27,707	78,445
Total	39,001	103,747	906,724	513,182	1,562,654

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 \$1,563 million of contractual obligations, the amount of program and film rights commitments that are measurable as at August 31, 2008 is estimated at \$239.1 million.

Under the terms of the Company's agreement with the City of Toronto related to the TSF (see "Business Developments"), the Company is committed to capital expenditures estimated at \$151.4 million over the remaining 19 years of the contract, of which \$25.0 million is estimated to be incurred in Fiscal 2009. These commitments are also excluded from the amounts presented in the above table.

Business Developments

On September 22, 2008, the Company announced the launch of HBO Canada. HBO Canada is a multiplex channel that will be offered to customers who subscribe to The Movie Network. In launching HBO Canada, the Company will be in a position to offer Canadians an entertainment and value proposition that promises to set a new standard for premium television viewing in Canada. As of October 30, 2008, HBO will be home to new and returning marquee series airing day-and-date with HBO in the U.S. The service will also offer more than 200 hours of library titles and first-run HBO original films, comedy specials, documentaries, live concerts and sporting events which were previously unavailable in Canada. HBO Canada will round out its offering with Canadian films and series. HBO Canada will also be offered in high-definition and programming will be accessible on demand.

On August 31, 2008, Viewer's Choice Canada Inc. sold its 40% ownership interest in Canal Indigo, S.E.N.C, following the approval of the transaction by the CRTC on July 18, 2008. The transaction had no significant impact on the Company's operations and financial results.

(1) Including the amounts guaranteed under the TSF.

On August 26, 2008, the CRTC granted the Company a licence to operate an English-language radio station to serve the Ottawa-Gatineau market. The Company is aiming to launch the new station in Fiscal 2009.

On August 25, 2008, Astral Media Radio ("AMR") announced the launch of a major rebranding initiative, bringing the Virgin Radio brand to Canada and allowing AMR to benefit from the great brand recognition that Virgin has built around the world. Toronto's MIX 99.9 became Virgin Radio 999, the first Virgin Radio station in North America.

On August 19, 2008, AMR closed its classified ad division TATV. Following the closure, the results of TATV have been reclassified retroactively as discontinued operations in the audited consolidated statements of earnings and in the audited consolidated statements of cash flows. The closure had no significant impact on the Company's results or cash flows.

On February 20, 2008, the Company launched a new radio station in Regina, CHBD-FM Big Dog 92.7, which is dedicated to country music. With the addition of this radio station, the Company enlarged its footprint to the province of Saskatchewan and now has activities in eight Canadian provinces.

On November 30, 2007, the Company launched Playhouse Disney, a Family multiplex channel. Dedicated to offering exciting educational programming for developing toddlers, Playhouse Disney presents exclusive first-run Disney programs and celebrated Canadian series in a commercial-free environment geared to fun and learning.

On October 29, 2007, the Company completed the acquisition of substantially all of the assets of Standard Radio Inc., consisting of 53 radio stations in 30 markets across Canada, as well as two television stations located in northern British Columbia. Also included in the transaction were the assets of Integrated Media Sales or "IMS", a national advertising sales organization, and of Sound Source Networks, a radio content service provider. The purchase price for the Standard Acquisition was \$1.08 billion, plus \$6.0 million of acquisition costs and excluded \$24.8 million of working capital and other post-closing adjustments, of which \$2.8 million was unpaid at year end (see Note 2 to the audited consolidated financial statements for the year ended August 31, 2008). The assets acquired, liabilities assumed and results of operations are consolidated since the closing of the transaction.

On October 1, 2007, the Company launched TELET00N Retro, a new English-language specialty service, and launched TÉLÉTOON Rétro, a new French-Language specialty service, on September 4, 2008. TELET00N Retro/TÉLÉTOON Rétro offers a selection of timeless cartoons for everyone who longs for the cartoon characters of their youth.

On September 1, 2007, Astral Media Outdoor agreement with the City of Toronto to service its coordinated street furniture program for a period of 20 years became effective. Under the terms of the agreement, the Company has the exclusive right to post advertising on the street furniture covered by the agreement and pays the City a percentage of revenues generated from the sale of such advertising. This agreement is expected to generate revenues of approximately \$1.5 billion over its 20-year term.

During the fourth quarter of Fiscal 2007, the Company completed the acquisition of an additional 50% ownership interest in MusiquePlus for a cash consideration of \$34.0 million. The transaction increased the Company's shareholding in MusiquePlus to 100%. The assets acquired, liabilities assumed and results of operations are consolidated since the closing of the transaction.

In August 2005 and subsequently, the CRTC granted the Company six French-language and three English-language Category 2 digital specialty service licences. During Fiscal 2008, the Company launched TELETOON Retro and, subsequent to year-end, TÉLÉTOON Rétro. The Company is aiming to launch the other services as market conditions permit.

Strategic Initiatives and Outlook

The Company is involved in a dynamic industry that continues to offer both opportunities and challenges. It mainly operates in the highly competitive sectors of Television, Radio and Outdoor Advertising media, all of which are seeing rapid evolution on the technological, regulatory and consumer fronts. While the industry as a whole is facing increased competition and economic pressure, the fundamentals underlying the Company's core business remain positive. Opportunities for organic growth still exist through the launch of new services and value-added products, as well as through expansion with related acquisitions.

TELEVISION

The Television group is looking forward to an increase in earnings in Fiscal 2009, stemming from growth in subscribers and in advertising revenues resulting from the strong viewership ratings generated by its popular specialty television properties, the launch of new specialty and pay-TV services, and the introduction of new derivative value-added products, such as subscription-video-on-demand and high-definition television which leverage the Company's existing television offer.

Along these lines, in Fiscal 2008, the Company added Family On-Demand, a video-on-demand add-on to Family, its national children's service. It also launched the Playhouse Disney branded multiplex channel, targeted to pre-schoolers, and complementing Family's strong programming offer to kids. On the animation side, TELETOON Retro was launched in the English market in Fiscal 2008, followed closely by the launch of TÉLÉTOON Rétro in Québec on September 4, 2008.

In Fiscal 2009, the Company will continue to strengthen its leadership in product innovation with the launch of HBO Canada, a branded multiplex channel that will strengthen The Movie Network's pay-TV offer in the English market with the HBO name, one of the world's most valuable consumer television brands. Soon after the introduction of the HBO Canada channel will be the launch of HBO Canada On-Demand.

Finally, reinforcing its competence in programming creativity and product development, the Company maintains a commitment to broadcasting its signals in HD format, and all of its television brands continue to develop and offer leading-edge broadband services which extend and build on its consumer relationships in the Internet forum.

RADIO

On the Radio side, with the integration of the former Standard Radio stations, Astral has realized its ambition to become a national media powerhouse. National radio audiences are getting a line-up of renowned brands - Énergie, RockDétente, EZ Rock, The Mix, Virgin Radio and The Bear - supported by superior and more diverse programming. Advertisers now have access to a one-stop shop that offers a national platform in addition to targeted local and regional audiences, in both French and English.

In Fiscal 2008, AMR re-launched Mix 99.9 in the Toronto market under the Virgin Radio brand, adding to its radio line-up an internationally recognized global brand and re-energizing its programming offer. The Radio group also launched a new FM station in Regina, Saskatchewan, further completing its national and regional offers. And finally, AMR was recently granted a new radio licence to service the Ottawa-Gatineau market. It continues to pursue other radio licences that will expand and complement its existing radio markets.

In Fiscal 2009, BBM will introduce a new measurement system called the Portable People Meter ("PPM"), in the Montréal market in December 2008, with Toronto and other major Canadian markets to follow within the next eighteen months. This new technology will provide a more accurate picture of what participants really listen to. The use of PPM results may facilitate the development of targeted strategies and may indirectly impact AMR's results.

The Radio group expects to grow its earnings in Fiscal 2009, with advertising sales growth driven by strong program ratings and supported by its national sales infrastructure. With national radio competition increasing, maintaining its solid radio profit margins will require that AMR excel at maximizing its advertising inventories, improving production, on-air and administrative processes, and most importantly, at leveraging its popular programming nationally. In the multi-platform arena, AMR is at the forefront in developing and offering content that takes full advantage of the complementarities of the radio and Internet mediums.

OUTDOOR ADVERTISING

The implementation of the 20-year street furniture contract between Astral Media Outdoor and the City of Toronto is well underway. This contract will continue to favourably impact revenues and earnings in Fiscal 2009. Now a major force in Canada's largest urban market, Astral Media Outdoor's creativity and its development of some of the industry's most innovative structures and outdoor advertising platforms will continue to be its key differentiation points for the coming year. Strategic and disciplined inventory management, excellent client service, improved occupancy rates and product innovation will continue to underpin growth with its traditional outdoor faces.

CORPORATE

Finally, with respect to the Company's cash usage, following borrowings under the Facility for the Standard Acquisition (see "Capital Structure"), the dividend increase and the renewal of its normal course issuer bid announced in December 2007, the Company intends to review its cash usage strategy in Fiscal 2009, taking into consideration 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 the Company's business operations. If any such risks materialize, the Company's business, financial condition and operating results could be materially adversely affected.

ACQUISITION

In Fiscal 2008, the Company made an important acquisition (see "Business Developments") and may consider making other 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.

After 10 months of operations, Management's assessment is that the integration of the Standard Acquisition (see "Business Developments") was successful and has not identified any significant integration issues.

The purchase price for the Standard Acquisition is subject to a contingent consideration of an amount of up to \$28.4 million, based on the impact on future earnings of a favourable resolution of regulatory matters specified in the agreement. The additional consideration, if any, will be accounted for as an increase of goodwill in the period the resolution occurs.

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. 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 render 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.

In July 2007, the CRTC initiated a review of the regulatory frameworks for broadcasting distribution undertakings and discretionary programming services, including the consideration of a subscriber fee requested by conventional television broadcasters for the carriage of their signal on cable and satellite. With respect to this broad review, stakeholders appeared before the CRTC in April 2008, to propose policy measures intended to respond to the CRTC objective of reducing regulation to the minimum essential to achieve the objectives of the *Broadcasting Act* and to rely instead on market forces wherever possible. The CRTC determination is expected on October 30, 2008. Astral has actively participated in this review but cannot estimate the potential impact of policy revisions on its business, financial condition or operating results until they are implemented and their content fully reviewed.

The CRTC provided a report on the regulatory impacts of new media in May 2008 and launched a consultation on broadcasting in new media for a future hearing to be held in February 2009. This process is expected to provide the CRTC with enough information to decide whether a regulatory policy or legislative changes are needed for dealing with new media.

The Canadian Association of Broadcasters (the "CAB"), on behalf of its members, has 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. On January 19, 2007, 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"). There can be no assurance that such leave will be granted. The CRTC has confirmed to the CAB that it will not attempt to collect outstanding Part II Fees until the earlier of (i) the application for leave to appeal is denied by the SCC; (ii) the Appeal Court decision is affirmed by the SCC; or (iii) the matter is settled between the parties. The Company has been accruing the Part II licence fees using known rates since the beginning of legal proceedings and will continue to accrue them until a final decision is rendered on the matter.

The Company's Television and Radio operations rely upon licences granted under the *Copyright Act* (Canada) in order to make use of the music components of the programming distributed by these undertakings. Under these licences, the Company 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 the Company's broadcasting undertakings being required to pay additional, and potentially retroactive, royalties under these licences.

On August 26, 2008, the CRTC approved two applications for broadcasting licences to operate new English FM radio stations to serve Ottawa-Gatineau, including that of Astral Media Radio. The CRTC had received multiple competing applications to serve this region, including an application by Radio de la communauté francophone d'Ottawa ("RCFO") for a French-language community FM radio programming undertaking that was denied. RCFO and other parties filed petitions to the Governor in Council to have the decision referred back to the CRTC for reconsideration; a leave to appeal to the Federal Court of Appeal has also been filed by RCFO.

On October 14, 2005, the Copyright Board of Canada issued a decision setting the amount of royalties that commercial radio stations are required to pay to the Society of Composers, Authors, and Music Publishers of Canada and to the Neighbouring Rights Collective of Canada for the use of music (the "SOCAN/NRCC decision"). On October 19, 2006, the Federal Court of Appeal set aside the SOCAN/NRCC decision and ordered that the matter be referred back to the Copyright Board for its reconsideration. The Copyright Board heard the matter in June 2007 and on February 22, 2008 issued its decision with respect to this matter by maintaining the rates that were set in October 2005. This decision has no significant effect on the financial results of the Company as it has been paying or accruing for the royalties on the basis of the prescribed rates since September 1, 2006, and as the retroactive portion of the rate increases has been fully accrued for in a prior fiscal year.

In December, 2008, the Copyright Board will hold a consolidated proceeding to hear five copyright tariff proposals for commercial radio for the calendar years 2008 and beyond. These proposals, from Artisti, AVLA/SOPROQ, CSI, NRCC and SOCAN cover both the performance right and the reproduction right. As member of the CAB, the Company is actively participating in this proceeding to oppose any rate increases and propose rate reductions. The potential impact of this proceeding on the Company's financial results cannot be determined until a final decision on this matter has been rendered.

The CRTC requires Canadian broadcasters to broadcast certain amounts of Canadian content. Often, a portion of the production budgets of Canadian programs is financed by Canadian government agencies and incentive programs, such as the Canadian Television 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 Outdoor 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.

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 satellite services ("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 ("VOD"), Subscription-video-on-demand ("SVOD"), High-Definition television, Personal Video Recorders, Mobile Television, Internet Protocol TV, and Internet television. Additionally, in the last year, the Apple iPod / iPhone was launched and achieved wide market penetration due to the ease with which it makes portable audio and video available to the consumer.

The Company 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 broadcasting distribution undertakings (“BDUs”) (including cable, DTH and multichannel multipoint distribution systems (“MMDS”)) 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 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, 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 May 2006, the CRTC released its decision to license a competitive national general interest pay-TV service in the English market. However, the CRTC did not grant the new service access on an analog basis, nor did it allow for a change in the existing exclusivity-based contractual arrangements with program suppliers. In addition, the CRTC did not grant a competitive licence in the francophone market, stating that the French pay-TV market is too small to sustain competition. The new national pay-TV service was launched during the first quarter of Fiscal 2008, but had no significant impact on the Company's financial results.

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. On the radio side, the Company recently obtained a new radio licence to service the Ottawa-Gatineau market (see "Business Developments") and continues to pursue new licences that will expand its business into new markets.

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, iPod / 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 outdoor advertising industry is fragmented, consisting of several larger companies, as well as numerous smaller and local companies operating a limited number of display faces in a few local markets. Astral Media Outdoor 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. 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, going forward, approximately 45% of the Company's revenues are subscriber-based. These are significantly more stable in an uncertain economic environment.

FUTURE FINANCING

The Company is fully funded for its current operations and has access to a credit facility (the "Facility") of \$990.0 million which only 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 terms acceptable to it. 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, 2008 (\$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, 2008.

NEW ACCOUNTING POLICIES

The Company's accounting policies were unchanged in Fiscal 2008, with the exception of the adoption of new accounting policies on Comprehensive Income, Financial Instruments and Hedges, and Accounting Changes.

Comprehensive Income, Financial Instruments and Hedges

Effective September 1, 2007, the Company adopted, retroactively without restatement of prior period amounts, the following Canadian Institute of Chartered Accountants' ("CICA") recommendations:

- i. Section 1530, *Comprehensive Income*, introduces a new financial statement which shows the change in a company's net assets arising from transactions, events and circumstances from non-shareholder sources.
- ii. Section 3855, *Financial Instruments — Recognition and Measurement*, establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. This new standard lays out how financial instruments are to be recognized depending on their classification. Depending on the financial instruments' classification, subsequent changes in measurements are recognized in net earnings or comprehensive income.
- iii. Section 3861, *Financial Instruments — Disclosure and Presentation*, establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the related information that should be disclosed.

Upon adoption of these recommendations, the Company has chosen to add all transaction costs to the carrying amounts of the related financial assets and liabilities, other than those related to financial assets and liabilities held for trading, on the consolidated balance sheet and has implemented the following classification:

- Cash and cash equivalents are classified as “Financial Assets Held for Trading”. These financial assets are marked to market through the consolidated statements of earnings at each period end.
- Short-term investments are classified as “Held-to-maturity Investments”. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method through the consolidated statements of earnings. For the Company, the carrying amount generally approximates the fair value.
- 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. For the Company, the carrying amount generally approximates the fair value.
- The bank overdraft, accounts payable, short-term and long-term program and film rights payable, long-term debt, other long-term liabilities and liabilities of discontinued operations 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. For the Company, the carrying amount generally approximates the fair value for all short-term payables. For all long-term payables, including the long-term debt, the fair value is determined using the discounted cash flows of future estimated cash payments.

On September 1, 2007, the Company also adopted, retroactively without restatement of prior period amounts, Section 3865, *Hedges*, which application is optional and establishes how hedge accounting may be applied. In accordance with its risk management strategy, the Company uses derivative financial instruments to manage its interest rate exposures in connection with its bank credit facility (see Note 9 to the audited consolidated financial statements for the year ended August 31, 2008). As at September 1, 2007, the derivative financial instruments consisted of interest-rate swap and interest-rate cap agreements. The Company has elected to apply hedge accounting for these agreements and treats these derivative financial instruments as cash flow hedges. 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.

For the Company, the adoption of these recommendations had no impact on the September 1, 2007 opening balance sheet, other than on derivative financial instruments designated as cash flow hedges. The Company has recorded a \$3.9 million unrealized non-cash gain (net of income taxes of \$1.7 million) in the opening balance of accumulated other comprehensive income (see Note 14 to the audited consolidated financial statements for the year ended August 31, 2008) with respect to the interest-rate swap and interest-rate cap agreements designated as cash flow hedges held upon adoption of these recommendations. For the year ended August 31, 2008, the adoption of these recommendations did not have a significant impact on the consolidated statements of earnings.

Accounting Changes

On September 1, 2007, the Company adopted the CICA's recommendations of Section 1506, *Accounting Changes* which prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.

FUTURE ACCOUNTING CHANGES

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

- i. The CICA has issued Section 3862 of the CICA Handbook, *Financial Instruments - Disclosures* and Section 3863, *Financial Instruments - Presentation*, which replace Section 3861. These new sections increase the emphasis on disclosure about risks associated with both recognized and unrecognized financial instruments and how these risks are managed.
- ii. Section 1535 of the CICA Handbook, *Capital Disclosure* was issued and requires disclosure of information about the entity's objectives, policies and processes for managing capital, as well as quantitative data about capital and whether the entity has complied with any externally imposed capital requirements.
- iii. Section 3064 of the CICA Handbook, *Goodwill and Intangible Assets* was issued and replaced Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development*. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

The Company is required to apply Sections 3862, 3863 and 1535 in Fiscal 2009 and will then accordingly report all additional disclosure required in its consolidated financial statements.

The Company is required to apply Section 3064 in Fiscal 2010. Following the application of this section, the Company will no longer be permitted to capitalize pre-operating costs of new services or other internally developed assets if specific criteria are not met. The Company will assess the impact of this section's application in Fiscal 2009.

On February 13, 2008, the Accounting Standards Board confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required, for fiscal years beginning on or after January 1, 2011, for publicly accountable profit-oriented enterprises. After that date, IFRS will replace Canadian GAAP for those enterprises. The Company will thus apply IFRS in Fiscal 2012 and until then, it will monitor and analyze all changes that will result from this transition.

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:

Broadcast Licences and Goodwill

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 representing the excess of the carrying amount over the fair value is recognized on the consolidated statements of earnings, if any. The impairment test for goodwill is carried out in two steps. First, when the fair value of a reporting unit exceeds its carrying amount, no impairment charge is recognized and the second step is not required. If required, the second step 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 implied fair value of goodwill is less than its carrying value, an impairment charge is recognized for the difference on the consolidated statements of earnings. The Company uses discounted future cash flows to assess the fair value of its broadcast licences and reporting units.

For the years ended August 31, 2008 and 2007, the Company has concluded that no provision for impairment of broadcast licences or goodwill is required.

Impairment of Long-lived Assets

Long-lived assets, comprising property, plant and equipment, and outdoor advertising license fees, customer relationships, business pre-operating costs and other deferred charges, 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, measured as any excess of the carrying value over the fair value.

Employee Future Benefits

The Company has a voluntary defined benefit pension plan that is available to employees who were hired before December 1, 2005. As part of the Standard Acquisition (see Note 2 to the audited consolidated financial statements for the year ended August 31, 2008), the Company acquired Standard's existing defined benefit pension plan, on a fully-funded basis (all of the preceding (the "Plan")) using capitalization rates, which are different from rates used for accounting purposes. The Company ensures that contributions are sustained at a level sufficient to cover 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 19 to the audited consolidated financial statements for the year ended August 31, 2008.

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 19 to the audited consolidated financial statements for the year ended August 31, 2008.

The Company also has an other post-retirement benefit plan (the "Other" plan), which provides health benefits and dental care to certain employees who were hired before January 1, 2002. Key assumptions include the discount rate, and the health and dental care cost trend rate, all of which are also disclosed in Note 19 to the audited consolidated financial statements for the year ended August 31, 2008.

The discount rate assumption used to calculate the present value of the Company's employees future benefits plans projected benefit payments was determined using a measurement date of June 30, 2008 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.

The Company also has a defined contribution component to its defined benefit pension plan and has also acquired Standard's existing defined contribution pension plan. 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. For the year ended August 31, 2008, the contribution amounts paid by the Company under its defined contribution components, including the plan assumed upon the Standard Acquisition, are \$1.2 million and are included in operating expenses on the audited consolidated statements of earnings (\$0.5 million for the year ended August 31, 2007).

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.

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. In the event that the actual outcome differs from management's assumptions and estimates, the carrying amounts may be adjusted. Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies.

Accrued Liabilities and Contingencies

Accrued liabilities, 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.

Stock-based Compensation Costs

The Company has an employee stock option plan, a restricted share unit plan and a deferred share unit plan, which are described in Note 12.c) to the audited consolidated financial statements for the year ended August 31, 2008. 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.

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 from continuing operating activities and to cover financial charges. It 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, 2008 and 2007 to EBITDA:

	3 MONTHS		12 MONTHS	
	2008	2007	2008	2007
<i>(in thousands of \$)</i>				
Earnings from continuing operations before income taxes	63,567	51,810	229,301	194,912
Depreciation and amortization	6,386	4,423	22,812	15,952
Interest expense (income), net	11,101	(1,132)	37,465	(4,170)
EBITDA	81,054	55,101	289,578	206,694

Net earnings and earnings per share from continuing operations before the impact of future income tax rate changes.

These measures provide an indication of the Company's ability to generate earnings and cash flows from its ongoing operations, by excluding the impact of the non-cash future income tax recoveries or expenses resulting from income tax rate changes over which the Company has no control.

The following tables reconcile GAAP measures disclosed in the consolidated statements of earnings for the periods ended August 31, 2008 and 2007 to net earnings and earnings per share, before the impact of future income tax rate changes.

	3 MONTHS		12 MONTHS	
	2008	2007	2008	2007
<i>(in thousands of \$)</i>				
Net earnings from continuing operations	40,806	38,085	178,721	130,693
Future income tax recovery resulting from income tax rate changes	-	(4,069)	(28,259)	(4,069)
Net earnings from continuing operations before the impact of future income tax rate changes	40,806	34,016	150,462	126,624

	3 MONTHS		12 MONTHS	
	2008	2007	2008	2007
<i>(in dollars)</i>				
Basic earnings per share from continuing operations	0.72	0.72	3.18	2.48
Earnings per share – impact of future income tax rate changes	-	(0.07)	(0.51)	(0.08)
Basic earnings per share from continuing operations before the impact of future income tax rate changes	0.72	0.65	2.67	2.40

Cash flow from continuing operations is defined as cash flow from continuing operating activities before 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 items.

The following table reconciles GAAP measures disclosed in the consolidated statements of cash flows for the periods ended August 31, 2008 and 2007 to cash flow from continuing operations:

	3 MONTHS		12 MONTHS	
	2008	2007	2008	2007
<i>(in thousands of \$)</i>				
Cash flow from continuing operating activities	55,792	36,597	148,990	130,403
Net change in non-cash operating items	4,263	7,297	56,352	21,596
Cash flow from continuing operations	60,055	43,894	205,342	151,999

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, 2008 and 2007 to cash used for investing activities, excluding variation of short-term investments:

	3 MONTHS		12 MONTHS	
	2008	2007	2008	2007
<i>(in thousands of \$)</i>				
Cash and cash equivalents used for investing activities	(31,771)	(51,666)	(904,670)	(134,726)
Net variation of short-term investments	9,962	(19,913)	(41,166)	6,354
Cash used for investing activities, excluding net variation of short-term investments	(21,809)	(71,579)	(945,836)	(128,372)

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.

Disclosure Controls and Procedures

The Company's President and Chief Executive Officer and its Senior Vice-President and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures. 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 release.

The President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures as at August 31, 2008, have concluded that the Company's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been known to them.

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.

On October 29, 2007, the Company completed the acquisition of substantially all of the assets of Standard Radio Inc. As at August 31, 2008, management has completed the documentation and evaluation of the design of ICFR for the newly acquired business, as per Multilateral Instrument 52-109.

The President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company have evaluated the design of the Company's internal controls over financial reporting as at August 31, 2008, and believe the design to be sufficient to provide such reasonable assurance. 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, 2008, that have materially affected, or are reasonably likely to materially affect its ICFR. No such changes were identified through their evaluation.

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. 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 high quality systems of internal controls over financial reporting, and administrative controls, consistent with reasonable cost. Such systems 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, 2008, the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company, after evaluating the effectiveness of the Company's disclosure controls and procedures, have concluded that the Company's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been known to them and disclosed.

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 10, 2008

AUDITORS' REPORT

To the Shareholders of Astral Media Inc.

We have audited the consolidated balance sheets of Astral Media Inc. as at August 31, 2008 and 2007 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, 2008 and 2007 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
Chartered Accountants

Montréal (Québec)
October 10, 2008

CONSOLIDATED BALANCE SHEETS

as at August 31

54

2008
ANNUAL
REPORT

	Notes	2008	2007
<i>(in thousands of Canadian dollars)</i>			
ASSETS			
Current			
Cash and cash equivalents	17	\$ -	\$ 21,237
Short-term investments	4	9,962	51,128
Accounts receivable		155,841	96,995
Income taxes receivable		919	-
Program and film rights		79,305	72,791
Prepaid expenses and other current assets		28,954	18,331
		<u>274,981</u>	<u>260,482</u>
Program and film rights		69,502	58,854
Other non-current assets	5	47,751	49,088
Property, plant and equipment	6	133,484	83,367
Broadcast licences	7	1,807,496	950,698
Goodwill	8	356,945	116,016
Future income tax assets	16	26,448	8,549
		<u>\$ 2,716,607</u>	<u>\$ 1,527,054</u>
LIABILITIES			
Current			
Bank overdraft	17	\$ 3,644	\$ -
Accounts payable and accrued liabilities		129,906	83,160
Income taxes payable		-	19,501
Program and film rights payable		64,060	70,325
Future income tax liabilities	16	5,951	3,246
		<u>203,561</u>	<u>176,232</u>
Long-term debt	9	812,074	-
Future income tax liabilities	16	254,912	267,240
Other non-current liabilities	10	78,445	26,673
Derivative financial instruments	22	18,374	-
Liabilities of discontinued operations	11	2,748	2,183
SHAREHOLDERS' EQUITY			
Capital stock	12	748,121	561,589
Contributed surplus	13	14,409	11,645
Retained earnings		597,188	481,492
Accumulated other comprehensive income	1,14	(13,225)	-
		<u>583,963</u>	<u>481,492</u>
		<u>1,346,493</u>	<u>1,054,726</u>
		<u>\$ 2,716,607</u>	<u>\$ 1,527,054</u>

Commitments and contingencies (Note 18).
See accompanying notes.

On behalf of the Board:



IAN GREENBERG
Director



ANDRÉ BUREAU
Director

CONSOLIDATED STATEMENTS OF EARNINGS

for the years ended August 31

	Notes	2008	2007
<i>(in thousands of Canadian dollars except for per-share data)</i>			
Revenues		\$ 865,370	\$ 640,518
Operating expenses		575,792	433,824
		289,578	206,694
Depreciation	6	21,617	15,518
Amortization of intangible assets	5	1,195	434
Interest expense (income), net	15	37,465	(4,170)
Earnings from continuing operations before income taxes		229,301	194,912
Income tax provision before undernoted	16	78,839	68,288
Future income tax recovery resulting from income tax rate changes	16	(28,259)	(4,069)
		50,580	64,219
Net earnings from continuing operations		178,721	130,693
Net earnings (net loss) from discontinued operations	11	(1,711)	501
Net earnings		\$ 177,010	\$ 131,194
Earnings per share from continuing operations	12		
- Basic		\$ 3.18	\$ 2.48
- Diluted		\$ 3.12	\$ 2.42
Earnings per share	12		
- Basic		\$ 3.15	\$ 2.49
- Diluted		\$ 3.09	\$ 2.43

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

56

2008
ANNUAL
REPORT

for the years ended August 31

	Notes	2008	2007
<i>(in thousands of Canadian dollars)</i>			
Cash and cash equivalents provided by (used for):			
OPERATING ACTIVITIES			
Net earnings from continuing operations		\$ 178,721	\$ 130,693
Non-cash charges (credits):			
Depreciation and amortization	5, 6	22,812	15,952
Stock-based compensation	12, 13	6,270	6,063
Future income tax expense before undernoted	16	22,715	3,360
Future income tax recovery resulting from income tax rate changes	16	(28,259)	(4,069)
Imputed interest on other non-current liabilities	15	2,507	–
Amortization of deferred financing costs	15	576	–
		205,342	151,999
Net change in non-cash operating items	17	(56,352)	(21,596)
Cash flow from continuing operating activities		148,990	130,403
DISCONTINUED OPERATIONS	11	(591)	(621)
INVESTING ACTIVITIES			
Short-term investments – purchased		(9,962)	(51,128)
Short-term investments – cashed		51,128	44,774
Additions to property, plant and equipment		(35,995)	(17,296)
Business acquisitions, net of cash acquired	2	(907,156)	(79,786)
Business pre-operating costs		(2,685)	–
Outdoor advertising license fees	18	–	(28,898)
Deferred business acquisition costs		–	(2,392)
		(904,670)	(134,726)
FINANCING ACTIVITIES			
Deferred financing costs	9	(2,835)	(667)
Increase in long-term debt	9	825,000	–
Repayment of long-term debt	9	(10,000)	–
Shares repurchased	12	(55,416)	(24,054)
Stock options exercised		3,182	3,088
Dividends		(28,541)	(21,098)
		731,390	(42,731)
Net change in cash and cash equivalents		(24,881)	(47,675)
Cash and cash equivalents – beginning of year		21,237	68,912
Cash and cash equivalents (bank overdraft) – end of year	17	\$ (3,644)	\$ 21,237

See accompanying notes and supplementary cash flow information (Note 17).

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

for the years ended August 31

	Notes	2008	2007
<i>(In thousands of Canadian dollars)</i>			
Retained earnings – beginning of year		\$ 481,492	\$ 388,691
Net earnings		177,010	131,194
Dividends		(28,541)	(21,098)
Shares repurchased – excess of purchase price over carrying value	12	(32,773)	(17,295)
Retained earnings – end of year		\$ 597,188	\$ 481,492

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the years ended August 31

		2008	2007
<i>(In thousands of Canadian dollars)</i>			
Net earnings		\$ 177,010	\$ 131,194
Other comprehensive income			
Change in fair value of derivatives designated as cash flow hedges (net of income taxes of \$6.9 million)		(17,133)	–
Gains and losses in prior periods on derivatives accounted for as cash flow hedges transferred to net earnings in the year	12		–
Comprehensive income		\$ 159,889	\$ 131,194

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended August 31, 2008 and 2007

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 outdoor 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 financial statements should be read in conjunction with the 2008 Management's Discussion and Analysis ("MDSA"). All amounts herein are expressed in Canadian dollars.

Certain comparative figures have been reclassified to conform with the basis of presentation adopted in Fiscal 2008.

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) COMPREHENSIVE INCOME, FINANCIAL INSTRUMENTS AND HEDGES

Effective September 1, 2007, the Company adopted, retroactively without restatement of prior period amounts, the following Canadian Institute of Chartered Accountants' ("CICA") recommendations:

- i. Section 1530, *Comprehensive Income*, introduces a new financial statement which shows the change in a company's net assets arising from transactions, events and circumstances from non-shareholder sources.
- ii. Section 3855, *Financial Instruments — Recognition and Measurement*, establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. This new standard lays out how financial instruments are to be recognized depending on their classification. Depending on the financial instruments' classification, subsequent changes in measurements are recognized in net earnings or comprehensive income.
- iii. Section 3861, *Financial Instruments — Disclosure and Presentation*, establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the related information that should be disclosed.

Upon adoption of these recommendations, the Company has chosen to add all transaction costs to the carrying amounts of the related financial assets and liabilities, other than those related to financial assets and liabilities held for trading, on the consolidated balance sheet and has implemented the following classification:

- Cash and cash equivalents are classified as “Financial Assets Held for Trading”. These financial assets are marked to market through the consolidated statements of earnings at each period end.
- Short-term investments are classified as “Held-to-maturity Investments”. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method through the consolidated statements of earnings. For the Company, the carrying amount generally approximates the fair value.
- 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. For the Company, the carrying amount generally approximates the fair value.
- The bank overdraft, accounts payable, short-term and long-term program and film rights payable, long-term debt, other long-term liabilities and liabilities of discontinued operations 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. For the Company, the carrying amount generally approximates the fair value for all short-term payables. For all long-term payables, including the long-term debt, the fair value is determined using the discounted cash flows of future estimated cash payments.

On September 1, 2007, the Company also adopted, retroactively without restatement of prior period amounts, Section 3865, *Hedges*, which application is optional and establishes how hedge accounting may be applied. In accordance with its risk management strategy, the Company uses derivative financial instruments to manage its interest rate exposures in connection with its bank credit facility (see Note 9). As at September 1, 2007, the derivative financial instruments consisted of interest-rate swap and interest-rate cap agreements. The Company has elected to apply hedge accounting for these agreements and treats these derivative financial instruments as cash flow hedges. 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.

1. Accounting Policies (continued)

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.

For the Company, the adoption of these recommendations had no impact on the September 1, 2007 opening balance sheet, other than on derivative financial instruments designated as cash flow hedges. The Company has recorded a \$3.9 million unrealized non-cash gain (net of income taxes of \$1.7 million) in the opening balance of accumulated other comprehensive income (see Note 14) with respect to the interest-rate swap and interest-rate cap agreements designated as cash flow hedges held upon adoption of these recommendations. For the year ended August 31, 2008, the adoption of these recommendations did not have a significant impact on the consolidated statements of earnings.

D) ACCOUNTING CHANGES

On September 1, 2007, the Company adopted the CICA's recommendations of Section 1506, *Accounting Changes* which prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.

E) 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 equipments 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.

F) EARNINGS PER SHARE

Basic earnings 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 stock options been exercised 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 12), under which such shares are assumed to have been converted to Class B subordinate voting shares at the beginning of the year.

G) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include investments with an original maturity term of less than 90 days from the date of acquisition. Cash equivalents are highly liquid investments.

H) SHORT-TERM INVESTMENTS

Short-term investments include investments with an original maturity term of 90 to 365 days from the date of acquisition. Short-term investments are carried at the amortized cost using the effective interest rate method and are written down to fair value if there is other than temporary impairment.

I) 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 36 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 recoverable amount.

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

J) OTHER NON-CURRENT ASSETS

Other non-current assets include deferred charges related to the operation of certain outdoor advertising sites and related license fees and business pre-operating costs. Also included in other non-current assets are the customer relationships obtained as part of the acquisition of substantially all of the assets of Standard Radio Inc. (see Note 2).

Outdoor advertising license fees are amortized over the 20-year term of the related contract with the City of Toronto (the "City"), on the basis of the minimum amounts guaranteed to be paid annually to the City which reflects the pattern in which the economic benefits of the license are estimated to be earned (see Note 18).

Customer relationships and business pre-operating costs are amortized over a period ranging between three and five years on a straight-line basis.

Other deferred charges are amortized on a straight-line basis over the term of their related arrangements.

1. Accounting Policies (continued)

K) 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
Outdoor advertising panels	20 years
Equipment, furniture and fixtures	3 to 10 years
Computer hardware and software	3 to 6 years

Leasehold improvements are depreciated on a straight-line basis over the 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.

L) ASSET RETIREMENT OBLIGATIONS

The Company records a liability for an asset retirement obligation related to its outdoor advertising site leases when it is committed to return a site to its 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, 2008 and 2007, 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.

M) IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets, comprising property, plant and equipment, and outdoor advertising license fees, customer relationships, business pre-operating costs and other deferred charges, 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, measured as any excess of the carrying value over the fair value.

N) 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.

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, representing the excess of the carrying amount over the fair value, is then recognized on the consolidated statements of earnings, if any. The impairment test for goodwill is carried out in two steps. First, when the fair value of a reporting unit exceeds its carrying amount, no impairment charge is recognized and the second step is not required. If required, the second step 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 implied fair value of goodwill is less than its carrying value, an impairment charge is recognized for the difference on the consolidated statements of earnings. The Company uses discounted future cash flows to assess the fair value of its broadcast licences and reporting units.

For the years ended August 31, 2008 and 2007, the Company has concluded that no provision for impairment of broadcast licences or goodwill is required.

O) 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.

P) 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.

1. Accounting Policies (continued)

Q) EMPLOYEE FUTURE BENEFITS

The Company has a voluntary defined benefit pension plan that is available to employees who were hired before December 1, 2005. As part of the Standard Acquisition (see Note 2), the Company acquired Standard's existing defined benefit pension plan (all of the preceding (the "Plan")) and its non-pension post-retirement benefit plan ("NPPR"). In addition, the Company 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.

The Company also has a defined contribution component to its defined benefit pension plan and has also acquired Standard's existing defined contribution pension plan. 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 above plans are included in operating expenses on the consolidated statements of earnings.

R) 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 12.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 to contributed surplus on the consolidated balance sheets.

S) FUTURE ACCOUNTING CHANGES

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

- i. The CICA has issued Section 3862 of the CICA Handbook, *Financial Instruments - Disclosures* and Section 3863, *Financial Instruments - Presentation*, which replace Section 3861. These new sections increase the emphasis on disclosure about risks associated with both recognized and unrecognized financial instruments and how these risks are managed.
- ii. Section 1535 of the CICA Handbook, *Capital Disclosure* was issued and requires disclosure of information about the entity's objectives, policies and processes for managing capital, as well as quantitative data about capital and whether the entity has complied with any externally imposed capital requirements.
- iii. Section 3064 of the CICA Handbook, *Goodwill and Intangible Assets* was issued and replaced Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development*. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

The Company is required to apply Sections 3862, 3863 and 1535 in Fiscal 2009 and will then accordingly report all additional disclosure required in its consolidated financial statements.

The Company is required to apply Section 3064 in Fiscal 2010. Following the application of this section, the Company will no longer be permitted to capitalize pre-operating costs of new services or other internally developed assets if specific criteria are not met. The Company will assess the impact of this section's application in Fiscal 2009.

On February 13, 2008, the Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required, for fiscal years beginning on or after January 1, 2011, for publicly accountable profit-oriented enterprises. After that date, IFRS will replace Canadian GAAP for those enterprises. The Company will thus apply IFRS in Fiscal 2012 and until then, it will monitor and analyze all changes that will result from this transition.

2. Business Acquisitions

On October 29, 2007, the Company completed the acquisition of substantially all of the assets of Standard Radio Inc. ("Standard") consisting of 53 radio stations in 30 markets across Canada, as well as two television stations located in northern British Columbia. Also included in the transaction were the assets of Integrated Media Sales or "IMS", a national advertising sales organization, and of Sound Source Networks, a radio content service provider (the "Standard Acquisition"). The purchase price for the Standard Acquisition was \$1.08 billion plus \$6.0 million of acquisition costs and excluded \$24.8 million of working capital and other post-closing adjustments, of which \$2.8 million was unpaid at year end. The \$1.08 billion consideration comprised an amount of \$879.9 million in cash and 4,750,987 Class A non-voting shares of the Company, which were valued at \$202.5 million on the basis of the market price of the shares on announcing the agreement on April 12, 2007. The cash consideration was financed with cash on-hand at the time of the closing of the transaction, and with \$825.0 million of bank debt (see Note 9). Under the terms of the agreement, the Company assumed Standard's defined benefit pension plan and non-pension post-retirement benefit plan. On the acquisition date, Standard's defined benefit pension plan was transferred to the Company on a fully-funded basis using capitalization rates which are different from rates used for accounting purposes. Standard's non-pension post-retirement benefit plan was also transferred on a fully-funded basis through a reduction of amounts payable by the Company related to other post-closing adjustments. During the three-month period ended August 31, 2008, the Company finalized the preliminary purchase price allocation presented in the unaudited interim consolidated financial statements as at May 31, 2008. The modifications consist mainly of an increase of the goodwill and of decreases of the broadcast licences, working capital and employee future benefit liabilities. The assets acquired, liabilities assumed and results of operations are consolidated since the closing of the transaction, effective October 29, 2007.

The purchase price for the Standard Acquisition is subject to a contingent consideration of an amount of up to \$28.4 million, based on the impact on future earnings of a favourable resolution of regulatory matters specified in the agreement. The additional consideration, if any, will be accounted for as an increase of goodwill in the period the resolution occurs.

During the first quarter of Fiscal 2007, the Company completed the acquisition of an additional 10% ownership interest in TELETOON Canada Inc. ("TELETOON") for a cash consideration of \$49.7 million, excluding \$0.3 million of acquisition costs. The transaction increased the Company's shareholding in TELETOON from 40% to 50%. The assets acquired, liabilities assumed and results of operations are proportionately consolidated since TELETOON remains a joint venture under joint control.

During the fourth quarter of Fiscal 2007, the Company completed the acquisition of an additional 50% ownership interest in MusiquePlus Inc. ("MusiquePlus") for a cash consideration of \$34.0 million. The transaction increased the Company's shareholding in MusiquePlus to 100%. The assets acquired, liabilities assumed and results of operations are consolidated since the closing of the transaction.

Details of the business acquisitions, accounted for by using the purchase method, are as follows:

	2008			2007
	STANDARD	TELETOON	MUSIQUEPLUS	TOTAL
<i>(in thousands)</i>				
Assets acquired:				
Cash and cash equivalents	\$ 331	\$ 3,093	\$ 1,131	\$ 4,224
Accounts receivable	44,842	1,464	3,426	4,890
Prepaid expenses and other current assets	3,386	-	-	-
Program and film rights – current	-	2,141	200	2,341
Program and film rights – non-current	-	4,414	-	4,414
Property, plant and equipment	32,922	48	3,706	3,754
Customer relationships	1,791	-	-	-
Other assets	-	31	1,177	1,208
Broadcast licences (Note 7)	856,798	38,768	28,626	67,394
Goodwill (Note 8)	240,929	18,206	11,570	29,776
Future income tax assets	16,514	-	-	-
	1,197,513	68,165	49,836	118,001
Liabilities assumed:				
Accounts payable and accrued liabilities	(23,626)	(393)	(4,036)	(4,429)
Program and film rights payable – current	-	(3,700)	-	(3,700)
Program and film rights payable – non-current	-	(1,187)	-	(1,187)
Other liabilities	-	(199)	(1,090)	(1,289)
Employee future benefits	(6,816)	-	-	-
Amounts payable under conditions of CRTC licence acquisitions	(53,899)	-	(2,885)	(2,885)
Future income tax liabilities	-	(12,676)	(7,825)	(20,501)
Total consideration	\$ 1,113,172	\$ 50,010	\$ 34,000	\$ 84,010
Consideration comprises:				
Cash on-hand	\$ 76,899	\$ 49,733	\$ 34,000	\$ 83,733
Cash financed by long-term debt (Note 9)	825,000	-	-	-
Class A non-voting shares (Note 12.b))	202,487	-	-	-
Acquisition costs	5,999	277	-	277
Unpaid consideration	2,787	-	-	-
Total consideration	\$ 1,113,172	\$ 50,010	\$ 34,000	\$ 84,010

2. Business Acquisitions (continued)

For income tax purposes, broadcast licences and goodwill created as part of the Standard Acquisition of \$642.6 million and \$146.7 million respectively will be deductible in future years as eligible capital expenditures.

The above purchase price allocation for the Standard Acquisition includes \$5.7 million of restructuring costs, consisting mainly of severance costs.

3. Joint Ventures

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

	PERCENTAGE OWNED	
	2008	2007
Viewer's Choice Canada Inc.	50.1	50.1
Historia & Séries+, S.E.N.C.	50	50
TELETOON Canada Inc. (Note 2)	50	50
Canal Indigo, S.E.N.C.	–	20.04

On August 31, 2008, the Company sold its investment in Canal Indigo, S.E.N.C. The sale did not have a significant impact on the consolidated financial statements for the year ended August 31, 2008.

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

	2008	2007
<i>(in thousands)</i>		
Cash and cash equivalents	\$ 4,807	\$ 11,027
Other current assets	30,498	26,953
Non-current assets	39,466	29,355
Current liabilities	(33,141)	(39,480)
Non-current liabilities	(5,833)	(3,039)
Net assets	\$ 35,797	\$ 24,816

	2008	2007
<i>(in thousands)</i>		
Revenues	\$ 64,780	\$ 81,567
Operating expenses	29,351	45,586
Depreciation and amortization	132	873
Interest income, net	(154)	(471)
Income tax provision	8,191	9,706
Net earnings	\$ 27,260	\$ 25,873
Cash provided by continuing operating activities	\$ 10,226	\$ 23,712
Cash used for investing activities	\$ (139)	\$ (1,042)
Cash used for financing activities	\$ -	\$ -

The above results of operations and cash flows from continuing operating, investing and financing activities for Fiscal 2007 include the Company's 50% proportionate share in MusiquePlus until the date of acquisition of the remaining 50% ownership interest that it did not previously own (see Note 2).

4. Short-term Investments

The following table summarizes information relating to short-term investments as at August 31, 2008 and 2007:

	COST <i>(in thousands)</i>	ORIGINAL MATURITY <i>(days)</i>	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE
2008 - Commercial paper	\$ 9,962	124	3.0%
2007 - Commercial paper	\$ 51,128	139 to 161	4.2%

The above short-term investments are highly liquid.

5. Other Non-current Assets

	2008	2007
<i>(in thousands)</i>		
Outdoor advertising license fees (Note 18)	\$ 28,754	\$ 28,898
Employee future benefits (Note 19)	7,511	8,919
Business pre-operating costs (net of accumulated amortization of \$678 (2007 - \$395))	3,363	963
Customer relationships (net of accumulated amortization of \$367 (2007 - nil))	1,424	-
Deferred business acquisition and financing costs	-	3,059
Other deferred charges (net of accumulated amortization of \$904 (2007 - \$764))	6,699	7,249
	\$ 47,751	\$ 49,088

6. Property, Plant and Equipment

	2008		2007	
	COST	ACCUMULATED DEPRECIATION	COST	ACCUMULATED DEPRECIATION
<i>(in thousands)</i>				
Land and buildings	\$ 13,575	\$ 306	\$ -	\$ -
Outdoor advertising equipment	84,206	35,451	63,315	22,914
Equipment, furniture and fixtures	90,899	48,180	70,919	45,243
Computer hardware and software	44,898	26,338	32,769	22,322
Leasehold improvements	25,186	15,005	19,866	13,023
Total	\$ 258,764	\$ 125,280	\$ 186,869	\$ 103,502
Net book value	\$ 133,484		\$ 83,367	

7. Broadcast Licences

The changes in broadcast licences are summarized as follows:

	2008	2007
<i>(in thousands)</i>		
Beginning of year	\$ 950,698	\$ 883,304
Broadcast licences acquired (Note 2)	856,798	67,394
End of year	\$ 1,807,496	\$ 950,698

8. Goodwill

The changes in goodwill are summarized as follows:

	2008	2007
<i>(in thousands)</i>		
Beginning of year	\$ 116,016	\$ 86,240
Goodwill related to business acquisitions (Note 2)	240,929	29,776
End of year	\$ 356,945	\$ 116,016

As at August 31, 2008, the Company's goodwill is related to its Television business for a total amount of \$29.8 million, following its investments in TELET00N and MusiquePlus in Fiscal 2007 (see Note 2), to its Radio business for an amount of \$240.9 million, following the Standard Acquisition (see Note 2), and to its Outdoor Advertising business for an amount of \$86.2 million.

9. Credit Facilities

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

	2008	2007
<i>(in thousands)</i>		
One-month bankers acceptances issued	\$ 814,300	\$ -
Canadian prime rate loans	700	-
Deferred financing costs	(2,926)	-
Long-term debt	\$ 812,074	\$ -

On October 29, 2007, the Company established a \$1.0 billion credit facility (the "Facility"), which has been reduced to \$990.0 million as at August 31, 2008, with a syndicate of financial institutions, as part of the financing required for the purpose of the Standard Acquisition (see Note 2). 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 issued, 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 (see Note 22).

As at August 31, 2008, total borrowings under the Facility amounted to \$815.0 million (nil as at August 31, 2007), excluding \$19.3 million of outstanding letters of credit (\$16.1 million as at August 31, 2007), and bear an interest rate of 4.8%, after giving effect to an interest-rate swap agreement. The Company fully guarantees the Facility on an unsecured basis and also has a prepayment option without penalty which can be exercised at any time during the term of the Facility.

Under the terms of the Facility, the Company has certain financial ratios to comply with. The Company was in compliance with all these financial ratios as at August 31, 2008.

The Company's joint ventures also have operating revolving credit facilities of \$4.5 million (at Astral's proportionate share), which were not used as at August 31, 2008 and 2007.

As at August 31, 2007, the Company's deferred financing costs of \$0.7 million were classified in other non-current assets on the consolidated balance sheet.

10. Other Non-current Liabilities

	2008	2007
<i>(in thousands)</i>		
Amounts payable under conditions of CRTC licence acquisitions	\$ 43,093	\$ 2,991
Employee future benefits (Note 19)	17,571	8,086
Program and film rights payable	13,446	12,376
Asset retirement obligations	3,082	2,686
Other non-current liabilities	1,253	534
	\$ 78,445	\$ 26,673

The current portion of amounts payable under conditions of CRTC licence acquisitions is included in accounts payable and accrued liabilities on the consolidated balance sheets.

11. Discontinued Operations

In August 2008, the Company announced the closing of its classified ad division TATV. A loss from operations of \$1.2 million (net of income tax recovery of \$0.6 million) was recorded in discontinued operations on the consolidated statement of earnings for the year ended August 31, 2008, including exit costs of \$1.3 million (net of income tax recovery of \$0.6 million), such as severance costs and penalties for the cancellation of a contractual obligation, and the write-off of the carrying value of TATV's property, plant and equipment which are no longer used by the Company. Comparative figures in the consolidated statements of earnings and in the consolidated statements of cash flows have been adjusted following the reclassification of TATV's results of operations into discontinued operations.

In Fiscal 2008, the Company recorded an income tax expense of \$0.5 million related to additional future income tax liabilities with regards to a previously discontinued operation.

11. Discontinued Operations (continued)

Selected financial information for the business included in discontinued operations is reported below:

	2008	2007
<i>(in thousands except for per-share data)</i>		
Revenues	\$ 4,012	\$ 5,488
Earnings from operations before undernoted	\$ 94	\$ 737
Exit costs	(1,856)	-
Earnings (loss) before income taxes	(1,762)	737
Income tax expense (recovery)	(51)	236
Net earning (net loss) from discontinued operations	\$ (1,711)	\$ 501
Earnings (loss) per share from discontinued operations		
- basic	\$ (0.03)	\$ 0.01
- diluted	\$ (0.03)	\$ 0.01

Liabilities of discontinued operations relate to operations that were discontinued in Fiscal 2008 and prior years. They include lease and operational obligations, and other non-current liabilities which together amount to \$2.7 million (2007 - \$2.2 million) and should be paid by the end of Fiscal 2010.

12. 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 respecting 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, under the provisions of the Regulations, to obtain, maintain, renew or amend any licence required to carry on any business of the Company and its affiliates, 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

	2008		2007	
	NUMBER OF SHARES OUTSTANDING	CARRYING VALUE OF SHARES	NUMBER OF SHARES OUTSTANDING	CARRYING VALUE OF SHARES
<i>(in thousands except for number of shares)</i>				
Class A shares:				
Beginning of year	49,777,203	\$ 558,534	49,848,066	\$ 558,741
Shares issued as part of the consideration for the Standard Acquisition (Note 2)	4,750,987	202,487	-	-
Conversion of Class B shares	4,350	4	302,800	296
Stock options exercised (Notes 12.c) and 13)	184,190	3,756	128,152	3,542
Conversion of restricted share units (Notes 12.c) and 13)	100,544	3,082	97,285	2,714
Shares repurchased (Note 12.g))	(1,616,400)	(22,643)	(599,100)	(6,759)
Shares issuance costs	-	(150)	-	-
End of year	53,200,874	745,070	49,777,203	558,534
Class B shares:				
Beginning of year	2,792,022	2,730	3,094,822	3,026
Conversion to Class A shares	(4,350)	(4)	(302,800)	(296)
End of year	2,787,672	2,726	2,792,022	2,730
Special shares	65,000	325	65,000	325
		\$ 748,121		\$ 561,589

12. Capital Stock (continued)

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 4 or 5 years from the date of granting 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. Options have a term of 5 or 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 the Company's directors as consideration for their compensation entitlements. A DSU is a fully vested 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 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.

The compensation costs related to these plans are disclosed in Note 12.d).

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

	2008		2007	
	NUMBER OF OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE (\$)	NUMBER OF OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE (\$)
Beginning of year	2,979,397	26.24	2,840,297	24.70
Granted	344,732	43.76	320,732	39.75
Exercised	(184,190)	18.09	(128,152)	24.11
Cancelled/Expired	(35,843)	36.34	(53,480)	30.51
End of year	3,104,096	28.55	2,979,397	26.24
Exercisable – end of year	2,228,314	24.61	2,106,341	23.17

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

RANGE OF EXERCISE PRICES (\$)	NUMBER OF OPTIONS OUTSTANDING AT AUGUST 31, 2008	WEIGHTED AVERAGE REMAINING LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE (\$)	NUMBER OF OPTIONS EXERCISABLE AT AUGUST 31, 2008	WEIGHTED AVERAGE EXERCISE PRICE (\$)
10.96 - 16.25	66,576	1.33	12.76	66,576	12.76
16.26 - 24.25	1,006,620	3.02	22.81	1,006,620	22.81
24.26 - 36.25	1,395,471	2.93	27.37	1,132,649	26.61
36.26 - 43.76	635,429	3.82	41.89	22,469	39.75
10.96 - 43.76	3,104,096	3.11	28.55	2,228,314	24.61

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

	2008	2007
Number of units:		
Outstanding – beginning of year	317,422	313,502
Granted	119,900	111,200
Converted to Class A shares	(100,544)	(97,285)
Cancelled/Expired	(6,978)	(9,995)
Outstanding – end of year	329,800	317,422

12. Capital Stock (continued)

D) STOCK-BASED COMPENSATION COSTS

During the second quarter of Fiscal 2008, the Company granted 344,732 options to key employees to purchase Class A shares of the Company (320,732 options to purchase Class A shares were granted in the second quarter of Fiscal 2007). The fair value of options granted was determined using the Black-Scholes option pricing model and the following assumptions:

	FISCAL 2008 GRANT	FISCAL 2007 GRANT
Assumptions:		
Risk-free interest rate	3.98%	3.86%
Expected volatility in the market price of the shares	17.80%	22.30%
Expected dividend yield	1.15%	1.01%
Expected life	4.5 years	5 years
Fair value per option:	\$ 8.41	\$ 9.66

During the second quarter of Fiscal 2008, the Company also granted 119,900 RSUs to key employees (111,200 RSUs were granted in the second quarter of Fiscal 2007). The fair value of the RSUs granted is \$43.50 per unit (\$39.75 per unit in Fiscal 2007), 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, 2008, stock-based compensation costs amounted to \$6.3 million (\$6.1 million for the year ended August 31, 2007) (see Note 13).

For the year ended August 31, 2008, the compensation cost related to DSUs amounted to \$0.1 million (\$0.5 million for the year ended August 31, 2007) and is 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, 2008 and 2007, 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.

F) EARNINGS PER SHARE

The following is a reconciliation of the numerator and denominators used for the computation of basic and diluted earnings per share from continuing operations:

	2008	2007
<i>(in thousands)</i>		
Net earnings from continuing operations (numerator)	\$ 178,721	\$ 130,693
Weighted average number of shares outstanding (denominators):		
Weighted average number of shares outstanding – basic	56,257	52,763
Effect of dilutive securities	949	1,149
Weighted average number of shares outstanding – diluted	57,206	53,912

G) NORMAL COURSE ISSUER BIDS

On December 7, 2005, the Company announced a normal course issuer bid to repurchase for cancellation up to 5% of its Class A and Class B shares. In accordance with the terms of the bid, the Company repurchased for cancellation 2,330,700 Class A shares. The share repurchase program was conducted over the maximum period of 12 months which ended on December 12, 2006.

On December 6, 2006, the Company announced a renewal of its normal course issuer bid to repurchase for cancellation up to 5% of its Class A and Class B shares. In accordance with the terms of the renewed bid, the Company repurchased for cancellation 186,700 Class A shares. The share repurchase program was conducted over the maximum period of 12 months which ended on December 12, 2007.

On December 5, 2007, the Company announced a further renewal of its normal course issuer bid to repurchase for cancellation up to 1,400,000 Class A shares and 71,400 Class B shares. On July 30, 2008, the Company increased the maximum number of shares that it can repurchase to 2,732,749 Class A shares and to 139,401 Class B shares, both quantities representing no more than 5% of the outstanding shares as at November 30, 2007 for their respective class of shares. The share repurchase program is being conducted over a maximum period of 12 months which began on December 13, 2007. As at August 31, 2008, the Company had repurchased for cancellation 1,610,400 Class A shares under this renewed bid.

During the year ended August 31, 2008, the Company repurchased and cancelled a total of 1,616,400 Class A shares under its normal course issuer bids for a total cash consideration of \$55.4 million. The cash consideration exceeded the carrying value of the shares repurchased by \$32.8 million, which amount was charged to retained earnings (599,100 Class A shares were repurchased during the year ended August 31, 2007 for a total cash consideration of \$24.1 million of which \$17.3 million was charged to retained earnings).

13. Contributed Surplus

The changes in contributed surplus are summarized as follows:

	2008	2007
<i>(in thousands)</i>		
Beginning of year	\$ 11,645	\$ 8,750
Stock-based compensation costs (Note 12.d)	6,270	6,063
Stock options exercised	(424)	(454)
Restricted share units converted to Class A shares (Note 12.b))	(3,082)	(2,714)
End of year	\$ 14,409	\$ 11,645

14. Accumulated Other Comprehensive Income

The changes in accumulated other comprehensive income are summarized as follows:

	2008	2007
<i>(in thousands)</i>		
Adjusted opening balance due to new accounting policies adopted regarding financial instruments (net of income taxes of \$1.7 million) (Note 1.c)	\$ 3,896	\$ -
Other comprehensive income for the year (net of income taxes of \$6.9 million)	(17,121)	-
End of year	\$ (13,225)	\$ -

15. Interest and Financial Expenses

	2008	2007
<i>(in thousands)</i>		
Interest income	\$ (1,454)	\$ (4,471)
Interest expense on long-term debt	35,022	-
Imputed interest on other non-current liabilities	2,507	-
Amortization of deferred financing costs	576	-
Other interest expense and financing costs	814	301
	\$ 37,465	\$ (4,170)

16. Income Taxes

During Fiscal 2008, the Federal government enacted a phased-in decrease to the Federal general corporate income tax rate and the British Columbia government substantively enacted a decrease to its general corporate income tax rate. Upon each substantively 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 substantively 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. These rate changes resulted in a non-cash future income tax recovery of \$28.3 million (\$0.51 per share) recorded in Fiscal 2008 in the consolidated statement of earnings. During Fiscal 2007, the Federal government enacted a decrease to its corporate income tax rate which resulted in a non-cash future income tax recovery of \$4.1 million (\$0.08 per share).

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

	2008	2007
<i>(in thousands except for income tax rates)</i>		
Statutory income tax rate	33.0%	34.0%
Provision based on statutory rate applied to earnings from continuing operations before income taxes	\$ 75,669	\$ 66,270
Non-deductible stock-based compensation costs	2,013	1,975
Future income tax recovery resulting from income tax rate changes	(28,259)	(4,069)
Other items	1,157	43
	\$ 50,580	\$ 64,219

16. Income Taxes (continued)

Major components of the income tax provision are as follows:

	2008	2007
<i>(in thousands)</i>		
Current tax expense	\$ 56,124	\$ 64,928
Future income tax expense relating to origination and reversal of temporary differences	22,715	3,360
Future income tax recovery resulting from income tax rate changes	(28,259)	(4,069)
Income tax provision	\$ 50,580	\$ 64,219

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

	2008	2007
<i>(in thousands)</i>		
Future income tax assets:		
Other non-current liabilities, including employee future benefits	\$ 11,461	\$ -
Derivative financial instruments	5,138	-
Provisions and reserves	3,276	2,967
Other	2,267	908
Total future income tax assets	22,142	3,875
Future income tax liabilities:		
Property, plant and equipment and deferred charges	(6,047)	(5,814)
Broadcast licences and other intangible assets, including goodwill	(243,908)	(256,022)
Income from partnerships	(5,901)	(3,204)
Employee future benefits	-	(531)
Other	(701)	(241)
Total future income tax liabilities	(256,557)	(265,812)
Net future income tax liability	\$ (234,415)	\$ (261,937)

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

	2008	2007
<i>(in thousands)</i>		
Future income tax assets	\$ 26,448	\$ 8,549
Future income tax liabilities - current	(5,951)	(3,246)
Future income tax liabilities	(254,912)	(267,240)
Net future income tax liability	\$ (234,415)	\$ (261,937)

17. Consolidated Statements of Cash Flows

A) NET CHANGE IN NON-CASH OPERATING ITEMS

	2008	2007
<i>(in thousands)</i>		
Increase in accounts receivable and other assets	\$ (20,601)	\$ (8,106)
Increase in program and film rights	(17,162)	(13,647)
Decrease in accounts payable, accrued liabilities and income taxes payable	(13,394)	(4,349)
Increase (decrease) in program and film rights payable	(5,195)	4,506
	\$ (56,352)	\$ (21,596)

17. Consolidated Statements of Cash Flows (continued)

B) CASH AND CASH EQUIVALENTS, BANK OVERDRAFT

Major components of cash and cash equivalents or bank overdraft reported on the consolidated balance sheets and consolidated statements of cash flows are as follows:

	2008	2007
<i>(in thousands)</i>		
Cash on-hand	\$ 12,506	\$ 22,878
Cash equivalents	777	-
Outstanding cheques	(16,927)	(1,641)
Cash and cash equivalents (bank overdraft)	\$ (3,644)	\$ 21,237

C) INTEREST PAID, RECEIVED AND TAXES PAID

	2008	2007
<i>(in thousands)</i>		
Interest paid	\$ (35,836)	\$ (301)
Interest received	\$ 1,454	\$ 4,471
Income taxes paid	\$ (78,783)	\$ (65,719)

D) NON-CASH TRANSACTIONS

The consolidated statement of cash flows for the year ended August 31, 2008 excludes the carrying value of the Class A shares of the Company issued as part of the consideration for the Standard Acquisition and an unpaid portion of the consideration related to the working capital and other post-closing adjustments (see Note 2), as well as unpaid additions to property, plant and equipment of \$3.4 million.

18. 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, and amounts guaranteed under a 20-year coordinated street furniture program with the City of Toronto (the "City") are as follows:

<i>(in thousands)</i>		
2009	\$	39,001
2010		32,710
2011		38,103
2012		36,110
2013		37,810
2014 and thereafter		485,475
	\$	669,209

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 networks 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 \$669.2 million of commitments, the amount of program and film rights commitments that are measurable, as at August 31, 2008, is estimated at \$239.1 million.

On July 25, 2007, Astral Media Outdoor signed an agreement with the City to service its 20-year coordinated street furniture program (the "Program"), beginning September 1, 2007. Under the terms of the agreement, the Company has the exclusive right to post advertising on the street furniture covered by the Program and pays the City a percentage of revenues generated from the sale of such advertising. Upon signature of the agreement, the Company paid the City an amount of \$36.9 million consisting of license fees (\$28.4 million) and the sum of the minimum annual amounts guaranteed to the City for the first three years of the agreement term (\$8.5 million). Total capital expenditures committed under the terms of the agreement, for the remaining 19 years of the contract, are estimated at \$151.4 million and are excluded from the above table.

B) CONTINGENCIES

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.

Astral's Television and Radio operations rely upon licences granted under the *Copyright Act* (Canada) in order to make use of the music components of the programming distributed by these undertakings. Under these licences, 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 licences. The Company is paying or accruing for the royalties using current prescribed rates.

In December 2008, the Copyright Board will hold a consolidated proceeding to hear five copyright tariff proposals for commercial radio for the calendar years 2008 and beyond. These proposals cover both the performance right and the reproduction right. The potential impact of this proceeding on the Company's financial results cannot be determined until a final decision on this matter has been rendered.

19. Employee Future Benefits

The Company has a voluntary defined benefit pension plan available to employees hired before December 1, 2005. As part of the Standard Acquisition (see Note 2), the Company acquired Standard's existing defined benefit pension plan on a fully-funded basis (all of the preceding (the "Plan")), using capitalization rates which are different from rates used for accounting purposes. 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, 2006 for the Company's pension plan and as at October 29, 2007 for the pension plan acquired from Standard, and the next required valuations will be performed as at December 31, 2009 and December 31, 2010 respectively.

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 also has an other post-retirement benefit plan (the "Other" plan) which provides health benefits and dental care to certain employees who were hired before January 1, 2002.

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):

	2008			2007	
	PLAN	SERP	OTHER	PLAN	SERP
Accrued benefit obligations:					
Discount rate	6.25%	6.25%	6.25%	5.50%	5.50%
Rate of salary escalation	4.25%	4.25%	-	4.00%	4.00%
Health care cost trend rate – first ten years	-	-	8.00%	-	-
Health care cost trend rate – thereafter	-	-	5.00%	-	-
Dental cost trend rate	-	-	3.50%	-	-
Benefit plan costs:					
Discount rate	5.50%	5.50%	5.75%	5.50%	5.50%
Expected long-term rate of return on plan assets	6.75%	-	-	6.75%	-
Rate of salary escalation	4.00%	4.00%	-	4.00%	4.00%

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

	2008			2007	
	PLAN	SERP	OTHER	PLAN	SERP
<i>(in thousands)</i>					
Benefit obligations:					
Benefit obligations - opening	\$ 36,083	\$ 11,091	\$ -	\$ 29,660	\$ 10,937
Benefit obligations on acquisition date	22,953	-	5,249	-	-
Current service cost	7,069	424	197	4,990	412
Interest cost	3,150	629	219	1,850	613
Benefits paid	(2,129)	(396)	-	(2,025)	(412)
Past service costs	-	127	-	-	-
Actuarial loss (gain) on accrued benefit obligations	(9,648)	(1,917)	(635)	1,608	(459)
Benefit obligations - closing	\$ 57,478	\$ 9,958	\$ 5,030	\$ 36,083	\$ 11,091
Plan assets:					
Fair value of plan assets - opening	\$ 32,354	\$ -	\$ -	\$ 24,074	\$ -
Fair value of plan assets on acquisition date	21,386	-	-	-	-
Actual return (loss) on plan assets	(1,202)	-	-	3,719	-
Employer contributions	4,645	396	-	6,586	412
Benefits paid	(2,129)	(396)	-	(2,025)	(412)
Fair value of plan assets - closing	\$ 55,054	\$ -	\$ -	\$ 32,354	\$ -

19. Employee Future Benefits (continued)

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

	2008			2007	
	PLAN	SERP	OTHER	PLAN	SERP
<i>(in thousands)</i>					
Current service cost	\$ 7,069	\$ 424	\$ 197	\$ 4,990	\$ 412
Interest cost	3,150	629	219	1,850	613
Actual loss (return) on plan assets	1,202	-	-	(3,719)	-
Past service costs	-	127	-	-	-
Actuarial loss (gain) on accrued benefit obligations	(9,648)	(1,917)	(635)	1,608	(459)
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	(4,344)	-	-	1,880	-
Difference between amortization of past service costs for the year and actual past service costs for the year	-	(61)	-	-	57
Difference between actuarial loss recognized for the year and actual actuarial loss on accrued benefit obligation for the year	10,089	1,982	635	(1,208)	542
Net benefit plan expense	\$ 7,518	\$ 1,184	\$ 416	\$ 5,401	\$ 1,165

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 2008:

	INCREASE	DECREASE
<i>(in thousands)</i>		
Total of current service and interest cost	\$ 115	\$ (86)
Post-retirement accrued benefit obligation	\$ 1,308	\$ (999)

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

	2008			2007	
	PLAN	SERP	OTHER	PLAN	SERP
Equity securities	58.0%	-	-	59.5%	-
Debt securities	42.0%	-	-	40.5%	-
	100.0%	-	-	100.0%	-

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

	2008			2007	
	PLAN	SERP	OTHER	PLAN	SERP
<i>(in thousands)</i>					
Benefit obligations	\$ (57,478)	\$ (9,958)	\$ (5,030)	\$ (36,083)	\$ (11,091)
Fair value of plan assets	55,054	-	-	32,354	-
Funded status - plan deficit	(2,424)	(9,958)	(5,030)	(3,729)	(11,091)
Employer contributions after June 30	649	-	-	651	-
Unamortized past service costs	-	713	-	-	651
Unamortized net actuarial loss (gain)	6,252	(24)	(635)	11,997	1,958
Accrued benefit asset (liability)	\$ 4,477	\$ (9,269)	\$ (5,665)	\$ 8,919	\$ (8,482)

Both defined benefit pension plans have an accrued benefit obligation in excess of plan assets as at June 30, 2008.

19. Employee Future Benefits (continued)

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

	2008			
	PLAN	SERP	OTHER	TOTAL
<i>(in thousands)</i>				
Other non-current assets (Note 5)	\$ 7,511	\$ -	\$ -	\$ 7,511
Accounts payable and accrued liabilities	-	(397)	-	(397)
Other non-current liabilities (Note 10)	(3,034)	(8,872)	(5,665)	(17,571)
	\$ 4,477	\$ (9,269)	\$ (5,665)	\$ (10,457)
	2007			
	PLAN	SERP	TOTAL	
<i>(in thousands)</i>				
Other non-current assets (Note 5)	\$ 8,919	\$ -	\$ 8,919	
Accounts payable and accrued liabilities	-	(396)	(396)	
Other non-current liabilities (Note 10)	-	(8,086)	(8,086)	
	\$ 8,919	\$ (8,482)	\$ 437	

A defined contribution component to the Plan is also available to all employees hired on or after December 1, 2005. For the year ended August 31, 2008, the contribution amounts paid by the Company for services rendered by the employees during the year under its defined contribution components, including the plan assumed upon the Standard Acquisition (see Note 2), are \$1.2 million and are included in operating expenses on the consolidated statement of earnings (\$0.5 million for the year ended August 31, 2007).

20. Business Segments

The Company's business segments are Television, Radio and Outdoor Advertising. 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 aired on these stations. Following its closing, TATV's results of operations were removed from the Radio segment and reclassified into discontinued operations. The Outdoor Advertising segment comprises activities related to posting advertising on the Company's inventory of panels and street furniture equipment, 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.

	AUGUST 31, 2008			
	TELEVISION	RADIO	OUTDOOR ADVERTISING	CONSOLIDATED
<i>(in thousands of \$)</i>				
Revenues from continuing operations	497,007	296,302	72,061	865,370
Earnings from continuing operations before undernoted items	179,513	111,140	23,645	314,298
Depreciation and amortization	(8,001)	(8,128)	(5,474)	(21,603)
Earnings from continuing operations before unallocated items	171,512	103,012	18,171	292,695
Interest expense, net				(37,465)
Corporate costs (including depreciation of \$1,209)				(25,929)
Income tax provision				(50,580)
Net earnings from continuing operations				178,721
Identifiable assets from continuing operations at year end (excluding Corporate assets of \$32,226)	786,747	1,416,591	124,098	2,327,436
Additions to property, plant and equipment (excluding Corporate additions of \$1,283)	9,832	8,529	19,723	38,084
Addition to broadcast licences (Notes 2 and 7)	-	856,798	-	856,798
Addition to goodwill (Notes 2 and 8)	-	240,929	-	240,929

20. Business Segments (continued)

	AUGUST 31, 2007			
	TELEVISION	RADIO	OUTDOOR ADVERTISING	CONSOLIDATED
<i>(in thousands of \$)</i>				
Revenues from continuing operations	475,042	115,701	49,775	640,518
Earnings from continuing operations before undernoted items	170,903	41,017	16,703	228,623
Depreciation and amortization	(6,726)	(3,848)	(4,390)	(14,964)
Earnings from continuing operations before unallocated items	164,177	37,169	12,313	213,659
Interest income, net				4,170
Corporate costs (including depreciation of \$988)				(22,917)
Income tax provision				(64,219)
Net earnings from continuing operations				130,693
Identifiable assets from continuing operations at year end (excluding Corporate assets of \$98,882)	748,018	464,008	100,130	1,312,156
Additions to property, plant and equipment (excluding Corporate additions of \$1,718)	7,194	3,884	4,500	15,578
Additions to broadcast licences (Notes 2 and 7)	67,394	-	-	67,394
Additions to goodwill (Notes 2 and 8)	29,776	-	-	29,776

21. 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, 2008, 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.

22. Financial Instruments

A) DERIVATIVE FINANCIAL INSTRUMENTS

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. These derivative financial instruments are used to manage interest-rate risks on bank debt (see Note 9). During the third quarter of Fiscal 2007, the Company entered into interest-rate swap and interest-rate cap agreements to hedge its exposure on interest rate fluctuations. During the first quarter of Fiscal 2008, these derivative financial instruments were terminated and replaced by a new interest-rate swap agreement on October 29, 2007 to hedge the same exposure (the "New Agreement"). Upon termination of the initial interest-rate swap and interest-rate cap agreements, their combined fair market value was \$0.1 million in the Company's favour and this gain has been included as a reduction of the interest rate relating to the New Agreement. Since the hedges were effective as at their termination date, the unrealized gain included in the accumulated other comprehensive income was deferred and is being recognized over the term of the related long-term debt. The New Agreement is based on an initial nominal amount of \$750.0 million (\$616.4 million as at August 31, 2008) which is being reduced periodically, based on a predetermined schedule, until its maturity on May 29, 2012. Under the New Agreement, the Company pays a fixed interest rate of 4.6% and receives floating interest rate based on 30-day bankers acceptances. The Company elected to apply cash flow hedge accounting on this derivative financial instrument. For the year ended August 31, 2008, the application of this accounting treatment did not have a significant impact on the consolidated statement of earnings. Based on the current market value of the derivative financial instrument, an unrealized non-cash loss of \$18.4 million (\$13.2 million net of income taxes) has been recorded in the consolidated statement of comprehensive income for the year ended August 31, 2008 and on the consolidated balance sheet as at that date.

B) FAIR VALUES

	AUGUST 31, 2008		AUGUST 31, 2007	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
<i>(in thousands of \$)</i>				
Financial assets				
<i>Financial assets held for trading</i>				
Cash and cash equivalents	-	-	21,237	21,237
<i>Held-to-maturity investments</i>				
Short-term investments	9,962	9,962	51,128	51,128
<i>Loans and receivables</i>				
Accounts receivable	155,841	155,841	96,995	96,995
<i>Derivatives designated as cash flow hedges</i>				
Interest-rate swap agreement	-	-	-	4,381
Interest-rate cap agreement	-	-	-	1,238
Financial liabilities				
<i>Other financial liabilities</i>				
Bank overdraft	3,644	3,644	-	-
Accounts payable and accrued liabilities	129,906	129,906	83,160	83,160
Program and film rights payable – short-term	64,060	64,060	70,325	70,325
Program and film rights payable – long-term	13,446	13,446	12,376	11,451
Long-term debt	812,074	788,232	-	-
<i>Derivatives designated as cash flow hedges</i>				
Interest-rate swap agreement	18,374	18,374	-	-

22. Financial Instruments (continued)

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

The fair value of long-term program and film rights payable has been calculated using a discounted cash flow method of estimated future cash payments.

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, including an interest rate of 5.5% and the repayment date of the long-term debt in October 2012.

The fair value of the interest-rate swap and interest-rate cap agreements is calculated using the average of quotes obtained from major financial institutions.

C) CONCENTRATION OF CREDIT RISK

The Company performs ongoing credit evaluations of customers and generally does not require collateral. Allowances are maintained for potential credit losses.

As at August 31, 2008, two customers of the Television segment accounted for 22% (2007 – three customers for 39%) of consolidated revenues from continuing operations.

SHAREHOLDERS' INFORMATION

	CLASS A SHARES <i>(non-voting)</i>	CLASS B SHARES <i>(one vote each)</i>
Listing	TSX	TSX
Symbol	ACM.A	ACM.B
Recent price ⁽¹⁾	\$ 32.84	\$ 33.00
High / low last 12 months	\$ 46.64 / \$ 26.00	\$ 47.00 / \$ 26.00
Shares outstanding ⁽²⁾	53,200,874	2,787,672
Price / Earnings ratio ⁽³⁾	12.3 x	12.4 x
Price / Cash flow ratio	9.0 x	9.0 x
Price / Book value ratio	1.4 x	1.4 x
Book value per share	\$ 24.04	\$ 24.04
Dividends per share last 12 months ⁽⁴⁾	\$ 0.50	\$ 0.50

(1) As at October 1, 2008.

(2) As at August 31, 2008. Does not include 65,000 special shares entitled to 10 votes each.

(3) The Price / Earnings ratio is calculated on the basis of earnings per share from continuing operations before the future income tax recovery resulting from income tax rate changes.

(4) The semi-annual dividend rate has been \$0.25 per share since December 5, 2007.