BOAT ROCKER MEDIA

Imagining the Future of Entertainment

Financial Results 2020

We believe in the power of great stories.

Boat Rocker is an independent, integrated global entertainment company that harnesses the power of creativity and commerce to tell stories and build iconic brands for audiences around the world.

Letter to Shareholders

We are pleased to report to you for the first time as a public company.

In 2020, we navigated an unprecedented global pandemic, continued to align and integrate recent acquisitions and prepared the Company to go public to support our next phase of growth. We completed our initial public offering in March 2021, raising gross proceeds of $170.1 million and marked the beginning of an exciting new chapter for Boat Rocker. Completion of the IPO has allowed us to move ahead with a clean balance sheet and the financial flexibility to manage the anticipated ramp-up in revenue expected in 2021. Importantly, we now have the capital and public currency to execute our vision for an independent, integrated, next generation global entertainment company.

The COVID-19 pandemic created challenges for businesses around the world in 2020, and our industry proved no exception. Delays in live-action productions and increased costs impacted our financial performance, which you will see in the Company's financial reporting for 2020. We are proud of how the entire Boat Rocker team and its partners responded under these difficult circumstances, weathering the storm and, in some cases, even growing the business. Amidst the delays associated with COVID-19, elements of our business continued to perform well, including our Kids & Family segment, which was able to effectively transition to work-from-home protocols. Although physical production of live action programming was restricted through the end of the first quarter and the whole of the second quarter of 2020, by the summer of last year we were able to re-start many of our productions and complete and deliver them through adherence to COVID-19 health and safety protocols. Going forward, we are optimistic that the combination of these enhanced safety protocols and, increasingly, vaccinations will help mitigate further significant delays in live-action productions.

We entered 2021 with heightened activity and optimism across the business. Recent achievements in our Kids & Family sector include the very successful launch of preschool animated series, *Dino Ranch*, which was the number one performing program in the U.S. over all cable channels in the preschool demographic at the time of writing. The series comes from our prolific creative partners, Industrial Brothers, with animation done by our team at Jam Filled Entertainment. Production continues on the animated series *Daniel Spellbound*, also with Industrial Brothers, for Netflix. Our animation team at Jam Filled continues to deliver exceptional work on both our own shows and for third-party buyers.

In our Unscripted group, Matador's *Go-Big Show* premiered on TBS and CTV Comedy in the U.S. and Canada, respectively, and was the highest rated unscripted series launch at TBS over the last three years. We also enjoyed success with *The World's A Little Blurry*, a documentary we produced on music sensation Billie Eilish for Apple TV+ and our series *Dear...,* also for Apple TV+, which is now in production on season 2. Additionally, we continue to produce popular unscripted format-based and original series for the Canadian and world markets through Insight and Proper.

We started 2021 with an anticipated production slate of approximately 40 series across our different Studio divisions. With the underlying operational strength in the business, we feel there are opportunities to leverage our existing infrastructure to produce an even greater number of shows going forward. To this end, our creative teams in all genres are focused on our goal of expanding our access to fresh and innovative underlying IP and on increasing our ability to produce more shows for more platforms. We recently announced the launch of Maven, an LA-based production company led by veteran factual producer Jessica Sebastian-Dayeh, that will initially focus on premium unscripted content with a strong emphasis on female-led narratives. Maven will also actively seek to collaborate with both our Scripted and Kids & Family divisions. In the year ahead we are eager to form additional partnerships, building towards our goal of being the preferred home for creative visionaries to tell the stories they want to tell. In addition, we will continue to focus on in-house creation of IP and licensing of already existing stories that we can transform into series, and in certain cases, global brands.

Identifying stories that have the ability to transcend television and building them into global entertainment brands is core to our long-term growth and our ability to connect with audiences and consumers more fully. We remain confident in the prospects for our toyetic pre-school series *Dino Ranch*. As the distributor of the series, we are actively selling the show around the world, while concurrently rolling out publishing and toy opportunities, which are slated to launch in the second half of 2021. In addition, we believe that our new sci-fi series *Beacon 23* has the potential to develop into a global brand.

Our partners at Untitled Entertainment saw their clients returning to work in all genres in the later part of 2020 and we're continuing to see a return to 'business as usual' in 2021. Boat Rocker Studios continues to seek opportunities to partner with Untitled clients in telling their own stories and on existing Studio projects.

Despite our significant scale today, we continue to review opportunities to grow the business through M&A, building on our successful track record, spanning nine acquisitions since 2015. Through that period, we have demonstrated an ability to identify, acquire and integrate a variety of businesses, adding to our creative and commercial capabilities across each of our segments while also expanding geographically. Our goal going forward is to identify complementary businesses and partnerships to add to our ecosystem of storytelling and brand building – with the goal of becoming the best possible home for creative visionaries worldwide. Given our independence, strong balance sheet and lack of declining legacy businesses, we believe the Boat Rocker platform is a strong option for target companies, making us a partner of choice. We continue to carefully evaluate a pipeline of acquisition possibilities that we expect will grow further as we emerge from the pandemic.

We believe that Boat Rocker is ideally positioned to embark on its next phase of growth, capitalizing on the progress we have made in our nearly two decades building the business. We intend to continue to focus on great storytelling across a diverse range of genres while retaining the operational discipline that has served us well to this point.

In closing, we want to thank all our employees, new and old, who are so instrumental to Boat Rocker's success. Your hard work kept the Company moving forward during a period of great uncertainty. We would also like to welcome our new shareholders who invested in the IPO. Together, we will drive the next phase of Boat Rocker's growth and we look forward to updating you on our progress in the quarters and years ahead.

Signed
Ivan, David and John

BOAT ROCKER MEDIA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

For the three months and year ended December 31, 2020

The following Management's Discussion and Analysis (MD&A) for Boat Rocker Media Inc. (Boat Rocker or the Company) provides information concerning the Company's financial condition, results of operations, and cash flows for the three months and year ended December 31, 2020. This disclosure is effective as of March 31, 2021. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes (annual financial statements) for the year ended December 31, 2020 and its Annual Information Form (AIF). Additional information about the Company can be found under the Company's profile on SEDAR at www.sedar.com.

Some of the information contained in this MD&A contains forward-looking statements that are based on assumptions and involve risks and uncertainties. See the "Forward-Looking Statements" and "Risks and Uncertainties" sections of this MD&A for a discussion of the uncertainties, risks and assumptions associated with those statements. Actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those described in the "Risks and Uncertainties" section and elsewhere in this MD&A.

On March 24, 2021, Boat Rocker completed its initial public offering (IPO), raising an aggregate of $170.1 million. The IPO comprised of the issuance of 18.9 million Subordinate Voting Shares from treasury at $9.00 per share.

BASIS OF PRESENTATION

The annual financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). However, certain financial measures contained in this MD&A are non-IFRS measures and are discussed further in the "Non-IFRS Measures" section of this MD&A. All financial information is presented in Canadian dollars unless otherwise indicated.

BUSINESS OVERVIEW

Boat Rocker is an independent, integrated global entertainment company that harnesses the power of creativity and commerce to tell stories and build iconic brands for audiences around the world. The Company creates and produces television and film content across all major genres, distributes thousands of hours of content worldwide (both its own and a represented third-party library), and represents leading on-screen talent and celebrities. Boat Rocker leverages its intellectual property (IP) to create global entertainment brands that transcend television, resulting in multiple points of audience engagement. Examples include *Being Erica*, *The Next Step*, *Danger Mouse* and *Orphan Black*, all of which are global brands, continuing to generate revenue for the Company. Over the course of its 17 year history, the Company has developed and assembled what management believes is a unique set of creative and commercial capabilities. These include creation and development, production, animation, distribution, franchise and brand management, and talent management. Boat Rocker continues to increase, improve, and expand its capabilities to ensure that the Company meets the needs of the Company's partners, creators, and stakeholders in an ever-evolving entertainment landscape.

Boat Rocker reports the financial results of its business in three segments: "Television" (including live-action scripted and unscripted content production and owned IP distribution, but excluding kids and family content), "Kids and Family" (including kids and family live-action scripted and unscripted content, all animated content, owned IP distribution, and brand and merchandising), and "Representation" (including brand and management services provided to talent and IP representation services provided to third-party IP owners).

STRATEGY AND OUTLOOK

Boat Rocker Media intends to continue to add to its creative and commercial capabilities across the company via organic growth and acquisitions. The Company plans to build (hire), buy (acquire) and partner in key areas of its existing business as well as in new, adjacent business verticals. With the Company's international platform only recently integrated into the diversified business model, it is also looking forward to leveraging the investments made in infrastructure and personnel. The goal will be to produce more IP across all genres without materially increasing overhead.

Boat Rocker's purpose is quite simply to tell stories and build brands. In furtherance of this, another of its key strategic goals is to continue to add to, improve and expand the sources of IP in order to gain access to a larger and richer volume of diverse ideas. The Company has invested in and built a team with deep experience in developing and monetizing global brand franchises and believes it is well positioned to continue shortening the distance from IP sourcing through to IP monetization.

Boat Rocker remains cautiously optimistic that productions that are ongoing and adhering to strict safety protocols will be completed on schedule. The Company's strong partnerships with talent, creators and buyers mean that it is ideally placed to take advantage of increased global demand for content.

The Television segment continues to enhance its pipeline of potential projects and in 2021 will deliver several premium scripted series from Platform One Media (renamed Boat Rocker Studios, Scripted, effective January 1, 20210) acquired in August 2019. The unscripted slate is very robust with a renewal on Dear...for Apple TV+, as well as greenlights for further seasons of The Great Canadian Baking Show for CBC and Big Brother Canada for Corus expected in the first half of 2021. The Company expects to recognize an approximate even split of revenue in 2021, between over the top buyers (OTT) and subscription video on demand buyers (SVOD) compared to linear broadcasters.

Within the Kids and Family segment, Jam Filled Entertainment continues to see strong demand for its services through 2021, including, production and delivery of the series Dino Ranch for Disney Junior and CBC. Jam Filled Entertainment's strong relationships with its buyers have historically translated to subsequent series orders. The franchise and brand management team remains focused on the merchandising and licensing opportunities ahead in connection with a wide array of pre-school series currently airing or about to hit the screens in early 2021. In particular, new toy lines are due to launch with major retailers later in the year for Dino Ranch and Love Monster.

With a superb and growing roster of clients and third-party IP owners in the Representation segment, revenue in 2021 is expected to return to pre-COVID-19 levels, as film and television projects receive greenlights and the number of shows in production increases.

Key to the Company's growth objectives and to the success in achieving its strategic goals is the entire complement of staff at Boat Rocker. The Company continues to build for the future and at year-end employed approximately 830 people throughout North America as well as the UK and Hong Kong. Boat Rocker has challenged itself, even in this still difficult environment, to enhance and nurture its culture. Boat Rocker is committed and will strive to make the "workplace" engaging, diverse, and inclusive to reflect the life experiences of its staff, it's creative partners and the audiences of its content.

As further set out in the Company's final prospectus dated March 19, 2021 and filed on SEDAR in respect of its IPO, the Company expects 2021 to be a year of significant investment in content, funded in part by a portion of the IPO net proceeds, and is forecasting revenues in 2021 of approximately $700.0 million. This forecast is based on a number of assumptions, as outlined in the prospectus. Management believes that, in light of the projected significant growth in the demand for content by buyers worldwide, the Company is well-positioned to continue to grow by capitalizing on its competitive strengths and implementing its growth strategies.

COVID-19 PANDEMIC UPDATE

In early 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic. The crisis related to the COVID-19 pandemic is unprecedented and has resulted in regional shutdowns, social distancing protocols and limitations on group gatherings. This had an impact on the Company's operations and affected Boat Rocker's three segments as well as its corporate and shared services. The Company has implemented business-continuity plans to keep employees safe, while managing global operations.

Television segment

The content production industry experienced a temporary pause on live-action production, which impacted Boat Rocker's Television segment in both the scripted and unscripted production groups. The Company worked with buyers of its content to revise production start dates and re-work and re-budget projects in order to mitigate pandemic-related costs, and restart projects as soon as was reasonably practicable. Expected delivery dates were delayed on several of the Company's series resulting in a shift of revenue from 2020 into 2021.

While live-action production was paused, the Company was able to continue to edit and post-produce video content that was taped pre-shutdown by moving post-production crews to work-from-home. The Company also continued development activities on live-action productions, including writing and casting, through virtual writers' rooms and casting sessions.

As jurisdictions began to lift restrictions on large gatherings in the three months ended September 30, 2020, Boat Rocker's scripted and unscripted teams worked diligently to pioneer what management believes are leading COVID-19 protocols, which allowed several of the Company's series to resume production once local restrictions were eased. Production on the Company's drama, *Invasion*, for Apple TV+ was suspended for several months, and then restarted in London, UK, Morocco, and New York City. Principal photography has been completed and post-production is underway with expected delivery in Q3 2021. Similarly, production on the drama, *American Rust*, for Showtime was suspended in March 2020 just days before it was scheduled to commence. Principal photography commenced in March 2021.

The Company incurred increased production expenses as a result of the COVID-19 associated health and safety protocols that were not included in the pre-COVID-19 production budgets. Boat Rocker's expectation is that for new programming, the incremental COVID-19 expenses will be included in production budgets from the outset. These expenses will be borne by all financiers of the programming consistent with all other production costs, and as such, will not negatively impact the Company's profitability on such shows.

Kids and Family

The Kids and Family segment was the least affected of Boat Rocker's three segments. The Company effectively and quickly transitioned its animation teams to work-from-home, leading to a minimal disruption in business and no delay to delivery of product to buyers. In addition, over 200 animators were hired during the period from March to December 2020. The one live-action production that was delayed until 2021 was Season 2 of the teen drama *Get Even,* which is expected to commence principal photography in July 2021.

Representation

The majority of clients managed by the Company's Representation segment are on-screen talent. When the pandemic-related temporary shutdowns and restrictions were put in place, the talent had less opportunity to work and as a result revenue earned by the Company was negatively affected.

Corporate and shared services

Canada Revenue Agency accelerated the funding of film and television tax credits which has allowed the Company to collect tax credits on a faster turnaround as compared to historical experience.

A wage reduction was implemented for much of Boat Rocker's workforce during the three months ended June 30, 2020. It was applied for approximately twelve weeks and was tiered so as to ensure that the bulk of the cuts were borne by those with the highest salaries. Reduced travel and trade show participation have also led to operating expense savings.

Boat Rocker accessed $13.8 million funds from the Canada Emergency Wage Subsidy (CEWS) as of December 31, 2020 (2019 - $nil). Of the total, $1.8 million has been reflected as a reduction of production costs in investment in content, $9.8 million has been recorded as a reduction in service expenses, and $2.2 million has been recorded as a reduction in general and administrative expenses. The Company also accessed government assistance in the form of a grant from the Ministry of Heritage administered by the Canada Media Fund of $0.6 million in the year ended December 31, 2020 (2019 - $nil). The Company is currently assessing its eligibility for the wage subsidy in subsequent periods. Boat Rocker is not eligible for funds provided by the CAREs ACT in the United States nor will it be receiving funds under the Canada Emergency Rent Subsidy.

In July 2020, as a result of the impact of COVID-19 on the business of the Company, Boat Rocker amended its banking facility with the Bank of Montreal (BMO) and drew $13.4 million on an additional demand loan facility repayable at 5% of the principal balance per quarter over ten quarters commencing September 30, 2020, with the residual 50% principal balance due on the earlier of an acceleration event, defined as the earlier of demand and an event of default, and December 31, 2022. The Export Development Bank of Canada guaranteed 75% of the loan as part of its suite of programs put in place to support Canadian businesses during the pandemic. The facility bears interest at the Canadian prime rate plus 3%, consistent with the Company's typical rate of borrowing.

SELECTED FINANCIAL INFORMATION

The following table provides selected financial information of the Company for the years ended December 31, 2020, 2019, 2018 and 2017:

(in thousands of Canadian dollars)	Year ended December 31,			
	2020	2019	2018	2017
Consolidated statement of income and loss data				
Revenue	226,803	244,165	164,845	129,050
Net (loss) income	(43,990)	(19,483)	9,757	14,235
Net income attributable to non-controlling interests	4,754	4,224	397	106
Net (loss) income attributable to shareholders	(48,744)	(23,707)	9,360	14,129
Adjusted EBITDA*	14,303	32,469	32,014	26,581
Consolidated statements of cash flows data				
Cash provided by (used in) operating activities	(36,525)	(33,780)	7,393	22,010
Cash provided by (used in) financing activities	50,201	112,352	36,914	(13,058)
Cash provided by (used in) investing activities	(1,473)	(75,067)	(7,323)	(15,770)
Free cash flow*	(19,086)	2,340	12,353	8,714

	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Consolidated statements of financial position data				
Total cash	71,754	59,268	55,416	18,662
Total assets	663,412	516,143	395,529	179,920
Loans and borrowings	93,595	87,869	47,432	11,357
Lease liabilities	31,543	29,626	27,583	—
Total non-current liabilities	76,796	94,328	59,316	17,731
Net debt*	90,789	84,817	57,732	1,735

*See "Non-IFRS Measures"

FACTORS AFFECTING THE COMPANY'S PERFORMANCE

Revenue

Boat Rocker has four sources of revenue generation including production, service, distribution and representation revenue.

Production Revenue. Represents revenue derived from the production of video content owned in whole or in part by the Company. These revenues generally consist of license fees (sometimes referred to as pre-sales) paid by buyers and/or minimum guaranteed payments paid by distributors pursuant to license or distribution agreements entered into prior to the commencement of production and used by the Company to fund production expenses. In certain instances, the distributor licensing the rights in and to the content may be related or affiliated with the Company (i.e. if the Company is acting as a distributor of its own content). The Company will generally not commence the production of video content until it has secured sufficient funding to cover the production expenses associated with producing such video content. Production revenue is recognized when all performance obligations are met, the buyer has access to the video content, and the license period associated with the contract has begun. Production revenue is recorded in the Television and Kids and Family segments.

Service Revenue. Represents revenue derived from the production of video content owned by a third-party buyer or IP owner (e.g. an OTT provider or linear channel which engages the Company to provide

production services, as is often the case for the Company's animation division). Typically, the buyer or IP owner pays for the full costs of production plus an agreed upon premium or production services fee to the Company pursuant to a production services agreement. These revenues are generally received by the Company in regular installments over the course of work rendered. Depending on the type of video content, the duration of the service contract can vary from 1 to 12 months in the case of live-action, to 12 to 24 months in the case of animation. Service revenue is recognized over time based on the proportion of costs incurred in the current period over the total expected costs of the production. Service revenue is recorded in the Television and Kids and Family segments.

Distribution Revenue. Represents revenue earned from licensing the Company's completed video content to buyers around the world, as well as revenue earned from the sale of retail merchandise and other licensing activities relating to Boat Rocker-owned IP. Boat Rocker may act as its own distribution agent or the Company may employ third-party distribution agents to distribute its video content in all or certain territories. When any given license period ends, the associated rights can be renewed by the same buyer or sold onward to new buyers in each territory, potentially leading to a continuing revenue stream. Distribution revenue is recognized when the buyer has access to the video content and the license period associated with the contract has begun. Distribution revenue is recorded in the Television and Kids and Family segments.

Representation Revenue. Consists of revenue derived from providing two types of service: brand and management services provided to talent and IP representation services to third-party IP owners. In both cases, the Company is earning a pre-negotiated commission from its clients. The Company represents many A-list stars as well as the video content and brands of several large video content producers. Representation revenue is recorded in the Representation segment.

Production, Distribution and Service Expenses

Production, distribution and service expenses represent direct expenses incurred in the development, production and distribution of content.

Production Expenses. Represent the cost of developing and producing video content owned in whole or in part by the Company, including salaries of cast and crew (including animators if applicable), location costs, set design, etc. On some projects, production expenses are partially offset by federal, provincial and state film and television tax credits. The net expenses are capitalized while the project is in production and then recognized as expenses through the process of amortization.

Service Expenses. Represent the cost of developing and producing video content owned by third-party buyers and IP owners, including salaries of cast and crew (including animators if applicable), location costs, set design, etc. On some projects, production expenses are partially offset by federal, provincial and state film and television tax credits. The expenses are recognized on the consolidated statement of income as incurred.

Distribution Expenses. Represent expenses related to the marketing and delivery of video content to third-party buyers and include versioning, dubbing, shipping, certain sales marketing and materials, and participation expenses. Participation expenses represent profit participation contractually owing to third-parties (including, for example, writers, actors and financiers) from distribution revenues.

General and Administrative Expenses

General and administrative expenses represent personnel expenses, facilities, marketing, travel, professional fees, information technology and other overhead costs directly incurred by the segment or by corporate and shared services.

Amortization of Property and Equipment, Right-of-use Assets and Other Intangible Assets

Amortization expense consists of the amortization of property and equipment, right-of-use assets and other intangible assets that arose on the acquisition of certain businesses. Other intangible assets include trademarks, non-compete agreements and talent relationships. This amortization expense does not include the amortization of production costs, which is recognized in production, distribution and service expenses.

Finance Costs, Net

Finance costs, net of interest income, has several sources. First, interest expense is incurred from the Company’s financing activities which include interim production financing, corporate loans and borrowings and issued convertible debentures. When the Company borrows from various banks to finance the production of video content, interest expense incurred up to the quarter of delivery is included within the costs of production. After delivery, interest incurred on the interim production financing is included in interest expense.

Second, interest expense also includes accretion expense incurred on lease liabilities that are initially recognized at the present value of future lease payments. The difference between the carrying values at initial recognition and the amounts to be paid at settlement dates is recognized in profit and loss over the term of the liability as accretion expense, using the effective interest rate method.

Foreign Exchange Gains and Losses

Foreign exchange gains and losses arise when transactions are recognized in a currency other than the functional currency of a particular legal entity. A transaction may be settled at a different foreign exchange rate than the date it was recorded, causing a gain or loss.

Other Gains and Losses

Other gains and losses include the loss on loan modification, the Company’s share of equity investment income, the change in the fair value of financial assets, financial liabilities and contingent consideration, and the gain on the sale of assets.

RESULTS OF OPERATIONS

Three months and year ended December 31, 2020 compared to 2019

Boat Rocker acquired two businesses during 2019. On February 1, 2019, the Company acquired 51% of the outstanding membership interests in Untitled Entertainment LLC ("Untitled Entertainment"), a talent management company based in Los Angeles, CA and New York, NY, that provides talent management services to a roster of actors and celebrities. Untitled Entertainment forms part of Boat Rocker’s Representation reporting segment.

On August 31, 2019, the Company completed its acquisition of 100% of Platform One Media, LLC (renamed Boat Rocker Studios, Scripted, LLC, effective January 1, 2021), a production company based in Los Angeles, California. Platform One Media's focus is on producing premium scripted dramas and as such is included in Boat Rocker’s Television segment. Upon acquisition, two scripted series and one pilot had been ordered and commissioned by buyers; the pilot episode was delivered in 2020. Until delivery of the two scripted series, expected later in 2021, Platform One Media will incur operating expenses but earn no revenue from these series.

The following table presents the dates from which the results of the acquired businesses are consolidated into the Company’s results:

Acquired	Date of Acquisition	2020 Includes	2019 Includes
Untitled Entertainment	February 1, 2019	12 months	11 months
Platform One Media	August 31, 2019	12 months	4 months

The following table summarizes Boat Rocker's consolidated results of operations for the three months and the years ended December 31, 2020 and 2019:

(Amounts in thousands CAD)	Three months ended December 31,				Year ended December 31,			
	2020	2019	$ change	change	2020	2019	$ change	change
Revenue								
Television	29,251	30,831	(1,580)	(5)%	134,298	150,193	(15,895)	(11)%
Kids and Family	16,693	17,077	(384)	(2)%	63,851	58,055	5,796	10%
Representation	9,670	11,527	(1,857)	(16)%	28,654	35,917	(7,263)	(20)%
Total revenue	**55,614**	**59,435**	**(3,821)**	**(6)%**	**226,803**	**244,165**	**(17,362)**	**(7)%**
Expenses								
Production, distribution and service	32,102	35,279	(3,177)	(9)%	151,836	157,576	(5,740)	(4)%
General and administrative	20,059	22,459	(2,400)	(11)%	70,773	69,820	953	1%
Amortization	4,749	4,996	(247)	(5)%	18,566	18,989	(423)	(2)%
Impairment expense	—	—	—	NA	12,959	—	12,959	NA
Finance costs, net	2,774	2,116	658	31%	10,634	8,415	2,219	26%
Foreign exchange gain	(995)	(1,650)	655	(40)%	(513)	(307)	(206)	67%
Other (gain)/ losses	(3,893)	1,581	(5,474)	(346)%	4,654	8,088	(3,434)	(42)%
Income/ (loss) before income taxes	**818**	**(5,346)**	**6,164**	115%	**(42,106)**	**(18,416)**	**(23,690)**	**(129)%**
Income tax expenses	1,264	858	406	47%	1,884	1,067	817	77%
Net loss	**(446)**	**(6,204)**	**5,758**	93%	**(43,990)**	**(19,483)**	**(24,507)**	**(126)%**
Net income attributable to non-controlling interests	1,776	902	874	97%	4,754	4,224	530	13%
Net loss attributable to shareholders of the Company	(2,222)	(7,106)	4,884	(69)%	(48,744)	(23,707)	(25,037)	106%
Other Financial Information:								
Adjusted EBITDA*	**8,284**	**7,098**	**1,186**	**17%**	**14,303**	**32,469**	**(18,166)**	**(56%)**

*See "Non-IFRS Measures"

Revenue. In the three months ended December 31, 2020, revenue was $55.6 million compared to $59.4 million in the same period of 2019, a decrease of $3.8 million. Revenue for the year ended December 31, 2020 was $226.8 million compared to $244.2 million for 2019, a decrease of $17.4 million or 7%, driven by decreases in the Television and Representation segments, partially offset by an increase in the Kids and Family segment. The temporary pause on live-action production because of the COVID-19 pandemic caused a reduction in revenue in both the Television and Representation segments. The Kids and Family segment increased as the 2020 slate was primarily comprised of animated content and the animation teams were successfully transitioned to work-from-home in the early weeks of the pandemic. The animation service revenue is recognized over time as the services are provided and the duration of contracts is between 12 to 24 months, leading to less quarterly variability. Refer to Segment Results of Operations for more details.

Production, distribution and service expenses. Production, distribution and service expenses for the three months ended December 31, 2020 were $32.1 million compared to $35.3 million in the same period of 2019. The Company accessed $3.8 million of CEWS in the three months ended December 31, 2020 that has been recorded as a reduction in the production, distribution and service expenses.

Production, distribution and service expenses for the year ended December 31, 2020 were $151.8 million compared to $157.6 million for 2019, a decrease of $5.7 million or 4%. The Company accessed $9.8 million of CEWS in the year ended December 31, 2020 that has been recorded as a reduction in the production, distribution and service expenses. Refer to Segment Results of Operations for more details.

General and administrative expenses. In the three months ended December 31, 2020, general and administrative expenses were $20.1 million compared to $22.5 million in the same period of 2019, a decrease of $2.4 million. CEWS funds of $0.7 million were recognized in the three months ended December 31, 2020.

In the year ended December 31, 2020, general and administrative expenses were $70.8 million compared to $69.8 million in 2019, an increase of $1.0 million or 1%. General and administrative expenses increased $4.6 million, attributed to a full year of Platform One expenses included in 2020 financial results compared to four months in 2019. General and administrative expenses increased $1.6 million, attributed to the growth of the franchise and brand management team. The expenses of this team include marketing expenses and personnel expenses.

These negative variances were offset in the year ended December 31, 2020 by government assistance in the form of a grant from the Ministry of Heritage administered by the Canada Media Fund of $0.6 million and $2.2 million of CEWS funds recognized in general and administrative expenses. In addition, reduced travel and trade show costs were among other savings in 2020 compared to 2019.

Amortization expense. Amortization expense consists of the amortization of property and equipment, right-of-use assets and other intangible assets. The following table presents the breakdown of amortization expense for the three months and years ended December 31, 2020 and 2019:

(Amounts in thousands CAD)	Three months ended December 31,				Year ended December 31,			
	2020	2019	$ change	% change	2020	2019	$ change	% change
Expenses:								
Amortization of property and equipment	829	1,015	(186)	(18) %	2,987	3,784	(797)	(21) %
Amortization of right-of-use assets	1,759	1,820	(61)	(3) %	6,937	6,938	(1)	— %
Amortization of intangible assets	2,161	2,161	—	— %	8,642	8,267	375	5 %
Amortization expense	**4,749**	**4,996**	**(247)**	**(5)%**	**18,566**	**18,989**	**(423)**	**(2)%**

Finance costs, net. The following table presents the breakdown of net finance costs for the years ended December 31, 2020 and 2019:

(Amounts in thousands CAD)	Three months ended December 31,				Year ended December 31,			
	2020	2019	$ change	% change	2020	2019	$ change	% change
Expenses:								
Interest income	(131)	(85)	(46)	54 %	(474)	(483)	9	(2) %
Interest expense	2,401	1,786	615	34 %	9,212	7,196	2,016	28 %
Accretion expense on lease liabilities	504	415	89	21 %	1,896	1,702	194	11 %
Finance costs, net	**2,774**	**2,116**	**658**	**31 %**	**10,634**	**8,415**	**2,219**	**26 %**

Interest income is earned on collection of film and television tax credits from the Canada Revenue Agency (CRA) where the tax return was filed on time and the payment by CRA took place after 120 days.

Interest expense in 2020 and 2019 was incurred on the following liabilities: 1) interim production financing from various banks to finance the production of video content, 2) demand loans advanced to the

Company by BMO, 3) convertible debentures issued to the Company's majority shareholder, Fairfax Financial Holdings Inc. (Fairfax), and 4) a mortgage that was extinguished in November 2019.

In the year ended December 31, 2020, interest expense was $9.2 million compared to $7.2 million in 2019. With respect to interim production financing, interest expense from the initial draw to the date of delivery is classified with production expenses, either in investment in content on the consolidated statement of financial position or service costs on the consolidated statement of loss, and any interest expenses incurred until the repayment of the interim production financing is classified as interest expense on the consolidated statement of loss. In the year ended December 31, 2020, the Company incurred $1.2 million of interest expense from interim production financing, compared to $1.1 million in 2019 which comprises interest on Canadian productions post-delivery. This interest is included in the budgets of the productions and is therefore funded by the license and production services agreements with the Company's buyers. Unscripted service productions in the United States have not used interim production financing on a regular basis historically and no interest expense in 2020 and 2019 has been recognized from these productions. The scripted productions at Platform One Media have not yet delivered and the related interest expense is included in investment in content on the consolidated statement of financial position.

The balance of the increase in interest expense reflects the following increased borrowing during the two years:

- the convertible debentures of US$15.0 million issued in September 2019;
- the demand loan from BMO of $13.4 million in August 2020; and
- the convertible debentures of $25.0 million in December 2020.

The convertible debentures incur non-cash interest while the interest on the BMO demand loans is paid monthly.

Lease liabilities are initially recognized at the present value of future lease payments. The difference between the carrying values at initial recognition and the amounts to be paid at settlement dates is recognized in profit and loss over the term of the liability as accretion expense using the effective interest rate method. In the year ended December 31, 2020, accretion expense was $1.9 million, compared to $1.7 million in 2019. The increase is primarily attributable to several new lease obligations undertaken in 2020 which resulted in increased accretion expense on the lease liabilities.

Foreign exchange gains and losses. Unrealized foreign exchange gains and losses are generated by the translation of monetary assets and liabilities denominated in a currency other than the legal entity's functional currency. For example, a portion of the Company's demand loan is denominated in United States dollars and is revalued at the spot rate on each reporting date. Realized foreign exchange gains and losses are recognized when monetary assets and liabilities denominated in a currency other than the functional currency of the legal entity are settled. In the three months ended December 31, 2020, the Company recognized a foreign exchange gain of $1.0 million compared to a gain of $1.7 million in the same period of 2019. In the year ended December 31, 2020, the Company recognized a foreign exchange gain of $0.5 million compared to a gain of $0.3 million in 2019.

Goodwill impairment. Goodwill is tested for impairment annually as at December 31 or more frequently if events or circumstances indicate that the asset might be impaired. In the three months ended September 30, 2020, management identified that there were indications of impairment associated with the Unscripted cash generating unit (CGU), given the pervasive economic impact of COVID-19 on unscripted television productions where actual operating results and financial projections fell short of previous estimates and projections. Accordingly, the Company tested goodwill of this CGU for impairment as at September 30, 2020 and recorded an impairment charge of $13.0 million.

In assessing the goodwill for impairment, the Company compares the carrying value of the CGU to the recoverable amount, where the recoverable amount is the higher of fair value less costs of disposal and the value in use. An impairment charge is recognized to the extent that the carrying value exceeds the recoverable amount. As at September 30, 2020 and December 31, 2020, the Company applied the value in use method.

No additional impairment charges were recorded as at December 31, 2020.

Other gains and losses. The following table presents the breakdown of other gains and losses for the years ended December 31, 2020 and 2019:

(Amounts in thousands CAD)	Three months ended December 31,				Year ended December 31,			
	2020	2019	$ change	% change	2020	2019	$ change	% change
Gain on sale of assets	(1,356)	(3,079)	1,723	(56)%	(1,356)	(3,079)	1,723	(56)%
Loss on loan modification	—	4,317	(4,317)	(100)%	342	4,317	(3,975)	(92)%
Share of income of equity accounted investees	(227)	(170)	(57)	34 %	(227)	(360)	133	(37)%
Change in fair value of financial assets	(922)	(1,478)	556	(38)%	(548)	(1,868)	1,320	(71)%
Change in fair value of embedded derivative and other financial liabilities	1,792	2,007	(215)	(11)%	8,743	8,710	33	— %
Change in fair value of contingent consideration	(3,180)	(16)	(3,164)	19775 %	(2,300)	368	(2,668)	(725)%
Other (gains)/ losses	**(3,893)**	**1,581**	**(5,474)**	(346)%	**4,654**	**8,088**	**(3,434)**	**(42)%**

Total other gains and losses for the year ended December 31, 2020 was a net loss of $4.7 million compared to a net loss of $8.1 million for 2019, a decrease of $3.4 million. The fair value of financial assets, financial liabilities and contingent consideration is recalculated at each reporting date and gains and losses can result from changes in estimates, probabilities, and foreign currency rates. In addition, where liabilities are recorded using the effective interest method, the fair value will change due to the time value of money.

Income tax expense. For the year ended December 31, 2020, income tax expense of $1.9 million represented an effective tax rate of -4.5% on the loss before taxes of $42.1 million, as compared to $1.1 million, or an effective tax rate of -5.8% on the loss before taxes of $18.4 for 2019. The Company's statutory tax rate is 26.5% for each of these periods. The significant difference in statutory rates is due primarily to taxable losses and other deductions in subsidiaries located in the United States for which no tax benefit was recognized, amounting to an impact of $12.1 million on the effective tax rate for the year ended December 31, 2020 and $4.5 million for 2019. Additionally, share-based compensation and other non-deductible expenses amounted to a $2.1 million impact on the effective tax rate in 2020 and $2.2 million in 2019. These items were partially offset by the impact of higher tax rates in foreign jurisdictions, which amounted to $1.1 million for 2020 and $1.0 million for 2019.

Net loss attributable to shareholders of the Company. Net loss attributable to shareholders of the Company for the three months ended December 31, 2020 was $2.2 million, compared to $7.1 million in the same period of 2019, a decrease of $4.9 million. CEWS funds of $4.5 million were recognized in the three months ended December 31, 2020.

Net loss attributable to shareholders of the Company for the year ended December 31, 2020 was $48.7 million, compared to $23.7 million in 2019, an increase of $25.0 million. The increased loss was mainly driven by the impact of the COVID-19 pandemic on revenue and expenses and the impairment of goodwill of $13.0 million.

Adjusted EBITDA.* Adjusted EBITDA for the three months ended December 31, 2020 was $8.3 million, compared to $7.1 million in the same period of 2019. The increase is primarily attributed to funds received from the CEWS and decreases to general and administrative expenses attributed to COVID-19**.**

Adjusted EBITDA for the year ended December 31, 2020 was $14.3 million, compared to $32.5 million in 2019, a decrease of $18.2 million. In 2020, Adjusted EBITDA included the full year impact of operating costs incurred at Platform One Media (now renamed Boat Rocker Studios, Scripted), which was acquired on August 31, 2019. Until delivery of the two scripted series in 2021, Boat Rocker Studios, Scripted will continue to incur operating expenses but not earn any revenue from these series until delivery.

SEGMENT RESULTS OF OPERATIONS

The Company manages and reports operating results through three segments: Television, Kids and Family, and Representation, which are described in detail below. The Company's primary measure of segment performance is segment profit and loss, which is defined as segment revenues less segment direct and indirect expenses. Segment profit excludes corporate shared services expenses, share-based compensation, and purchase accounting and related adjustments. The Company believes the presentation of segment profit and loss is relevant and useful for investors because it allows investors to view segment performance in a manner similar to the primary method used by the Company's management and enables them to understand the fundamental performance of the Company's reporting segments.

Television

The Television segment produces two types of video content: *scripted* and *unscripted*. The Platform One Media acquisition took place on August 31, 2019 and the tables below include the Platform One Media results from that date forward. In some instances, variances for results excluding Platform One Media in both 2020 and 2019 are discussed in order to improve comparison as 2019 includes only four months of Platform One Media results.

The following table presents the Television segment revenue and segment (loss) profit for the three months and years ended December 31, 2020 and 2019:

(Amounts in thousands CAD)	Three months ended December 31,				Year ended December 31,			
	2020	2019	$ change	% change	2020	2019	$ change	% change
Television Segment:								
Revenue								
Production	11,232	11,618	(386)	(3%)	50,631	69,697	(19,066)	(27%)
Distribution	1,100	1,100	—	—%	10,641	26,959	(16,318)	(61%)
Service	16,919	18,113	(1,194)	(7%)	73,026	53,537	19,489	36%
Total revenue	**29,251**	**30,831**	**(1,580)**	**(5%)**	**134,298**	**150,193**	**(15,895)**	**(11%)**
Expenses								
Production, distribution and service	25,862	25,220	642	3%	119,484	120,679	(1,195)	(1%)
General and administrative	5,729	7,878	(2,149)	(27%)	23,876	21,220	2,656	13%
Total expenses	**31,591**	**33,098**	**(1,507)**	**(5%)**	**143,360**	**141,899**	**1,461**	**1%**
Segment (loss) profit	**(2,340)**	**(2,267)**	**(73)**	**3%**	**(9,062)**	**8,294**	**(17,356)**	**(209%)**
Segment (loss) profit % of revenue	(8)%	(7)%			(7)%	6 %		

Three months ended December 31, 2020 compared to 2019

Production revenue in the three months ended December 31, 2020 was $29.3 million, in comparison to $30.8 million in the same period of 2019, a decrease of $1.6 million. Three productions were delivered in both periods leading to similar production revenue. Distribution revenue, mainly unscripted content, was $1.1 million in both 2020 and 2019. Service revenue in 2019 was 7% higher in 2019 than in 2020 due to more activity in the unscripted business. General and administrative costs decreased by $2.2 million in the three months ended December 31, 2020 related to both a reduction in personnel costs, mainly from variable compensation, and a reduction in general office expenses in the New York and Los Angeles offices. Segment loss was $2.3 million in both the three months ended December 31, 2020 and the same period in 2019.

Year ended December 31, 2020 compared to 2019

Revenue. Production revenue in the year ended December 31, 2020 was $50.6 million, in comparison to $69.7 million in 2019, a decrease of $19.1 million. Eleven productions were delivered in 2020 while 14 productions were delivered in 2019. The mix of productions delivered in the two periods varied. Season 5 of the scripted drama *Killjoys* (10 episodes), was delivered during 2019 while a scripted pilot was delivered during 2020, resulting in a reduction in scripted revenue. Unscripted production revenue also experienced a negative variance driven by delays caused by the pandemic. Certain productions that delivered in 2019 are expected to have subsequent seasons delivered in 2021, causing a reduction in revenue in 2020, examples of which include *MasterChef Canada* (Season 7) and *The Great Canadian Baking Show* (Season 4).

For the year ended December 31, 2020, distribution revenue was $10.6 million in comparison to $27.0 million in 2019, a decrease of $16.3 million. Distribution revenue consists of sales of Television segment library video content by the Company's internal sales team as well as sales by third-party distributors of content created by the Company. The Company earns distribution revenue twice per year, in March and in September, from BBC Worldwide, the third-party distributor of the successful title *Orphan Black* (Seasons 1-5). *Orphan Black* is an example of a title that has created a long-tail revenue stream by generating revenue over a number of years after delivery of the initial production. Revenue earned from BBC Worldwide decreased in 2020 compared to 2019 which reflects the life cycle of certain titles. In 2020, very few territories were available for sale or renewal, leading to the decrease.

Service revenue in the Television segment consists of unscripted service production for both Canadian and American buyers. For the year ended December 31, 2020, service revenue was $73.0 million in comparison to $53.5 million in 2019. Twenty-two service productions were in progress in 2020 compared to 28 productions 2019. The increase in service revenue of $19.5 million is primarily attributable to the *Go-Big Show* (Season 1) for TBS, shot in the latter half of 2020.

Production, distribution and service expenses. Production, distribution and service expenses for the year ended December 31, 2020 were $119.5 million, a $1.2 million decrease from $120.7 million in 2019. This is in contrast to the decrease in revenue of 11%. The change in the revenue mix from production to service revenue lead to lower overall margins earned.

General and administrative expenses. In the year ended December 31, 2020, general and administrative expenses were $23.9 million compared to $21.2 million in 2019, an increase of $2.7 million. General and administrative expenses increased $4.6 million, attributed to a full year of Platform One expenses included in 2020 financial results compared to four months in 2019.

Segment profit and loss. For the year ended December 31, 2020, the Television segment incurred loss of $9.1 million, compared to profit of $8.3 million in 2019, a decrease of $17.4 million.

Kids and Family

Boat Rocker's Kids and Family segment includes production of Kids and Family content and the Jam Filled Entertainment animation studio which has locations in Toronto, Ottawa and Halifax, Canada. The Kids and Family segment also includes the content and franchise and brands management teams based in Toronto, New York and London, UK.

The following table presents the Kids and Family segment revenue and segment profit for the three months and years ended December 31, 2020 and 2019:

(Amounts in thousands CAD)	Three months ended December 31,				Year ended December 31,			
	2020	2019	$ change	% change	2020	2019	$ change	% change
Kids and Family Segment:								
Revenue								
Production	1,391	2,673	(1,282)	(48%)	11,486	2,915	8,571	294%
Distribution	3,035	6,419	(3,384)	(53%)	11,509	12,510	(1,001)	(8%)
Service	12,267	7,985	4,282	54%	40,856	42,630	(1,774)	(4%)
Total revenue	**16,693**	**17,077**	**(384)**	**(2%)**	**63,851**	**58,055**	**5,796**	**10%**
Expenses								
Production, distribution and service	5,447	9,274	(3,827)	(41%)	30,508	34,712	(4,204)	(12%)
General and administrative	3,219	2,521	698	28%	8,306	4,868	3,438	71%
Total expenses	**8,666**	**11,795**	**(3,129)**	**(27%)**	**38,814**	**39,580**	**(766)**	**(2%)**
Segment profit	**8,027**	**5,282**	**2,745**	**52%**	**25,037**	**18,475**	**6,562**	**36%**
Segment profit % of revenue	**48 %**	**31 %**			**39 %**	**32 %**		

Three months ended December 31, 2020 compared to 2019

Total revenue in the Kids and Family segment in the three months ended December 31, 2020 was $16.7 million, a decrease of $0.4 million compared to the same period of 2019. Service revenue increased by $4.3 million in 2020, offset by decreases in production and distribution revenue. The Company accessed $3.8 million of CEWS funds in the three months ended December 31, 2020 that have been recorded as a reduction in the production, distribution and service expenses. Segment profit increased by $2.7 million from $5.3 million to $8.1 million.

Year ended December 31, 2020 compared to 2019

Revenue. Production revenue in the year ended December 31, 2020 was $11.5 million compared to $2.9 in 2019. The following four productions were delivered during the 2020 period: *Remy and Boo* (Season 1, part 2) for NBC Universal Kids, *Get Even* (Season 1) for Netflix, *Kingdom Force* (Season 1, part 2) for CBC Kids, and *The Next Step* (Season 7). In 2019, production revenue was recognized on delivery of two programs: *Remy and Boo* (Season 1, part 1) for NBC Universal Kids, and *Kingdom Force* (Season 1, part 1) for CBC Kids.

Distribution revenue for the year ended December 31, 2020 was $11.5 million in comparison to distribution revenue in 2019 of $12.5 million, a decrease of $1.0 million. Sales of Kids and Family video content by the Company's internal sales team decreased by $2.2 million. Revenue earned from third-party distributor sales for *The Next Step* (Seasons 1-5) increased by $1.2 million in 2020 as compared to 2019.

Service revenue mainly represents revenue earned from the performance of animation services for third-party buyers or IP owners by the Company's animation studio. In the year ended December 31, 2020, service revenue decreased to $40.9 million from $42.6 million in 2019. While the capacity of the animation studio continues to be strong, the revenue decrease is attributable to the animation of the Company's own productions.

Production, distribution and service expenses. Production, distribution and service expenses in the year ended December 31, 2020 were $30.5 million, compared to $34.7 million in 2019. The CEWS recognized in production, distribution and service expenses in 2020 was $9.8 million.

General and administrative expenses. In the year ended December 31, 2020, general and administrative expenses were $8.3 million compared to $4.9 million in 2019, an increase of $3.4 million. General and administrative expenses increased $1.6 million, attributed to the growth of the franchise and brand management team. The expenses of this team include marketing expenses and personnel expenses.

Segment profit. For the year ended December 31, 2020, the Kids and Family segment recognized profit of $25.0 million compared to $18.5 million in 2019. A strong slate of production deliveries and full pipelines of animation services in 2020 have resulted in stability in segment profit and CEWS funds received in 2020 lead to an increase in segment profit as compared to the prior year.

Representation

The Representation segment includes brand and management services provided to talent and IP representation services to third-party IP owners for which the Company earns a pre-negotiated commission from its clients. The table below presents the Representation segment revenue and segment profit for the three months and years ended December 31, 2020 and 2019:

(Amounts in thousands CAD)	Three months ended December 31,				Year ended December 31,			
	2020	2019	$ change	% change	2020	2019	$ change	% change
Representation Segment:								
Representation revenue	9,670	11,527	(1,857)	(16%)	28,654	35,917	(7,263)	(20%)
Total revenue	**9,670**	**11,527**	**(1,857)**	**(16%)**	**28,654**	**35,917**	**(7,263)**	**(20%)**
Expenses								
Production, distribution and service	793	785	8	1%	1,844	2,185	(341)	(16%)
General and administrative	5,018	7,599	(2,581)	(34%)	17,249	20,067	(2,818)	(14%)
Total expenses	**5,811**	**8,384**	**(2,573)**	**(31%)**	**19,093**	**22,252**	**(3,159)**	**(14%)**
Segment profit	**3,859**	**3,143**	**716**	**23%**	**9,561**	**13,665**	**(4,104)**	**(30%)**
Segment profit % of revenue	40 %	27 %			33 %	38 %		

Three months and year ended December 31, 2020 compared to 2019

Revenue. Revenue in the Representation segment decreased by $1.9 million in the three months ended December 31, 2020 compared to the same period of 2019. Revenue in the year ended December 31, 2020 was $28.7 million compared to $35.9 million in 2019, a decrease of $7.3 million. Commission revenue earned from management services provided to talent decreased as the Company's clients were affected by delays and restrictions associated with the COVID-19 pandemic. Similarly, revenue earned from representation of third-party brands and IP also decreased.

General and administrative expenses. General and administrative expenses of the Representation segment mainly relate to the personnel costs of staff representing the Company's clients. General and administrative expenses decreased in the three months ended December 31, 2020 by $2.6 million and in the year by $2.8 million compared to the same periods of 2019. The decreases relate to lower variable compensation based on the decrease in revenue.

Segment profit. Segment profit in the three months was $3.9 million compared to $3.1 million in 2019, an increase of $0.7 million. Segment profit in the year ended December 31, 2020 was $9.6 million compared to $13.7 million in 2019, a decrease of $4.1 million. Improvements to results in the Representation segment were recognized in the three months ended December 31, 2020 due to an easing of the lock-down measures by some governments and the increased opportunities for the Company's clients to return to work.

Corporate and Shared Services

Corporate and shared services is a cost center that includes corporate functions such as human resources, finance, business development, information technology, business and legal affairs. The tables below sets forth corporate and shared services expenses for the three months and years ended December 31, 2020 and 2019:

(Amounts in thousands CAD)	Three months ended December 31,				Year ended December 31,			
	2020	2019	$ change	% change	2020	2019	$ change	% change
Corporate and Shared Services:								
Expenses								
General and administrative	6,093	4,461	1,632	37%	21,342	23,665	(2,323)	(10%)
Total expenses	**6,093**	**4,461**	**1,632**	**37%**	**21,342**	**23,665**	**(2,323)**	**(10%)**

General and administrative expenses. General and administrative expenses are concentrated in the corporate office in Toronto. These expenses include professional fees and consulting, travel and entertainment, information technology and equipment leases, bank fees, advertising and promotions, and office and related facilities expenses. The London, UK, Hong Kong, New York and Los Angeles locations and resources are included in the related segment results and are not considered shared services.

General and administrative expenses for the three months ended December 31, 2020 were $6.1 million, compared to $4.5 million in 2019, an increase of $1.6 million. Share-based compensation increased by $2.2 million between the two periods while CEWS funds of $0.7 million were recognized in the three months ended December 31, 2020.

For the year ended December 31, 2020, general and administrative expenses were $21.3 million compared to $23.7 million in 2019, a decrease of $2.3 million. In 2020, the Company received government assistance in the form of a grant from the Ministry of Heritage administered by the Canada Media Fund of $0.6 million and $2.2 million of CEWS funds recognized in general and administrative expenses. Professional, consulting and promotion fees decreased by $4.0 million in the year ended December 31, 2020 compared to 2019, where there were two acquisitions that required external support. These decreases were partially offset by an increase in share-based compensation expense which was $5.4 million compared to $0.7 million in 2019. The increase is due to the change in the estimate of the economic life of the outstanding stock options which were fully vested on the closing of the IPO, in contrast to the previous economic life of 10 years from grant date.

QUARTERLY INFORMATION

The following table presents the revenue, net (loss) income, and basic EPS by quarter for 2020 and 2019:

(Amounts in thousands CAD, except EPS)	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Revenue	55,614	78,009	51,003	42,177	59,435	51,001	54,212	79,517
Net (loss) income	(446)	(22,990)	(6,622)	(13,932)	(6,204)	(9,613)	(3,498)	(168)
EPS	(0.14)	(1.56)	(0.45)	(0.95)	(0.48)	(0.70)	(0.33)	(0.10)

- The acquisition of Platform One Media, as previously described, has had a significant impact on the comparability of the quarterly financial information.
- In the normal course, Boat Rocker's results vary on a quarterly basis due to 1) the number of shows delivered, 2) the timing of deliveries, 3) the size of budgets and related revenue of productions, and 4) licence period start dates contracted with buyers and distributors.
- The commencement date of license agreements with broadcasters may change, causing a delay to the recognition of revenue.
- In 2020, the impact of COVID-19 on production has affected revenue recognition and consequently net loss in a manner that further prevents comparability of quarterly results to prior periods.
- Readers of the MD&A and annual financial statements are cautioned about extrapolating the results for the quarterly results above, into future quarterly or annual expectations.

LIQUIDITY AND CAPITAL RESOURCES

The Company's objectives when managing capital are to continue as a going concern, provide an adequate return to shareholders, safeguard its assets, and maintain a competitive cost structure in order to pursue the development, production, distribution and licensing of its content. To facilitate the management of its capital structure, the Company prepares annual operating budgets that are updated as necessary depending on various factors including industry conditions and operating cash flows. The annual and updated budgets are reviewed by the Board of Directors.

The Company has undrawn revolvers of $5.0 million as at December 31, 2020 and March 31, 2021 that can be drawn to fund working capital as needed.

The Company manages liquidity by forecasting and monitoring cash flows and through the use of interim production financing. As at December 31, 2020, the Company had cash of $71.8 million (2019 – $59.3 million). Results of operations for any period are dependent on the amount and timing of content delivered, which cannot be predicted with certainty. Consequently, the Company's results from operations may fluctuate materially from period to period and the results of any one period are not necessarily indicative of results for future periods. Cash flows may also fluctuate and are not necessarily closely correlated with revenue recognition.

Cash

The majority of the Company's cash is held in three main currencies: Canadian dollars, U.S. dollars, and Great British pounds. The Company's treasury function is actively managed in order to seek to limit gains and losses that may arise on exchanging cash balances between currencies. The Company periodically enters into foreign exchange contracts to manage its foreign exchange risk, in particular for productions that are budgeted to incur costs in foreign currencies. These contracts are considered financial instruments under IFRS 9, Financial instruments (IFRS 9) and are recognized on the consolidated statement of financial position as financial assets or liabilities. Changes in the fair value of the foreign exchange

contracts are recognized on the consolidated statement of loss in movement in fair value of financial assets or liabilities.

The following table presents the breakdown of cash as at December 31, 2020 and 2019:

(Amounts in thousands CAD)	December 31, 2020	December 31, 2019	$ change	% change
Cash available for use*	32,162	29,666	2,496	8 %
Cash required for use in productions*	39,592	29,602	9,990	34 %
Total cash	**71,754**	**59,268**	**12,486**	**21 %**

*See "Non-IFRS Measures"

Cash available for use funds ongoing working capital requirements, principal and interest payments on the corporate demand loans as well as ongoing development and growth efforts. The Company did not declare or pay dividends to controlling shareholders during the year ended December 31, 2020, nor the year ended December 31, 2019.

Certain cash is required for the funding of productions in progress and is not available for other uses. This cash has been provided by buyers and third-party IP owners that have engaged the Company to produce video content, as well as banks with whom Boat Rocker has contracted to provide interim production financing. The increase in cash required for use in productions from December 31, 2019 to December 31, 2020 of $10.0 million is primarily related to the cash balance maintained by a premium scripted drama that has a large budget and includes several global shoot locations.

Indebtedness

The following table presents the Company's net debt as at December 31, 2020 and 2019:

(Amounts in thousands CAD)	December 31, 2020	December 31, 2019	$ change	% change
Loans and borrowings, excluding interim financing	93,595	87,869	5,726	7 %
Lease liabilities	31,543	29,626	1,917	6 %
Plus: Loan fees, net of amortization	314	1,305	(991)	(76)%
Less: Loan modification	(2,501)	(4,317)	1,816	(42)%
Less: Cash available for use	(32,162)	(29,666)	(2,496)	8 %
Net debt*	**90,789**	**84,817**	**5,972**	**7 %**

*See "Non-IFRS Measures"

The Company has a bi-lateral financing arrangement with BMO for several facilities under a demand loan structure. The Company has drawn on the demand loan facilities to pay the cash consideration for the acquisitions in the past several years. Of the total, at December 31, 2020, $31.6 million was drawn in Canadian dollars (2019 - $20.4 million) and $59.8 million was drawn in U.S. dollars (2019 - $63.1 million). Subsequent to December 31, 2020, the Company completed its IPO, raising gross proceeds of $170.1 million and used proceeds of $90.5 million to repay the BMO financing arrangement in full.

Boat Rocker identifies interim production financing to be short-term in nature as it typically has a maturity of less than two years and is repaid upon collection of the associated third-party funding. As such, management excludes interim production financing from its calculation of net debt. The Company does not include convertible debentures nor does it include other financial liabilities that are based on estimates and probabilities, rather than specific amounts owing in the net debt calculation.

The Company enters into leases in the normal course of business to secure office space and IT equipment in the various countries in which it operates. Under IFRS 16, Leases, the Company records right of-use-assets and lease liabilities on the statement of financial position.

The following table presents the Company's interim production financing as at December 31, 2020 and 2019 :

(Amounts in thousands CAD)	December 31, 2020	December 31, 2019	$ change	% change
Interim production financing	139,844	110,177	29,667	27 %

Boat Rocker's production funding model is unique to each show and consists of various sources of third-party funding. These third-party funding sources include contracted domestic license fees (i.e. pre-sale of initial Canadian broadcast rights to linear channels or OTT platforms), advances from international buyers (i.e. foreign OTT platforms, linear channels or third-party distributors who acquire certain geographic or global rights), and federal, provincial, or state tax credits, grants and other funding sources available to Boat Rocker. Due to timing differences between inflow of the third-party financing sources and required outflows to fund the production budget, interim production financing is required. When the third-party funding for the project is confirmed, these sources are pledged to a bank or other industry lender to secure an interim production financing loan. The pledges which generally include financing commitments from large OTT platforms, linear channels and governmental bodies are used to repay the interim production financing as each third-party financing source is collected by the Company. The timing of the collection of these funds can sometimes occur well after a production is completed, which is often the case for federal, provincial, and state tax credits, which may only be received 12 to 24 months after physical production has ended.

Boat Rocker incorporates a new single purpose entity for each of its material productions, including for each new season of an existing series, in order to manage the budget and cash flow of its productions. For Canadian productions, the interim production financing is arranged on an individual production basis at the single purpose entity level which are excluded from the security of Boat Rocker's corporate credit facility. This structure enables the Company to limit liability, monitor production costs and to manage financing and future revenue streams associated with each production. The single purpose entity is amalgamated as the interim production financing is repaid. As at December 31, 2020, the aggregate amount outstanding for Canadian productions was $50.9 million (2019 - $78.7 million).

Subsidiaries of Platform One Media are party to a U.S.$100.0 million senior secured five-year revolving credit facility with a major American bank in connection with the interim financing of certain scripted programming produced by the Company in the United States (U.S. Scripted Production Facility). The borrower under the U.S. Scripted Production Facility is a direct subsidiary of Platform One Media and the subsidiaries of the borrower are guarantors of the facility. The U.S. Scripted Production Facility is not guaranteed by Platform One Media or the Company. As at December 31, 2020, the aggregate amount outstanding under the U.S. Scripted Production Facility was $88.9 million (2019 - $31.5 million). The subsidiaries of the Company who are party to the U.S. Scripted Production Facility are in compliance with all covenants contained in the U.S. Scripted Production Facility.

The following table presents the Company's convertible debentures as at December 31, 2020 and 2019:

(Amounts in thousands CAD)	December 31, 2020	December 31, 2019	$ change	% change
Convertible debenture issued in 2019	22,016	18,618	3,398	18 %
Convertible debenture issued in 2020	25,247	—	25,247	100 %
Total	**47,263**	**18,618**	**28,645**	**154 %**

In September 2019, the Company issued a U.S.$15.0 million secured, subordinated convertible debenture to its controlling shareholder Fairfax. The debenture bears interest at 8% per annum from issuance date until December 31, 2019 and 12% per annum thereafter. The debenture is convertible into common shares at the discretion of Fairfax at a rate of $10.33 for each U.S.$1.00 of unpaid principal and interest

outstanding at time of conversion. Under the current arrangement, the debentures were converted to Series A non-voting common shares on January 1, 2021.

In December 2020, the Company issued a further $25.0 million secured, subordinated convertible debenture to Fairfax. The debenture bears interest at 8% per annum. The debenture matures on March 31, 2022. The applicable number of shares the amount outstanding would be converted into is based on a conversion ratio of $16.39 per common share, as agreed to by the Company and Fairfax. Immediately prior to the close of the IPO transaction, the debenture was converted into shares.

The following table presents the Company's other financial liabilities as at December 31, 2020 and 2019:

(Amounts in thousands CAD)	December 31, 2020	December 31, 2019	$ change	% change
Other financial liabilities	60,715	68,380	(7,665)	(11)%

Other financial liabilities at December 31, 2020 are comprised of $38.9 million of put option liabilities arising from the acquisitions of Untitled Entertainment and Insight Productions Limited (2019 - $33.5 million), and $21.8 million of liabilities arising from the acquisitions of Matador Content LLC and Platform One Media (2019 - $34.9 million), of which $7.0 million (2019 - $6.8 million) will be settled in cash and $14.8 million (2019 - $28.1 million) will be settled by the issuance of shares.

Cash Flows

The following table summarizes the cash flows in the three months and years ended December 31, 2020 and 2019:

(Amounts in thousands CAD)	Three months ended December 31,				Year ended December 31,			
	2020	2019	$ change	% change	2020	2019	$ change	% change
Cash used in operating activities	(33,108)	(47,189)	14,081	(30)%	(36,525)	(33,780)	(2,745)	8 %
Cash provided by financing activities	29,170	32,239	(3,069)	(10)%	50,201	112,352	(62,151)	(55)%
Cash used in investing activities	(417)	(13,806)	13,389	(97)%	(1,473)	(75,067)	73,594	(98)%
Foreign exchange on cash held in foreign currency	556	(265)	821	(310)%	283	347	(64)	(18)%
(Decrease)/Increase in cash	(3,799)	(29,021)	25,222	(87)%	12,486	3,852	8,634	224 %
Cash, Beginning of period	75,553	88,289	(12,736)	(14)%	59,268	55,416	3,852	7 %
Cash, End of period	**71,754**	**59,268**	**37,708**	64 %	**71,754**	**59,268**	12,486	21 %

Cash flow from operating activities for the three months ended December 31, 2020 was a use of cash of $33.1 million compared to a use of cash of $47.2 million in 2019, a variance of $14.1 million. The net loss plus the adjustments for non-cash items totaled $17.4 million in the three months ended December 31, 2020 (2019 - $16.1 million). For the three months ended December 31, 2020, cash used for the purchase of investment in content was $62.1 million compared to $44.1 million in 2019, an increase of $18.0 million. Interest and income taxes paid in the three months ended December 31, 2020 used $3.9 million (2019 - $2.3 million). While cash from non-cash balances related to operations was a source of cash in the three months ended December 31, 2020 of $15.4 million, it was a use of cash of $16.9 million in the comparative period of 2019.

Cash flow from financing activities for the three months ended December 31, 2020 was a source of cash of $29.2 million compared to $32.2 million in the same period of 2019, a decrease of $3.1 million. Proceeds from interim production financing net of repayments were $11.3 million in three months ended December 31, 2020 compared to $47.4 million in 2019, a reduction in proceeds of $36.1 million. In the three months ended December 31, 2020, repayments of long-term debt were $2.8 million compared to $11.2 million in 2019. The latter included the extinguishment of the mortgage on land and building sold in that period. The Company issued convertible debentures of $25.0 million in the three months ended December 31, 2020, with no equivalent issuance in the comparable period of 2019. The Company used $4.3 million to repay lease liabilities and distributions to non-controlling shareholders in the 2020 period compared to $4.0 million in the same period of 2019.

Cash flow from investing activities for the three months ended December 31, 2020 was a use of cash of $0.4 million compared to $13.8 million for the same period in 2019, a positive variance of $13.4 million. Acquisition of property and equipment was a use of cash $0.7 million in three months ended December 31, 2020 (2019 - $0.7 million). In the three months ended December 31, 2019, $27.3 million of net cash was used to as consideration for various acquisitions in past periods (2020 - $nil) and $15.0 million of cash proceeds were received on the sale of land and building (2020 - $nil).

Cash flow from operating activities for the year ended December 31, 2020 was a use of cash of $36.5 million compared to a use of cash of $33.8 million in 2019, a variance of $2.7 million. The net loss in the year ended December 31, 2020 plus the adjustments for non-cash items led to a cash source of $67.3 million. The net loss in 2019 of $19.5 million in 2019 plus the adjustments for non-cash items was a cash source of $84.4 million, $17.2 million higher than in 2020. For the year ended December 31, 2020, cash used for the purchase of investment in content was $185.4 million, or $92.8 million higher than in 2019 (2019 - $92.6 million). This higher cash outflow in 2020 was offset by $109.4 million more cash inflow resulting from changes in other non-cash balances, primarily driven by an increase in deferred revenue in 2020.

Cash flow from financing activities for the year ended December 31, 2020 was a source of cash of $50.2 million compared to $112.4 million in 2019, a variance of $62.2 million. In 2019, there were $36.1 million of proceeds from the draws on the Company's demand facilities net of repayments as compared to net proceeds of $7.8 million in 2020 from the same activities. Additionally, the Company received $20.1 million from the issuance of preferred shares in 2019, where no further preferred shares were issued in 2020. Proceeds from interim production financing net of repayments were also $19.2 million higher in 2019. The impact of these higher sources of funds in 2019 was partially offset by increased proceeds from the issuance of convertible debentures of $25.0 million in 2020 as compared to proceeds of $20.0 million (US$15 million) received in 2019.

Cash flow from investing activities for the year ended December 31, 2020 was a use of cash of $1.5 million compared to a use of $75.1 million in 2019, a variance of $73.6 million. Cash payments for acquisitions including settlement of contingent consideration and other financial liabilities amounted to $83.1 million in 2019 compared to $1.6 million in 2020, a variance of $81.6 million. In addition, expenditures on property and equipment were $6.6 million in 2019 compared to $1.7 million in 2020, a variance of $4.9 million. These variance were partially offset by a cash inflow of $15.0 in 2019 relating to the sale of the Company's ownership in the land and building located at 772 Dovercourt Road, Toronto, Canada.

Free Cash Flow

Free cash flow is a non-IFRS measure. Several types of cash flows are excluded from cash provided by operating activities that management believes add value to evaluating the ability of the business to generate cash flows. In particular, interim production financing is crucial to the funding of productions and has been included in the calculation of free cash flow. Similarly, repayment of lease liabilities and distributions made to non-controlling shareholders have also been included.

The following table presents the reconciliation from cash provided by (used in) operating activities to free cash flow for the three months and years ended December 31, 2020 and 2019:

(Amounts in thousands CAD)	Three months ended December 31,				Year ended December 31,			
	2020	2019	$ change	% change	2020	2019	$ change	% change
Cash used in operating activities	(33,108)	(47,189)	14,081	(30)%	(36,525)	(33,780)	(2,745)	8 %
Proceeds from interim production financing	44,410	49,876	(5,466)	(11)%	147,828	83,145	64,683	78 %
Repayments from interim production financing	(33,075)	(2,490)	(30,585)	1228 %	(118,161)	(34,280)	(83,881)	245 %
Repayment of lease liabilities	(1,965)	(2,193)	228	(10)%	(7,860)	(7,415)	(445)	6 %
Distribution to non-controlling interest shareholders	(2,379)	(1,801)	(578)	32 %	(4,368)	(5,330)	962	(18)%
Free Cash Flow*	**(26,117)**	**(3,797)**	**(22,320)**	**588 %**	**(19,086)**	**2,340**	**(21,426)**	**(916)%**

*See "Non-IFRS Measures"

Financial Obligations

The following table discloses the Company's undiscounted financial obligations and commitments to be settled over the following five years:

(Amounts in thousands CAD)	Total	2021	2022	2023	2024	2025	2026 AND AFTER
Accounts payable and accrued liabilities (1)	51,139	49,105	2,034	—	—	—	—
Interim production financing (2)	139,844	69,787	70,057	—	—	—	—
Contingent consideration (3)	13,535	1,012	6,369	—	6,154	—	—
Loans and borrowings (4)	91,302	9,577	11,584	11,584	58,557	—	—
Convertible debentures (5)	47,263	47,263	—	—	—	—	—
Lease liabilities (6)	37,784	7,818	7,155	5,825	4,805	3,887	8,294
Other financial liabilities (7)	46,271	4,743	7,324	—	34,204	—	—
Production commitments (8)	7,315	5,191	2,124	—	—	—	—
Total financial obligations	**434,453**	**194,496**	**106,647**	**17,409**	**103,720**	**3,887**	**8,294**

(1) Accounts payable and accrued liabilities are all current in nature. Accrued liabilities include interest on interim production financing as well as accrued participation costs.

(2) Interim production financing is classified as current because it is repayable on demand. Principal balance is settled at the time the license fees and film and television tax credits associated with the production are received, which can be between 6 to 24 months from the date of the production's completion.

(3) Contingent consideration represents amounts arising from the acquisitions of Platform One, Untitled and Insight, which is expected to be settled in both cash and the issuance of shares.

(4) Loans and borrowings are comprised of the Company's demand loans, which are subject to scheduled principal repayments. Loans and borrowings were repaid in full subsequent to the closing of the Company's IPO on March 24, 2021.

(5) Convertible debentures were settled subsequent to December 31, 2020.

(6) Lease liabilities represent the obligation to make payments on various property and facility rentals, as well as equipment rentals. Individual leases vary in term.

(7) Other financial liabilities consist of put options, a provision for the cash settlement of an acquisition liability related to Platform One, and a provision for the issuance of shares related to the acquisition of Matador.

(8) Production commitments arise from contracts with third-party producers whereby the Company commits to funding the production of content through a distribution advance that may be payable in installments over the production term, contingent on completion of certain milestones.

The estimation of the Company's future liquidity requirements includes numerous assumptions that are subject to various risks and uncertainties. The principal assumptions used to estimate our future liquidity requirements consist of:

- The productions that will be greenlit and produced in a particular period;
- The financing plan of each production;
- The timing of the production period and the cash outflows of production spend;
- The timing of collection of the associated accounts receivable and production tax credits receivable; and
- The ability to draw on interim production financing to bridge the timing difference between production cash inflows and outflows.

During the three months ended December 31, 2020, the Company has formally approved the budget for 2021 and the forecast for 2022 which supports management's strategy to meet the Company's financial obligations as they come due, maintain liquidity, and improve the working capital position. In addition, on February 1, 2021, the Company issued a secured, subordinated convertible debenture for $15.0 million to an entity owned and controlled by the controlling shareholder, Fairfax. Management cannot make assurances that the assumptions used to estimate our liquidity requirements may not change because while it is management's intention to execute on its budget, the future impact of COVID-19 on the business is uncertain. Failure to execute the Company's business plan due to future shutdowns as a result of COVID-19 could have a material impact on these assumptions and judgements.

Subsequent to December 31, 2020, the Company completed its IPO, raising gross proceeds of $170.1 million of which $90.5 million was used to repay the Company's BMO financing arrangement in full.

Based on the actions and assumptions described above, management has concluded that the 2021 budget and 2022 forecast can be effectively implemented. There are several investments, capital expenditures and growth initiatives in the business plan that can be altered or halted to increase cash inflows or reduce cash outflows in the event this is required, including but not limited to cost reductions, limiting external development expenditure, marketing spend and ownership of certain intellectual property. These available actions will, in management's view, allow the Company sufficient liquidity to satisfy its obligations for at least but not limited to, the next twelve months, while improving its working capital position moving forward. Accordingly, management has concluded that there are no material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

RELATED PARTY TRANSACTIONS

On November 16, 2020, the Company amended the convertible debentures issued to Fairfax such that the conversion ratio for the debenture is based on a price per share of $10.33 and the maturity date is the earlier of the closing of an initial public offering and January 1, 2021.

On November 17, 2020, the Company issued $7.1 million of notes receivable to certain shareholders. On November 18, 2020, the Company issued 686,091 series A non-voting common shares to the same shareholders in exchange for $7.1 million of cash. The notes receivable are non-interest bearing and are due on the earlier of an initial public offering and January 1, 2021.

On November 17, 2020, the Company sold its investment in The Old Telegram Building Inc. to certain shareholders in exchange for notes receivable of $1.4 million. The notes receivable are non-interest bearing and are due on the earlier of an initial public offering and January 1, 2021.

Subsequent to the year end, on January 1, 2021, the related parties receivables of $8.4 million were net settled where the Company declared a return of paid-up capital to the shareholders, directors, and officers which the receivable was offset against and settled.

On December 1, 2020, the Company issued a secured, subordinated convertible debenture for $25.0 million to Fairfax. The debenture bears interest at 8% per annum. The debenture matures on March 31, 2022. Fairfax must convert on the closing of an initial public offering of the Company. The applicable number of shares the amount outstanding would be converted into is based on a conversion ratio agreed to between the Company and Fairfax.

OUTSTANDING EQUITY INSTRUMENTS

At December 31, 2020, the Company's authorized share capital consisted of an unlimited number of: (i) voting common shares; (ii) non-voting common shares, issuable in series; and (iii) preferred shares.

On January 1, 2021, the secured, subordinated convertible debenture issued in 2019 to a Fairfax subsidiary was converted to 2,130,309 non-voting common shares.

On February 26, 2021, Boat Rocker's authorized share capital was amended to create an unlimited number of Multiple Voting Shares, Subordinate Voting Shares and preferred shares;

In connection with, and immediately prior to, the closing of the IPO on March 24, 2021, the following pre-closing capital changes were implemented:

- the issued and outstanding share capital was split on a 1.6016:1.0000 basis;
- all of the issued and outstanding voting common shares were exchanged into Multiple Voting Shares based on an exchange ratio of 1:1. Multiple Voting Shares have voting rights on a 10:1 basis;
- all of the issued and outstanding non-voting common shares and preferred shares were exchanged into voting common shares based on an exchange ratio of 1:1 and then such voting common shares were exchanged into Subordinate Voting Shares based on an exchange ratio of 1:1. Subordinate Voting Shares have voting rights on a 1:1 basis;
- the secured, subordinated convertible debentures issued in 2020 and on February 1, 2021, including any accrued but unpaid interest thereon, were converted into 3,984,936 Subordinate Voting Shares;
- the stock options to acquire up to 2,052,220 Subordinate Voting Shares (pre-split 1,281,355) issued while Boat Rocker was a private company (Legacy Options) became fully vested and exercisable; and
- an aggregate of 1,373,535 Subordinate Voting Shares were issued to certain of the former owners of Matador Content and to certain other Matador Content employees.

On the closing of the IPO, 18,900,000 Subordinate Voting Shares were issued from treasury for gross proceeds of $170.1 million. Also on closing of the IPO, the Company approved a new equity incentive plan (Equity Incentive Plan) to cover future grants of options, restricted stock units (RSU), and performance stock units (PSU) to key employees and deferred stock units (DSU) to independent directors.

Further information can be found in the Company's final prospectus dated March 19, 2021 in "*Authorized Share Capital Upon Closing*".

As of March 31, 2021, the following equity instruments are outstanding:

Type of Equity Instrument	Outstanding
Multiple Voting Shares	23,553,050
Subordinate Voting Shares	32,615,365
Legacy Options	2,052,220
Legacy RSUs	502,581

The weighted average exercise price of the stock options outstanding on March 31, 2021 is $7.62 on a post share split basis ($12.23 on a pre-share split basis).

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the annual financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results.

For a summary of all of the Company's accounting policies, including the accounting policies discussed below, see Note 3 to Boat Rocker's annual financial statements.

The most significant estimates and judgments made by management in the preparation of the Company's annual financial statements are included in the following accounting policies, as described in further detail along with the accompanying policies below:

- Revenue recognition
- Amortization of investment in content
- Impairment of goodwill and long-lived assets
- Business combinations
- Production tax credits
- Fair value measurement of financial assets
- Valuation of put option liabilities
- Valuation of derivative liabilities
- Lease renewals under IFRS 16

Although management believes the assumptions and estimates made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain.

Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill in the purchase price allocation, which could also impact net income as expenses and impairments could change. Unanticipated events and circumstances may occur, which may affect the accuracy or validity of such assumptions, estimates, or actual results.

The significant assumptions that affect these estimates and judgments in the application of accounting policies are noted throughout the Company's consolidated financial statements.

Revenue recognition

The Company's accounting policies for revenue follow the guidance of IFRS 15, Revenue from Contracts with Customers (IFRS 15).

The Company earns revenue from the following sources:

- the initial licensing of content produced and owned by the Company;
- the distribution of content owned by the Company either through the Company acting as a distribution agent or using third-party distribution agents;
- the performance of services, both animation and live-action, to facilitate production of content owned by a third party; and
- the performance of franchise and brand management services provided to talent and IP representation services to third-party IP owners.

Licensing revenue for content

- The Company grants licences to third-parties for content owned either by the Company or a third-party producer. Licensing revenue that supports the greenlight of the production, also called a pre-sale, is presented as production revenue. Licensing revenue earned after the pre-sale is presented as distribution revenue.
- The Company follows the specific guidance on licensing included in IFRS 15. The Company determined that the licences are right-to-use intellectual property. Under the standard, revenue from contracts associated with right to use intellectual property is recognized in full when all of the performance obligations are met.

Performance obligations for licensing revenue are satisfied when each of the following conditions are met:

- the production has been completed;
- the customer has access to the content;
- the amount of revenue can be measured reliably;
- the collectibility of proceeds is probable; and
- the licence period associated with the contract has started.

Distribution of certain Company content is performed by third-parties and includes variable consideration to uncertainty as to the amount of revenue generated. Revenue from variable consideration is recognized only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved (variable consideration constraint). The variable consideration contained in the Company's contracts primarily relates to the activities of the third-parties. Once the variable consideration is known and the related uncertainty is resolved, which is upon receipt of earnings reports from the third-parties, the Company will recognize revenue.

The Company evaluates arrangements with third-parties to determine whether revenue should be reported on a gross or net basis under each individual arrangement by determining whether the Company acts as the principal or agent under the terms of each arrangement. In the case that the Company acts as the principal in the arrangement, revenue is reported on a gross basis, resulting in revenue and expenses being classified in their respective consolidated financial statement line items. In the case that the Company is acting as an agent in the arrangement, revenue is presented net of any related expenses. The primary factor that the Company considers in its evaluation of such arrangements is if the Company has control of the content or service before it is transferred to the customer, including if it has the ability to set the pricing.

Service revenue

The Company performs production services to facilitate production of content owned by a third-party. Service revenue is recognized over time.

IFRS 15 requires the Company to select a single method for measuring progress and applies it consistently. The Company elects to use the input method as the basis of the measurement. Progress of the contract is measured based on the proportion of costs incurred in the current period to total expected costs. A provision is made for the entire amount of future estimated losses, if any, on production-in-progress.

Accounts receivable for projects that are in progress are classified as contract assets.

Representation revenue

The performance obligations pertaining to the Company's talent management services included in representation revenue are to provide various services for clients, which generally include representing, supporting and advocating for clients in the sourcing and negotiating of, and performance under client engagements with third-parties. This representation revenue is earned based on a predetermined percentage of a client's earnings. The performance obligations pertaining to services provided to third-party IP owners included in representation revenue typically end in with the Company negotiating a licensing arrangement for the use of the IP, on which the Company earns a pre-negotiated commission from its client.

Under IFRS 15, representation revenue from talent management services is recognized as services are performed for the Company's clients over time, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. Revenue from variable consideration is recognized only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved (variable consideration constraint). The variable consideration contained in the Company's contracts primarily relates to the client's earnings. Once the variable consideration is known and the related uncertainty is resolved, which is mainly when the client has earned their income, the Company will recognize revenue. The Company typically receives its commission within a short period of time subsequent to the client earning their income. When such services are performed prior to receiving supporting statements or other information from our clients or third-party customers, we estimate the amount of revenue to recognize prior to receipt of the consideration relating to the variable consideration constraint. If our estimates and judgments were to change, the timing and amount of revenue recognized may be different. For representation revenue derived from IP representation for third-party IP, revenue is typically recognized at the point of sale, since it is at this point that the Company's performance obligations are complete.

Amortization of investment in content

Amortization of investment in content is a direct operating expense which represents the production costs of content that the Company owns. As the content is produced, the costs are capitalized on the statement of financial position until the revenue recognition criteria is satisfied, at which time an assessment of the life of the content is made. The criteria to assess the life of the content includes the genre, the global demand for the content, and the potential for subsequent seasons and ancillary revenue such as merchandise and licensing. Based on these criteria, delivered content is amortized using a declining balance method at rates ranging from 36% to 100% at the time of delivery and at rates ranging from 10% to 50% annually on a declining balance as the underlying rights are consumed.

Acquired content includes both intellectual property and distribution rights acquired from third-party content creators. Acquired content is amortized using a straight-line method with useful lives ranging from 4-10 years.

Significant estimates and judgments relating to the investment in content are as follows:

- The methods and estimates of useful life needed to determine the appropriate amortization of investment in content depend on judgments with respect to many variables including the ability to license content to buyers, the availability of secondary markets, the impact of new media platforms, and the demand for merchandise and licensing of the related brand. The usage of content may differ materially and impact future amortization and net income.

Impairment of goodwill and long-lived assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired at the date of acquisition. Goodwill is carried at cost less any accumulated impairment losses and is not subject to amortization. Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. Goodwill is allocated to a CGU, or group of CGUs, which is the lowest level within an entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment. Impairment is tested by comparing the recoverable amount of goodwill assigned to a CGU or group of CGUs to its carrying value. For the purposes of allocating goodwill, the Company has determined that it has six groups of CGUs: Scripted, Unscripted, Insight, Kids and Family, Animation and Representation services. The first five groups of CGUs earn production, distribution and service revenue in the indicated genre of content. The Representation CGU earns commission in the form of a pre-determined percentage of client's earnings.

The carrying amounts of the Company's long-lived assets with finite lives, including investment in content, other intangible assets and property and equipment, are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The estimates and judgements underlying these estimated cash flows are disclosed in the Company's annual financial statements, note 11. This disclosure is not intended to constitute forward-looking information, future-oriented financial information or a financial outlook within the meaning of applicable securities laws. Changes in any of the assumptions or estimates, which may prove inaccurate and are subject to the risks of the business, used in determining the fair values could impact the impairment analysis.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Significant estimates and judgments relating to impairment of goodwill are as follows:

- Goodwill is tested for impairment if there is an indicator of impairment and annually for the Company's CGUs. Calculating the value in use of CGUs for goodwill impairment tests requires management to make estimates and assumptions with respect to future revenue and costs, as well as discount rates. Changes in any of the assumptions or estimates used in determining the fair values could impact the impairment analysis.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred by the Company is measured as the fair value of assets transferred, equity instruments issued and liabilities incurred or assumed at the date of completion of the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The excess of the consideration transferred over the fair value of the net assets acquired is recorded as goodwill. If the consideration transferred is less than the net assets acquired, the difference is recognized directly in the consolidated statement of loss and comprehensive loss as a gain on acquisition. Results of operations of a business acquired are included in the Company's consolidated financial statements from the date of the business acquisition. Acquisition costs incurred are expensed and included in general and administrative expenses.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statement of loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized as a gain or loss in the consolidated statement of loss.

Significant estimates and judgments relating to business combinations are as follows:

- The process of allocating consideration to the fair value of assets given, equity instruments issued and liabilities incurred or assumed as at the date of acquisition requires management to make significant estimates and assumptions including but not limited to the estimated fair values of tangible and intangible assets; probability of required payment under contingent consideration provisions; estimated income tax assets and liabilities and estimated fair value of pre-acquisition contingencies. While management uses its best estimates and assumptions as part of the purchase price allocation process to accurately value the assets acquired and liabilities assumed at the business combination date, estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the measurement period, which is the earlier of the date management receives the information it is looking for and one year from the business combination date, adjustments are recorded to the assets acquired and liabilities assumed, with the corresponding amounts offset to goodwill.

Production tax credits

The Company has access to several government programs that are designed to assist content production in Canada and internationally. Government assistance in the form of federal and provincial production tax credits and other programs is recorded as a reduction of investments in content and service costs when eligible expenditures are made and there is a reasonable expectation of realization.

Significant estimates and judgments relating to production tax credits are as follows:

- The amount of production tax credits the Company files for as costs are incurred, and the amounts ultimately recovered may differ. The expected timing of the receipt of production tax credits is subject to uncertainty and amounts have been classified as current or long-term based on the expected date of receipt.

Fair value measurement of financial assets

The fair value measurement of certain financial assets requires the Company to assess the classification of the assets based on the contract from which the asset arises. In the case that the asset represents investments in third-party entities that are not registered in the public markets, factors that are used to assess fair value include: the valuation indicated by the most recent equity offerings, management information presented at board meetings, and knowledge of the market in which the third-party transacts. Changes in any of the assumptions or estimates used in determining the fair values could impact the valuation of these financial assets.

Other significant estimates and judgements

Significant estimates and judgements relating to the valuation of the liability for put options include the likelihood of various scenarios under which a liability would be recognized, the timing of the scenarios, and other inputs to the valuation of the purchase price. Changes to the underlying assumptions may materially change the value of the put option as it is currently estimated.

The fair value measurement of certain financial assets requires the Company to assess the classification of the assets based on the contract from which the asset arises. In the case that the asset represents investments in third-party entities that are not registered in the public markets, factors that are used to assess fair value include: the valuation indicated by the most recent equity offerings, management information presented at board meetings, and knowledge of the market in which the third-party transacts. Changes in any of the assumptions or estimates used in determining the fair values could impact the valuation of these financial assets.

The application of IFRS 16 requires judgment as to whether a lease may be renewed at the end of its term. Valuation of the lease liability requires a discount rate to be selected. Changes to the underlying assumptions may materially change the value of both the right-of-use asset and the lease liability.

RISKS AND UNCERTAINTIES

The Company is exposed to a number of specific and general risks that could affect the Company. The risks and uncertainties described below are not the only ones Boat Rocker faces. Additional risks and uncertainties not presently known to the Company or that it currently believes to be immaterial may also materially adversely affect the Company's business, assets, liabilities, financial condition, results of operations, prospects, cash flows and the value of future trading price of the Subordinate Voting Shares (one or more of the foregoing, a Material Adverse Effect). A more comprehensive summary of the risks set out below and additional risks and uncertainties that may affect the business of the Company are set out in the Company's Final Prospectus dated March 19, 2021.

Risks Related to Boat Rocker's Business and Industry

Boat Rocker may be adversely affected by various operating risks common to the content production and distribution and talent management industries, including competition, consumer opinions and reviews, technological changes and the Company's dependence on key personnel and relationships, any or all of which may adversely affect Boat Rocker.

Boat Rocker faces substantial competition.

The industry within which Boat Rocker operates is competitive, with many video content production companies and studios competing to have their ideas and scripts funded, productions greenlit and produced, and video content aired and re-ordered for subsequent seasons. Some of Boat Rocker's competitors are much larger and more diversified and have greater financial resources than the Company has. The resources and influence that some of Boat Rocker's competitors have may give them an advantage in terms of having projects ordered by buyers. Increasingly, current buyers of the Company are seeking to build their own studios and acquire or partner with production companies that compete with the Company, which means that the Company's current buyers may limit the amount of product they purchase from independent third-party studios and producers like Boat Rocker.

Competition can lead to reduced margins. As many production companies and studios compete for a limited talent pool and limited financing, the Company's costs of doing business may increase, and its margins may shrink. Low barriers to entry may enable new competitors to quickly establish themselves with only a single popular program or series. New participants with a popular idea or property can gain access to consumers and become a source of competition for the Company, including through new widely and easily available platforms, including advertising-based video on demand platforms such as YouTube. Those upstart competitors tend to be smaller and have lower overhead costs than Boat Rocker and can, as a result, produce video content for Boat Rocker's buyers at a lower price than the Company, which could drive down the fees the Company can charge its buyers. Conversely, some of Boat Rocker's competitors are much larger than Boat Rocker and are better capitalized. They may, as a result, be willing to pay more than the Company for intellectual property rights and talent, which could reduce the Company's ability to source and develop projects that are marketable to its buyers. As a result, Boat Rocker may not be able to continue to compete effectively against current and future competitors, which could have a negative impact on its business, financial condition, operating results, liquidity and prospects.

Changes in public and consumer tastes and preferences and industry trends could reduce demand for productions and adversely affect the business of the Company.

Boat Rocker's business depends on the appeal of its programming to its buyers. The Company's ability to generate revenues is highly sensitive to rapidly changing consumer preferences and industry trends, as well as the popularity of the talent, brands and owners of intellectual property the Company represents, and the assets it owns. Consumer preference is difficult to predict and is subject to influences beyond the Company's control, such as the quality and appeal of competing programming, general economic

conditions and the availability of other entertainment activities. The Company makes decisions about which projects to develop and finance long before those projects are completed as finished video content and available for consumption. As such, Boat Rocker needs to anticipate consumer sentiments in the future and its success depends on its ability to deliver entertainment properties and brands which will be desired by buyers, viewers, and consumers in the future. The production and sales of video content and the exploitation of brands is inherently risky because the revenues the Company derives from various sources primarily depend on its ability to satisfy consumer tastes and expectations in a consistent manner.

Boat Rocker's success depends on the commercial success of the programming it creates, which is unpredictable. Generally, the popularity of the Company's video content depends on many factors, including the critical and popular acclaim it receives, the format of initial release, on-screen talent, genre and specific subject matter of the video content, the quality and acceptance of video content that Boat Rocker's competitors release into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure activities, general economic conditions and other tangible and intangible factors, many of which the Company does not control and all of which may change. Boat Rocker cannot provide assurance that its programing will obtain favorable reviews or ratings, or that buyers will license the rights to broadcast any of its video content in development, order subsequent seasons of recently completed programs, or renew licenses to broadcast programming in its library. The failure to achieve any of the foregoing could have a Material Adverse Effect.

Specific to programming created by Boat Rocker's kids and family division intended to be developed into a brand franchise, it takes years to develop kids and family programming, produce the programming, partner with licensees for toys and other merchandise, secure meaningful exhibition windows for the programming, and have the program air in key markets on a consistent and substantial basis. Even if all of those elements are achieved, ultimately the Company does not know whether the video content and any related products will appeal to children and parents and achieve consumer acceptance. Even if one of Boat Rocker's brands becomes successful, it may cease to be so or be rapidly replaced with a competing product. A decline in the popularity of the Company's brands and entertainment properties, or the failure of the Company's video content, entertainment properties and brands to achieve and sustain market acceptance with consumers, could significantly lower the Company's revenues and operating margins, which would harm the Company's business, financial condition and performance.

In regards to the Company's business of producing and exploiting video content, despite the proliferation of streaming services over the past few years having increased demand for content and despite the COVID-19 pandemic having increased the amount of time people are spending watching video content at home, it is not certain that such demand will be sustained over the long term or that the Company will benefit from consumer appetite for programming. Consumer desire may pivot to leisure activities outside the home, or to audio visual content which the Company doesn't currently produce, such as virtual reality products, short form user-generated content or video games.

Risks Related to External Factors Which Boat Rocker Cannot Control, Including COVID-19

The impact of the COVID-19 global pandemic could materially adversely affect the Company's business, financial condition and results of operations.

The impacts associated with the ongoing COVID-19 global pandemic, measures to prevent its spread, and the resulting economic uncertainty, have and may continue to affect the Company's business adversely.

Commencing in March of 2020, governments in jurisdictions in which the Company produces programming implemented preventative measures in order to curb the spread of COVID-19. As a result of these measures, and the Company's need to protect its employees, crews, talent and broader communities, certain of Boat Rocker's productions were temporarily suspended or delayed.

While the Company was able to re-commence production on many of its shows in the summer and fall of 2020, there continues to be a risk that governments in jurisdictions in which the Company operates will order future lock-downs which could force Boat Rocker to again suspend productions. As well, while the Company may be permitted to continue to film its programming, a case of COVID-19 amongst its cast or crew could result in a temporary or full shut-down of a program in-production. If production on any programming is halted, the Company could incur substantial costs and further filming would be delayed which could result in Boat Rocker losing access to key crew, talent and locations. While the Company has implemented industry standard health and safety protocols and procedures on all of its sets and in all of its offices in an effort to avoid the spread of COVID-19, these procedures are not infallible and it is still possible for cast or crew to contract COVID-19.

Additionally, insurance against risks relating to the COVID-19 pandemic, including potential liability for infections, an unexpected shutdown of operations, or other hazards as a result of operation of the business, is limited or not available. There are currently certain government-backed insurance programs in place in Canada and internationally that the Company may be able to rely upon for some level of insurance coverage, but they will likely not cover all of the costs associated with a COVID-19 related claim, and are currently only available in certain territories, not including the United States. The lack of insurance in the event of a COVID-19 related claim could materially reduce the funds available to the Company for future operations and a significant shutdown could result in a Material Adverse Effect.

In addition to the foregoing, the ongoing impact of COVID-19 may continue to have the following material adverse effects on the Company, including, among others:

- continued disruptions and volatility in the global capital markets, which may increase cost of capital and restrict access to capital;
- continued impacts on workforces throughout the regions in which COVID-19 is present, which may result in the Company's workforce being unable to work effectively, including because of labour shortages, illness, quarantines, government actions, facility closures or other restrictions in connection with the COVID-19 pandemic;
- availability and cost of interim financing for production receivables if traditional lenders deem production activities too risky or underinsured; and
- other unpredictable adverse impacts.

The Company currently expects that there will be a large-scale rollout of safe, effective and widely available vaccines in the United States in the first half of 2021 and in Canada in the latter part of 2021, which the Company expects will mitigate the risks of COVID-19 and avoid any significant COVID-19 production suspensions or shutdowns thereafter, though it is currently unclear whether the vaccines will be effective against existing or future variants of COVID-19.

The extent to which COVID-19 may have a sustained impact on the Company's results is uncertain and it is possible that the Company's future results may continue to be materially negatively impacted.

Boat Rocker's success depends on external factors which it cannot control.

Global economic turmoil and regional economic conditions in the U.S., Canada and globally could adversely affect the Company's business. Global economic turmoil, such as that being created by the ongoing COVID-19 global pandemic and its effects, may cause a general tightening in the credit markets, lower levels of liquidity, increases in the rates of default and bankruptcy, increased regulation from governments, increased taxes, decreased consumer confidence, overall slower economic activity and extreme volatility in credit, equity and fixed income markets. A decrease in economic activity in the regions of the world in which Boat Rocker does business could adversely affect demand for its video

content, thus reducing the Company's revenues and earnings. For instance, lower household income and decreases in consumer discretionary spending, which are sensitive to general economic conditions, may affect cable television and other video service subscriptions and ad sales for the Company's buyers, which in turn may reduce buyers' budgets and ability to commission the Company's programming. In respect of Boat Rocker's Kids and Family brand business, a decrease in consumer discretionary spending may result in decreased demand for merchandise produced by the Company's licensees.

Business interruptions could adversely affect Boat Rocker's operations.

Boat Rocker's operations are vulnerable to outages and interruptions due to fire, floods, power loss, telecommunications failures, pandemics such as COVID-19 and similar events beyond its control.

In the event of a short-term power outage, the Company has installed uninterrupted power source equipment designed to protect its servers for a sufficient amount of time designed to allow for the system to be shut down safely without risking the loss of data. The Company also mitigates the risk around loss of critical data by increasingly relying on third-party cloud-based service providers for certain business operations (e.g., payroll, enterprise software, document management, etc.). Cloud services allow many departments to work independently of the Company's data centres and continue operations throughout an outage of certain infrastructure. In addition, cloud services tend to be more secure than on-premises servers, but they are not immune to technological failures or security breaches. The Company has not experienced any major service interruptions with its key technology providers, with the exception of certain internet interruptions, which affected large portions of North America and were not specific to the Company's connections. During this time, some employees were not able to access email or connect to the Company's resources in the Company's data centre. Outages have been brief, however there can be no assurance that any future outages will continue to be so.

However, a long-term power outage or other damage such as fire or flood to the Company's information technology infrastructure could disrupt its operations and generate losses. While Boat Rocker has critical data backed-up on a regular basis and while its head office data centre has temperature sensors, a security system, surge protection and water-proofing, in the event of an unlikely but catastrophic failure of the Company's technology infrastructure, the Company would incur delays in accessing its files, which could delay the delivery of certain of its programming, harm Boat Rocker's reputation with its buyers, and lead to increased costs. The Company currently carries insurance for damage to its systems and infrastructure and business interruption insurance for potential losses; however, this insurance may not available in all circumstances or may not be sufficient to fully cover the Company's losses or those of its buyers, and such insurance may not continue to be available to on affordable terms in the future.

Risks Related to Securing and Retaining Key Personnel and Business Relationships

Boat Rocker relies on key personnel, the loss of any one of whom could have a negative effect on its business.

Boat Rocker's success depends to a significant extent on its ability to attract, recruit and retain quality executives and other key employees, including production, creative and technical personnel, as well as talent managers in respect of Untitled Entertainment, in a highly competitive labour market. There are many contributing factors that affect the Company's ability to retain key employees, some of which are within its control and some of which are not (for example, the economic climate, sector growth and skill demand). The impact of failing to retain key employees can be high due to loss of key knowledge and relationships, lost productivity, and hiring and training costs, and could have a Material Adverse Effect.

Untitled Entertainment depends on the relationships of its managers with clients and any failure by Untitled Entertainment to identify, sign and retain clients could adversely affect the Company's business.

Untitled Entertainment depends heavily upon relationships that its managers and other key personnel have developed with clients. In particular, Untitled Entertainment's client management business is dependent upon the highly personalized relationships between its manager teams and their respective clients. A substantial deterioration in the relationship between managers and clients could result in the loss of a client which could have an adverse effect on Boat Rocker's business, financial condition and results of operations.

Untitled Entertainment derives substantial revenue from the engagements and endorsements entered into by its clients. Untitled Entertainment depends on identifying, signing and retaining as clients those performers and artists who are in high demand by producers, studios, networks, the public and brands. Untitled Entertainment's success is dependent on its continuing ability to attract, develop and retain clients whose work is likely to achieve a high degree of value. Untitled Entertainment's failure to attract and retain these clients, an increase in the costs required to attract and retain such clients, or an untimely loss or retirement of these clients could adversely affect the Company's financial results and growth prospects.

Boat Rocker may face labour shortages that could slow its growth.

The successful operation of the Company's business depends upon its ability to attract, motivate and retain a sufficient and significant number of qualified employees. In particular, the production of live-action programming depends on securing crew members from limited talent pools in shooting locations with significant competition for talent. Similarly, the Company's animation studios are dependent on large teams of designers, animators, lighters, technical directors and other production personnel; in the markets in which Boat Rocker operates its animation studios there is significant competition for these individuals. An inability to secure talented and experienced crews on its productions (whether live-action or animated) could adversely impact the Company's ability to deliver high quality productions to its buyers. In addition, competition for qualified employees could require Boat Rocker to pay higher wages, which could result in higher labour costs and could have an adverse effect on the Company's business, financial condition and results of operations.

A strike or other form of labour unrest affecting guilds or unions in the film and television industry could disrupt the Company's production schedules which could result in delays and additional expenses.

Production of many of the Company's live-action programs is dependent on the services of specialized union members who are essential to the production of video content. A strike by, or a lockout of, one or more of the unions that provide personnel essential to the production of programming could delay or halt the Company's ongoing production activities, or could cause a delay in the delivery of its video content. While the Company seeks to maintain positive relationships with the guilds and unions in the industry, a strike or other form of labour protest or unrest affecting those guilds or unions could, to some extent, disrupt production schedules which could result in delays and additional expenses.

Some parts of the Company's video content production business are not unionized. Specifically, Boat Rocker does not utilize unionized crews on many of its unscripted productions or its animated series. The Canada Media Guild (CMG), together with The International Alliance of Theatrical Stage employees (IATSE), have sought to unionize Canadian unscripted production crews for over five years. See description of the class action lawsuit filed against Insight under "Risk Factors – Risks Related to Litigation, IP Infringement and IP Protection" below. IATSE has sought to organize individuals who work on animated productions for the past decade in Canada and on January 29, 2021, a subsidiary of Boat Rocker received notice of an application for certification filed by IATSE with the Labour Board of Nova Scotia, which seeks to unionize certain animation employees employed at Boat Rocker's animation studio in Halifax, Nova Scotia, Canada (the IATSE Application). The vote to determine whether the

Halifax animation studio will be unionized occurred on February 4, 2021, but the result will ultimately not be determined until May 2021 at the earliest. Management believes that IATSE has been attempting to organize animation workers in Halifax prior to the Company opening its studio there in late 2019 and management does not believe that the application is an indication that its employees in Halifax are disgruntled or dissatisfied with their working conditions. That said, if the Company's Halifax studio were unionized, the Company's costs to produce animation in Halifax could increase, which may reduce the Company's margins in respect of programming produced in Halifax. In addition, if the Halifax studio were unionized, IATSE may be emboldened to pursue more aggressive campaigning in respect of the Company's Toronto and Ottawa animation studios.

The Company has no output agreements with buyers and it depends on key relationships with buyers.

A key component of the Company's success is its relationships with buyers and programming executives at the linear networks and OTT platforms that purchase or license its programming. Boat Rocker is dependent on maintaining these existing relationships and expanding upon them to seek to ensure that the Company has a robust network of buyers for its programming. The Company does not have any long-term output agreements with its buyers and, as a result, every project it intends to produce requires a commission or sale on bespoke negotiated terms. The relationships between Boat Rocker's key personnel and those of its buyers are crucial to selling the Company's programming. Any loss in key sales personnel at Boat Rocker, any fractures in relationships with key buyers, or any transitions of key buying executives to roles at competitors, may limit the Company's ability to sell its video content and could result in a Material Adverse Effect. Additionally, programming executives who work for the Company's buyers regularly resign or are terminated; when this occurs, successor executives will often wish to "start fresh" and may choose not to greenlight projects in development that were supported by their predecessors. This kind of "regime change" amongst executives who work for the Company's buyers could have a negative impact on the Company's ability to secure greenlights, which would in turn negatively impact the Company's results of operations or financial condition.

Risks Related to Anticipating and Managing Costs, Revenues and Liquidity

Boat Rocker cannot guarantee the avoidance of budget overruns.

Boat Rocker's business model is predicated on delivering its video content for the cost set out in its production budgets. The production, completion and distribution of video content can be subject to a number of uncertainties, including delays and increased expenditures due to disruptions or events beyond the Company's control. Although the Company has historically completed its productions within their budget parameters, there can be no assurance that it will continue to do so. The Company currently maintains insurance policies covering certain potential disruptions or risks that if occasioned would increase its production costs. There can be no assurance that any overrun resulting from any occurrence will be adequately covered or that such insurance coverage will continue to be available or, if available, whether it will be on terms acceptable to the Company. In the event of budget overruns, the Company may have to seek additional financing from outside sources in order to complete production of a television program. No assurance can be given as to the availability of such financing or, if available, whether it will be on terms acceptable to the Company. In addition, in the event of substantial budget overruns, there can be no assurance that such costs will be recouped from future sales of the production, which could have a significant impact on the Company's results of operations or financial condition.

Boat Rocker's revenues and results of operations may fluctuate significantly.

Results of the Company's operations for any periods are significantly dependent on the number and timing of programming delivered or made available to licensees. Boat Rocker's results of operations depend significantly upon the timing of programming orders, deliveries and the number of programs that are in-production in a given year. As well, video content distribution revenues can fluctuate significantly from period to period, driven by timing fluctuations and/or quarterly reporting from the Company's distribution partners. Accordingly, Boat Rocker's results of operations may fluctuate significantly from period to period, and the results of any one period may not be indicative of the results for any future periods. Programming produced by the Company may not be re-ordered for subsequent seasons and items in its distribution catalogue may not be licensed by exhibitors, both of which could have a Material Adverse Effect in a given period.

The Company's operating results also fluctuate due to its accounting practices, which may cause the Company to recognize production expenses in different periods than the recognition of related revenues, which may occur in later periods. For example, in accordance with IFRS and industry practice, Boat Rocker recognizes the revenue from programming made on a "work for hire basis" as the video content is produced. For programming which the Company owns, it recognizes revenue when the video content is delivered in full. Consequently, the Company's results of operations may fluctuate materially from period to period and the results of any one period are not necessarily indicative of production volume or results for future periods. Cash flows may also fluctuate and are not necessarily closely correlated with revenue recognition.

The Company faces substantial capital requirements and financial risks, including liquidity needs.

The acquisition, production and distribution of video content requires substantial capital. Although Boat Rocker reduces the risks of its production exposure through pre-sale licenses to buyers, tax credit programs, other government and industry subsidies, co-financiers, third-party distributors and other sources, the Company cannot assure investors that it will continue to be able to successfully implement these arrangements or that it will not be subject to substantial financial risks relating to the acquisition, production and distribution of future video content.

The Company may contribute a recoupable distribution advance towards the financing of certain of its video content. Such investments are made based Boat Rocker's internal sales estimates. If those estimates prove erroneous, the Company may not recoup its investment in the video content, or may not recoup it as quickly as the Company had anticipated.

If Boat Rocker increases (through internal growth or acquisition) its programming slate or its production budgets, the Company may be required to increase overhead and/or make larger upfront payments to talent and, consequently, bear greater financial risks. Any of the foregoing could have a Material Adverse Effect.

Risks Related to Boat Rocker's Growth Strategy

Boat Rocker may be unable to realize its acquisition strategy and there may be additional risks to the Company's business and operations in executing those acquisitions.

The Company has made, and intends to continue to pursue, various acquisitions, investments and joint ventures intended to complement or expand its business. The successful implementation of such acquisition strategy depends on the capital resources of the Company and Company's ability to identify suitable acquisition candidates, acquire such companies on acceptable terms, integrate the acquired company's operations and technology successfully with its own, and maintain the goodwill of the acquired business. The Company is unable to predict whether or when it will be able to identify any suitable additional acquisition candidates that are available for a reasonable price, or the likelihood that any potential acquisition will be completed. When evaluating a prospective acquisition opportunity, the Company cannot assure that it will correctly identify the costs and risks inherent in the business to be acquired. The scale of such acquisition risks will be related to the size of the company or companies acquired relative to that of the Company at the time of acquisition, and certain target companies may be larger than Boat Rocker.

Although the Company seeks to conduct appropriate levels of due diligence of its acquisition targets, these efforts may not always prove to be sufficient in identifying all risks and liabilities related to the acquisition, including as a result of limited access to information, time constraints for conducting due diligence, the inability to communicate with the target company's personnel or buyers or other limitations on the due diligence process. As a result, the Company may become subject to liabilities or risks not discovered through the due diligence process, which could have a materially adverse effect on the Company's businesses, operations, prospects or cash flows..

Growth and expansion resulting from past or future acquisitions may place significant demands on management's resources. While Boat Rocker believes it has the experience and know-how to integrate acquisitions, such efforts entail significant risks including, but not limited to: (a) the failure to integrate successfully the personnel, information systems, technology, and operations of the acquired business; (b) the potential loss of key employees or buyers from either the Company's current business or the business of the acquired company; (c) the failure to maximize the potential financial and strategic benefits of the transaction; (d) the failure to realize the expected synergies from acquired businesses; (e) the assumption of significant and/or unknown liabilities of the acquired company; and (f) the diversion of management's time and resources.

Boat Rocker may have difficulty raising additional capital which could adversely affect the market for the Company's securities.

The Company may require capital in the future in order to meet additional working capital requirements, to make capital expenditures, to take advantage of investment and/or acquisition opportunities or for other reasons. Additionally, if Boat Rocker increases (through internal growth or acquisition) its programming slate or its production budgets, it may be required to fund more development projects, provide additional funding for video content, increase overhead, make larger upfront payments to talent, and consequently bear greater financial risks. Accordingly, it may need to raise additional capital in the future. The Company's ability to obtain additional financing will be subject to a number of factors, including market conditions and its operating performance. These factors may make the timing, amount, terms and conditions of additional financing unattractive or unavailable for the Company. Disruptions in the capital markets, including changes in market interest rates or lending practices or the availability of capital, could have a materially adverse effect on the Company's ability to raise or refinance debt.

In order to raise such capital, the Company may sell additional equity securities in subsequent offerings and may issue additional equity securities. Sales or issuances of a substantial number of equity securities, or the perception that such sales could occur, may adversely affect the prevailing market price for the securities. With any additional sale or issuance of equity securities, investors will suffer dilution and the Company may experience dilution in its earnings per share.

Alternatively, the Company may incur debt. Capital raised through debt financing would require the Company to make periodic interest payments and may impose restrictive covenants on the conduct of the Company's business.

Furthermore, additional financings may not be available on terms favourable to the Company, or at all. The Company's failure to obtain additional funding could prevent the Company from making expenditures that may be required to grow its business or maintain its operations.

Risks Related to Doing Business Internationally

Boat Rocker faces risks inherent in doing business internationally, many of which are beyond its control and which could have a Material Adverse Effect.

Boat Rocker produces and distributes video content and conducts other business activities outside of Canada directly and through foreign subsidiaries and derives revenues from these sources. As a result, Boat Rocker is subject to certain risks inherent in international business, many of which are beyond its control. These risks include:

- changes in local regulatory requirements, including restrictions on content;
- changes in the laws and policies affecting trade, investment and taxes (including laws and policies relating to the repatriation of funds and to withholding taxes);
- impact of trade disputes;
- anti-corruption laws, sanctions and other bans instituted by the applicable authorities on doing business with particular countries, companies and individuals;
- differing degrees of protection for IP and less stringent attitudes toward piracy;
- differential regulation around data privacy and security;
- changes in local regulatory requirements including regulations designed to stimulate local productions, promote and preserve local culture and economic activity (including local content quotas, investment obligations, local ownership requirements, and levies to support local film funds);
- instability of foreign economies and governments;
- increased market concentration in certain territories;
- difficulties in understanding and complying with local laws, regulations and customs in foreign jurisdictions;
- inability to adapt the Company's offerings successfully to differing languages, cultural tastes, and preferences in international markets;
- wars and acts of terrorism; and
- the spread of viruses, diseases or other widespread health hazards, including COVID-19.

Any of these factors could have a Material Adverse Effect.

Fluctuations in foreign currency exchange rates could harm the Company's results of operations. Foreign currency and exchange control regulations may adversely affect the repatriation of funds to Canada.

The presentation currency for the Company's consolidated financial statements is the Canadian dollar. Foreign exchange affects the Company's revenues and results of operations in two ways. First, revenue is recognized in the Company's United States subsidiaries in U.S. dollars and in the Company's U.K. subsidiary in pounds sterling. If the U.S. dollar and/or pound sterling weakens against the Canadian dollar, it would have a negative impact on the Company's consolidated operating results upon translation to Canadian dollars for the purposes of financial statement consolidation. Second, the Company invoices for sales, recognizes debt, and incurs expenses in a currency other than the functional currency of the legal entity. For example, a Canadian legal entity may invoice and receive U.S. dollar revenue, forcing that sale to be translated to Canadian dollars. If the relative values of the Canadian dollar and U.S. dollar fluctuate between invoicing and collection of cash, a foreign currency gain or loss is recognized on the consolidated statement of income. Currency exchange rates are determined by market factors beyond the control of the Company and current foreign exchange rates may not be indicative of future exchange rates. Although the Company may engage from time to time in hedging its foreign exchange risk by locking in rates for cash flows in the future, depending upon changes in future currency rates, such gains or losses could have a significant and potentially adverse effect on Boat Rocker's results of operations.

In addition, the ability of the Company to repatriate to Canada funds arising in connection with the foreign exploitation of its programming may also be adversely affected by currency and exchange control regulations imposed by the country in which the production is exploited. At present, the Company is not aware of any existing currency or exchange control regulations in any country in which the Company currently contemplates exploiting its programming which would have an adverse effect on the Company's ability to repatriate such funds.

Risks Related to Litigation, IP Infringement and IP Protection

Boat Rocker may be subject to claims and legal proceedings that could be time-consuming, expensive and result in significant liabilities for the Company.

Governmental, legal or arbitration proceedings may be brought in the future or threatened against Boat Rocker. Regardless of their merit, any such claims could be time consuming and expensive to evaluate and defend, divert management's attention and focus away from the business and subject Boat Rocker to potentially significant liabilities.

In particular, Insight Productions, of which the Company currently owns 70%, is the defendant in a class action for alleged unpaid overtime and misclassification of employees as independent contractors. Insight believes that the claim has been sponsored by the CMG and IATSE who wish to leverage unscripted producers in Canada into signing collective agreements in respect of their crews who are not unionized. While the claim has not been certified as a class action, and Insight believes it has many defenses to the claim, there is no assurance that Insight Productions will be successful in defending this action, or that other similar actions may not emerge against the Company.

Boat Rocker's business involves risks of liability claims for content, which could adversely affect Boat Rocker's business, results of operations and financial condition.

As a distributor and producer of video content, the Company's revenues are dependent on the unrestricted ownership or control of its rights to programming. Any successful claims challenging ownership or control of these intangible assets could hinder the Company's ability to exploit these rights.

One of the risks of the video content production business is the possibility that others may claim that Boat Rocker's programming misappropriates or infringes the intellectual property rights of third-parties with respect to their previously developed films and television series, stories, characters, other entertainment or intellectual property. Boat Rocker seeks to protect itself against these claims by not accepting unsolicited submissions, undertaking appropriate searches, securing grants to intellectual property rights in writing, legally monitoring its programming for these kinds of claims, and securing insurance. Despite the processes and protections the Company puts in place, these types of IP claims are not uncommon in the Company's business. Regardless of the validity or the success of the assertion of any such claims, the Company could incur significant costs and diversion of resources in enforcing its intellectual property rights or in defending against such claims. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could have a Material Adverse Effect.

Protecting and defending against intellectual property claims may have a Material Adverse Effect on the Company's business.

Boat Rocker's ability to compete depends, in part, upon successful protection of its intellectual property. The Company attempts to protect proprietary and intellectual property rights to its programming through available copyright and trademark laws and licensing and distribution arrangements with reputable international companies in specific territories and media for limited durations. Despite these measures, existing copyright and trademark laws afford only limited practical protection in certain countries in which the Company may distribute its products and no assurance can be given that challenges will not be made to the Company's copyrights and trademarks. In addition, technological advances and conversion of video content into digital format have made it easier to create, transmit and share unauthorized copies of television programs. Users may be able to download and/or stream and distribute unauthorized or "pirated" copies of copyrighted material over the Internet. As long as pirated content is available to download and/or stream digitally, some consumers may choose to digitally download or stream material, even where it is illegal to do so. As a result, it may be possible for unauthorized third-parties to copy and distribute the Company's programming, which could have a Material Adverse Effect.

Risks Related to the Company's Infrastructure and Protection of Confidential Information

Boat Rocker is dependent on its information technology ecosystem. Failures in certain components of the information technology ecosystem could adversely affect the Company and its operations.

Boat Rocker's ability to conduct its business, including maintaining financial controls, and keeping its production at its animation studio on schedule, is based in part on the efficient and uninterrupted operation of its information technology ecosystem, including its management information systems, animation infrastructure, access to the internet and various cloud solutions. If any of Boat Rocker's production, financial, rights management, personnel, email, other information technology systems, internet access or other systems or processes were to stop operating properly for any significant period of time for any reason (including, for example, hardware or software malfunctions, computer viruses, internet problems or sabotage), Boat Rocker could suffer a disruption to its business, loss of data, increased costs, regulatory intervention and/or reputational damage. In order to reduce the risk that its systems fail, the Company regularly replaces hardware, upgrades software and maintains a robust infrastructure and systems team. In the event the Company does not adequately maintain its information technology systems, any failure of such systems would negatively impact its ability to operate the business, deliver projects on time and would harm the Company's reputation with its buyers and other partners. An inability to operate or enhance information technology systems could have an adverse impact on, among other things, the Company's ability to produce accurate and timely invoices, manage operating expenses and produce accurate and timely financial reports. See also "Risk Factors – Risks Related to External Factors Boat Rocker Cannot Control, Including COVID-19 – Business interruptions could adversely affect Boat Rocker's operations."

A breach of the Company's network security or other theft or misuse of confidential and proprietary information, digital content could have a Material Adverse Effect.

The number and sophistication of attempted and successful information security breaches have increased in recent years and, as a result, the risks associated with such an event continue to increase. Outside parties regularly attempt to penetrate the Company's systems and those of its vendors or to fraudulently induce its employees or buyers or employees of its vendors to disclose sensitive or confidential information to obtain or gain access to the Company's data, business information or other sensitive or confidential information. The Company and its employees are regularly targeted in phishing schemes, including attempts by hackers to impersonate executives or vendors to direct payments outside the Company. Increasingly, the Company is concerned that hackers could attempt to penetrate its information technology systems so as to hold its data and work in progress hostage subject to the payment of significant ransom amounts.

Although the Company has taken steps to reduce these risks, there can be no assurance that potential failures of, or deficiencies in, these systems or processes will not have an adverse effect on the Company's operations and/or its financial results. Moreover, if the Company's systems are penetrated, the costs to repair those systems and the concomitant downtime in the Company's production pipeline can be significant and costly.

Risks Related to Bad Publicity and Negative Perceptions of the Company's Business, Key Personnel, Clients or Brands

Adverse publicity concerning Boat Rocker, one of its businesses, its clients or its key personnel or talent could negatively affect the Company's business.

The Company's professional reputation is essential to its continued success, and any decrease in the quality of its reputation could impair its ability to, among other things, recruit and retain key personnel, retain or attract Untitled Entertainment's managers and clients, maintain relationships with its buyers and partners.

Boat Rocker's reputation may be negatively impacted by a number of factors, including negative publicity concerning the Company, members of its management or other key personnel. In addition, Boat Rocker is dependent for a portion of its revenues on key talent managed by Untitled Entertainment, such as actors, many of whom are public personalities with large social media followings whose actions generate significant publicity and public interest. Any adverse publicity relating to such individuals or entities that Boat Rocker employs or represents, or to the Company (including Untitled Entertainment), including from reported or actual incidents or allegations of illegal or improper conduct, such as harassment, discrimination or other misconduct, could result in significant media attention, even if not directly relating to or involving Boat Rocker. Such publicity could have a negative impact on the Company's professional reputation, potentially resulting in termination of licensing or other contractual relationships, or the shunning of talent represented by Untitled Entertainment. Boat Rocker's professional reputation could also be impacted by adverse publicity relating to one or more of its brands or programs. Any the foregoing situations could adversely affect the Company's business, financial condition and results of operations.

In addition, changes in consumers' tastes or a change in the perceptions of the Company's business partners, whether as a result of the social and political climate or otherwise, could adversely affect Boat Rocker's operating results. The Company's failure to avoid a negative perception among consumers or buyers or anticipate and respond to changes in consumer preferences, including in the video content its creates, could result in reduced demand for the Company's services and content offerings or those of its clients, which could have a Material Adverse Effect.

Risks Related to Regulations

The Company's activities are subject to a variety of laws and regulations which may adversely impact its operations or, if violated, could subject the Company to an increased risk of litigation and regulatory actions.

The Company is subject to numerous laws and regulations in each territory in which it operates, including among others privacy laws, and any failure by the Company to comply with such laws and regulations could have a Material Adverse Effect.

Boat Rocker is dependent on tax credits to fund its productions, and any change in the regulations for subsidies or reduction in such subsidies could negatively affect the Company's business.

In addition to license fees from buyers, in respect of some of the content produced by the Company (particularly the programming produced in Canada), the Company finances a significant portion of those production budgets with funding from federal and provincial governmental agencies and incentive programs, including, in some cases, the CMF, provincial film equity investment and incentive programs, federal tax credits, provincial tax credits and state tax credits, and other investment and incentive programs. In addition, many of the Company's programs produced outside of Canada are also financed by tax credits and government grants which are subject to complicated eligibility rules and dependent on the ongoing support of such programs by local governments. While Boat Rocker seeks to ensure that it qualifies for local subsidies and that such subsidies are secure, there can be no assurance that individual incentive programs available to the Company will not be reduced, amended or eliminated or that the Company or its productions will qualify for such incentive programs, or that the Company will not have compliance issues in respect of tax credits, any of which may have a Material Adverse Effect.

Risks Related to Indebtedness

Risks related to US Scripted Production Facility.

Subsidiaries of the Company are party to a US$100,000,000 senior secured five-year revolving credit facility with a major U.S. bank, which may be increased to US$250,000,000, in connection with the interim financing of the television productions of Boat Rocker's US scripted division. The US Scripted Production Facility could have adverse consequences on the business of Boat Rocker, such as:

- limiting Boat Rocker's ability to obtain additional financing;
- requiring a substantial portion of the Company's cash flows to be dedicated to debt service payments and capitalization of the facility instead of other purposes;
- increasing the Company's vulnerability to the ongoing COVID-19 global pandemic and its effects, economic downturns and adverse developments in its business;
- exposing the Company to the risk of increased interest rates as certain of its borrowings under the US Scripted Production Facility are at variable rates of interest;
- limiting Boat Rocker's flexibility in planning for and reacting to changes in the conditions of the financial markets and its industry;
- placing the Company at a competitive disadvantage compared to other, less leveraged competitors and limiting its ability to seek alternative financing for future projects;
- increasing the Company's cost of borrowing;
- restricting the way in which the business of the Company, specifically its U.S.-based scripted television division, is conducted because of financial and operating covenants in the facility; and/or
- exposing Boat Rocker to potential events of default (if not cured or waived) if one of the Company's subsidiaries breach covenants contained in the credit agreement.

Risks related to the Company's other interim production financing arrangements.

Many of the Company's programs are financed by Canadian banks who specialize in lending to media producers. These interim production facilities could have adverse consequences on Boat Rockers business, such as:

- these interim production facilities are demand loans which can be called for repayment by the financier at any time;
- Boat Rocker is required to estimate the repayment date for these loans and the interest costs over the life of the loans and, if any of these estimates are incorrect, the cost of borrowing could be higher than anticipated;
- these facilities restrict the way in which Boat Rocker conducts its business because of operating covenants in the agreements which prohibit certain actions and expose Boat Rocker to potential events of default (if not cured or waived); and/or
- these interim production facilities are generally guaranteed by Boat Rocker's parent entity and/or other operating companies within the business, and as a result the financiers generally have the ability to seek recourse from Boat Rocker in respect of a default by the operating companies which provided the guarantees.

Other Risks

Failure to design, test and maintain effective processes and controls could lead to errors in the Company's financial reporting, which could harm the Company's financial performance and cause a decline in its share price.

Boat Rocker has not historically prepared public company financial statements. Boat Rocker was not required to design or maintain effective controls over the financial statement close and reporting process in order to ensure the accrual and timely preparation of financial statements in accordance with IFRS. In addition, information technology controls, including end user and privileged access rights and appropriate segregation of duties, were not required to be designed and tested.

Boat Rocker does not expect that its disclosure controls and procedures and internal controls over financial reporting will prevent all error or fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially adversely affected, which could also cause investors to lose confidence in the Company's reported financial information, which in turn could result in a reduction of the trading price of the Company's shares or prevent the continued trading of its securities.

Boat Rocker may be exposed to credit risk arising from cash and cash equivalents as well as outstanding receivables which may have a Material Adverse Effect.

Credit risk arises from cash and cash equivalents, as well as credit exposure to buyers, including outstanding receivables. Boat Rocker will seek to manage credit risk on cash and cash equivalents by seeking to ensure wherever appropriate that the counterparties are banks, governments and government agencies with high credit ratings. The balance of trade amounts receivable are mainly with a range of linear channels and other distribution buyers. Management seeks to manage credit risk by regularly reviewing and accounts receivable and appropriate credit analysis.

In assessing credit risk, management includes in its assessment the Company's long-term receivables and considers what impact the long-term nature of the applicable receivable has on credit risk. For certain arrangements with licensees, the Company is considered the agent, and only reports the revenue net of the licensor's share. When the Company bills a third-party in full where it is an agent for the licensor, the Company records an offsetting amount in accounts payable that is only payable to a licensee when the amount is collected from the third-party. This reduces the risk, as the Company is only exposed to the amounts receivable related to the revenue it records.

Partially-owned entities.

The Company has interests in non-wholly-owned subsidiaries, including Insight Productions and Untitled Entertainment, which are subject to agreements that may affect the Company's flexibility and ability to implement strategies and financing and other plans that the Company believes are in the Company's and/or the applicable subsidiary's best interests. Such agreements may also contain, among other things, provisions relating to the applicable subsidiary's governance structure, drag and/or tag along rights, put/call rights and restrictions on equity transfers.

Specifically, the founders of Untitled Entertainment have a put right with respect to some or all of their interest commencing in February 2024 (or earlier in the event of certain "good leaver" employment termination events) pursuant to which the founders will be entitled to receive the fair market value (as mutually agreed or determined by an independent appraiser) of such interest, payable in cash. Boat Rocker has a reciprocal call right. In the event that one or both of the founders of Untitled Entertainment elects to exercise their put right, the value of their stake in the business will be determined, in part, on whether such founder has agreed to continue to work for Untitled Entertainment beyond the closing of the put/call transaction. In the event one or both of the founders of Untitled Entertainment exercised their put right and do not elect to continue to work for Untitled Entertainment, there is a risk that Untitled Entertainment will be unable to retain its managers and/or clients, which could result in a Material Adverse Effect.

The sellers of Insight Productions retain a 30% ownership stake in the company. Effective May 17, 2021, the minority shareholder of Insight will have the right to "put" its remaining stake in Insight to Boat Rocker for purchase (and Boat Rocker has a mirror "call" right). The employment agreement for John Brunton, Insight's chairman and chief executive officer (and founder, who is the majority shareholder of the minority shareholder) expires at the same time. Mr. Brunton has long standing relationships with many of Boat Rocker's buyers of unscripted content, particularly in Canada. In the event Mr. Brunton elects to cause the minority shareholder of Insight to exercise the put, and he does not continue his employment with Insight, Insight's ability to sell unscripted content in the Canadian market may be negatively.

Public company financial reporting and other regulatory obligations.

Prior to this Offering, the Company was not subject to the continuous and timely disclosure requirements of Canadian securities laws and the rules, regulations and policies of any stock exchange. As a public company, Boat Rocker will incur increased legal, accounting and other costs not incurred as a private company. Boat Rocker will be subject to, among other things, the rules and regulations of the applicable securities regulators and stock exchange. Boat Rocker expects that compliance with these requirements will increase the Company's legal and financial compliance costs and will make some activities more time consuming and costly. In addition, the Company expects that its management and other personnel will need to divert attention from operational and other business matters to devote substantial time to these public company requirements. The Company has made, and will continue to make, changes to its financial management control systems and other areas to seek to manage its obligations as a public company, including corporate governance, internal controls, disclosure controls and procedures and financial reporting and accounting systems. However, the Company cannot assure holders of Subordinate Voting Shares that these and other measures that it might take will be sufficient to allow it to satisfy its obligations as a public company on a timely basis.

As a public company, the Company will be subject to the reporting requirements and related rules and regulations of the Canadians securities regulators, as well as the rules of any applicable stock exchange. The financial and managerial resources necessary to seek to ensure such compliance could escalate significantly in the future, which could have a Material Adverse Effect. In order to establish effective disclosure controls and procedures and internal control over financial reporting, under applicable securities law, significant resources and management oversight will be required. The Company expects to incur significant additional annual costs related to its public company status including but not limited to filing fees, fees related to its reporting requirements, legal and administrative costs, and increased audit fees. As well, such laws and regulations are subject to change. Accordingly, it is impossible for the Company to predict the cost or impact of such laws and regulations on future operations.

Limited public company experience.

The individuals who now constitute Boat Rocker's senior management team have limited or no experience managing a publicly-traded company and limited or no experience complying with the increasingly complex laws pertaining to public companies. Boat Rocker's senior management team may

not successfully or efficiently manage the Company's transition to being a public company subject to significant regulatory oversight and reporting obligations under Canadian securities laws. In particular, these new obligations will require substantial attention from the Company's senior management and could divert their attention away from the day-to-day management of Boat Rocker's business.

FINANCIAL RISK MANAGEMENT

The Company is subject to a number of risks of varying degrees of significance that have the potential to affect operating performance and the Company's ability to manage its capital. The Company's objectives when managing capital are to provide an adequate return to shareholders, safeguard its assets, maintain a competitive cost structure and continue as a going concern in order to pursue the development, production, distribution and licensing of its content.

The Company follows a financial risk management process, part of which ensures that risks are properly identified and that the capital and liquidity position of the Company is adequate in relation to these risks. The principal financial risks to which the Company is exposed are described below.

Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposure to customers, including outstanding trade receivables. The Company manages credit risk on cash and cash equivalents by ensuring the counterparties are banks, governments and government agencies with high credit ratings.

Trade receivables are mainly with Canadian and American broadcasters as well as large international distribution companies. Management manages credit risk by regularly reviewing aged accounts receivable and performing an appropriate credit analysis.

Currency risk

The Company's activities involve holding foreign currencies, incurring production costs and earning revenue denominated in foreign currencies. These activities result in exposure to fluctuations in foreign currency exchange rates. The Company periodically enters into foreign exchange contracts to manage its foreign exchange risk on non-Canadian dollar denominated contracts. At the reporting date, the Company revalues its financial instruments denominated in a foreign currency at the prevailing exchange rates.

Interest rate risk

The Company is exposed to interest rate risk arising from fluctuations in interest rates as its interim production financing and certain loans and borrowings bear interest at floating rates. Any changes in interest rates would increase or decrease production costs as interest owing on interim production financing is capitalized to investment in content.

CONTROLS AND PROCEDURES

As a result of the completion of the Company's IPO on March 24, 2021, the Company is exempt from representations relating to the establishment and maintenance of disclosure controls and procedures and internal controls over financial reporting, as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109).

In particular, the certifying officers filing the certificates required under NI52-109 are not making any representation relating to the establishment and maintenance of:

- controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

In accordance with securities legislation, the Company will begin making the required representations for the three months ended June 30, 2021.

NON-IFRS MEASURES

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, the non-IFRS measures should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS.

The intent of using non-IFRS measures is to provide investors with supplemental measures of the Company's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures, in addition to providing a greater understanding of the Company's liquidity position and available financial resources. The Company uses non-IFRS measures in order to facilitate operating performance comparisons between periods, to prepare annual operating budgets, and to determine components of management compensation.

The Company believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers.

The non-IFRS measures the Company uses include: EBITDA, Adjusted EBITDA, Cash Available for Use, Cash Required for Use in Productions, Free Cash Flow, and Net Debt.

EBITDA is defined as net income or loss before interest, taxes, depreciation and amortization (EBITDA).

Adjusted EBITDA is EBITDA adjusted for amortization of non-cash program intangibles, change in fair value of financial liabilities, change in fair value of contingent consideration, share-based compensation, transaction and reorganization costs, goodwill impairment, loss on debt modifications and gain or loss on sale of assets. Adjusted EBITDA is used by management as a measure of the Company's profitability.

Cash Available for Use is defined as the total cash and cash equivalents of the Company less Cash Required for Use in Productions. Cash Available for Use funds ongoing working capital requirements, principal and interest payments on corporate demand loans as well as ongoing development and growth efforts and thus is an important liquidity measure that management uses to monitor the business on an ongoing basis.

Cash Required for Use in Productions is defined as cash required for the funding of productions in progress that is not considered by the Company to be available for other uses. The cash is not legally restricted and has not been classified as Restricted Cash on the consolidated statement of financial position. This cash has been provided by buyers and third-party IP owners that have engaged the Company to provide services, as well as banks with whom Boat Rocker has contracted to provide interim production financing. Management uses the amount of Cash Required for Use in Productions to determine the Company's Cash Available for Use.

Free Cash Flow is defined as cash flow provided by operations adjusted for proceeds and repayments of interim production financing, payments of lease liabilities and distributions to non-controlling interests. While these types of cash flows are excluded from cash provided by operations, management believes they add value to evaluating the ability of the business to generate cash flow. In particular, interim production financing is crucial to the funding of productions and thus has been included in the calculation of Free Cash Flow. Similarly, repayment of lease liabilities and distributions made to non-controlling shareholders have also been included as management considers these to be operating cash flows.

Net Debt is defined as the carrying value of loans and borrowings (excluding interim production financing and convertible debentures), adjusted for the loss on loan modification and loan fees, plus lease liabilities, less Cash Available for Use. Net Debt represents obligations the Company has to fund from its earnings and is viewed by management as a consistent measure of the Company's liquidity position. In contrast, interim production financing is drawn to bridge the timing between cash inflows from the license fees and production service fees of the buyer, the film and television tax credits earned on valid production expenses, and cash outflows of the production expenses. As such, interim production financing is excluded from management's calculation of Net Debt. The Company does not include other liabilities in the Net Debt calculation such as: other financial liabilities that are based on estimates and probabilities, rather than specific amounts owing, and liabilities that may not be payable in cash.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements that are prospective in nature and constitute forward-looking information and/or forward-looking statements within the meaning of applicable securities laws, including the Securities Act (Ontario) (collectively, forward- looking statements). Forward-looking statements are provided for the purposes of assisting the reader in understanding Boat Rocker's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future, and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking statements generally, but not always, can be identified by the use of forward-looking terminology such as "anticipate", "be achieved", "believes", "budget", "continue", "could", "expect", "estimate", "forecasts", "goal", "has an opportunity", "intend", "indicate", "likely", "may", "might", "objective", "outlook", "plans", "potential", "predict", "project", "prospect", "scheduled", "seek", "should", "strategy", "target", "would", or "will", or variations of such words and phrases or similar expressions suggesting future outcomes or events, and the negative of any of these terms.

These forward-looking statements reflect management's current opinions, beliefs, estimates, expectations and assumptions and are based on information currently available to management, which includes assumptions about continued revenues based on historical past performance, management's historical experience, perception of trends and current business conditions, expected future developments, and other factors which management considers appropriate and reasonable in the circumstances. As they are forward-looking in nature, they are subject to change. With respect to the forward-looking statements included in this MD&A, Boat Rocker has made certain assumptions with respect to, among other things, Boat Rocker's long-term growth outlook, the performance of the Company's business and operations, the Company's ability to maintain, expand and protect its IP portfolio, the ability of Boat Rocker to meet its future objectives and strategies, the Company's future projects and plans are achievable and will proceed as anticipated, as well as assumptions concerning the expected emergence from the restrictions associated with the COVID-19 pandemic, general economic and industry growth rates, currency exchange and interest rates, competitive intensity and consumer preferences. There can be no assurance that the underlying opinions, beliefs, expectations, estimates and assumptions will prove to be correct and that actual results will be consistent with these forward-looking statements.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the future circumstances, outcomes, or results anticipated or implied by such forward-looking statements will occur or that plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve known and unknown risks and uncertainties and other factors that could cause actual results to differ materially from those contemplated by such statements, including but not limited to the following risk factors which are described in the Company's IPO Prospectus under the heading "Risk Factors": Risks Related to Boat Rocker's Business and Industry, Risks Related to External Factors Which Boat Rocker Cannot Control, Including COVID-19, Risks Relating to Securing and Retaining Key Personnel and Business Relationships, Risks Related to Anticipating and Managing Costs, Revenues and Liquidity, Risks Related to Boat Rocker's Growth Strategy, Risks Related to Doing Business Internationally, Risks Related to Litigation, IP Infringement and IP Protection, Risks Related to the Company's Infrastructure and

Protection of Confidential Information, Risks Related to Bad Publicity and Negative Perceptions of the Company's Business, Key Personnel, Clients or Brands, Risks Related to Regulations, Risks Related to Indebtedness, and Other Risks**.** The foregoing is not an exhaustive list. Additional risks and uncertainties not presently known to Boat Rocker or that management believes to be less significant may also adversely affect the Company.

RECONCILIATION TABLES

Segment Profit

The following tables present the reconciliation of segment profit for the three months and years ended December 31, 2020 and 2019:

(Amounts in thousands CAD)	Three months ended December 31, 2020				
	Television	Kids and Family	Representation	Corporate	Total
Revenue					
Total revenue	29,251	16,693	9,670	—	55,614
Expenses:					
Production, distribution and service	25,862	5,447	793	—	32,102
General and administrative	5,729	3,219	5,018	6,093	20,059
Total expenses	**31,591**	**8,666**	**5,811**	**6,093**	**52,161**
Segment Profit					
Segment profit (loss)	**(2,340)**	**8,027**	**3,859**	**(6,093)**	**3,453**
Segment profit (loss) % of revenue	(8)%	48 %	40 %		

(Amounts in thousands CAD)	Three months ended December 31, 2019				
	Television	Kids and Family	Representation	Corporate	Total
Revenue					
Total revenue	30,831	17,077	11,527	—	$ 59,435
Expenses:					
Production, distribution and service	25,220	9,274	785	—	35,279
General and administrative	7,878	2,521	7,599	4,461	22,459
Total expenses	**33,098**	**11,795**	**8,384**	**4,461**	**$ 57,738**
Segment Profit					
Segment profit (loss)	**(2,267)**	**5,282**	**3,143**	**(4,461)**	**1,697**
Segment profit (loss) % of revenue	(7)%	31 %	27 %		

(Amounts in thousands CAD)	Year ended December 31, 2020				
	Television	Kids and Family	Representation	Corporate	Total
Revenue					
Total revenue	134,298	63,851	28,654	—	226,803
Expenses:					
Production, distribution and service	119,484	30,508	1,844	—	151,836
General and administrative	23,876	8,306	17,249	21,342	70,773
Total expenses	**143,360**	**38,814**	**19,093**	**21,342**	**222,609**
Segment Profit					
Segment profit (loss)	**(9,062)**	**25,037**	**9,561**	**(21,342)**	**4,194**
Segment profit (loss) % of revenue	(7)%	39 %	33 %		

(Amounts in thousands CAD)	Year ended December 31, 2019				
	Television	Kids and Family	Representation	Corporate	Total
Revenue					
Total revenue	150,193	58,055	35,917	—	244,165
Expenses:					
Production, distribution and service	120,679	34,712	2,185	—	157,576
General and administrative	21,220	4,868	20,067	23,665	69,820
Total expenses	**141,899**	**39,580**	**22,252**	**23,665**	**227,396**
Segment Profit					
Segment profit	**8,294**	**18,475**	**13,665**	**(23,665)**	**16,769**
Segment profit (loss) % of revenue	6 %	32 %	38 %		

RECONCILIATION TABLES

Reconciliation from Net Income to Adjusted EBITDA

The Company uses the non-IFRS measure Adjusted EBITDA to evaluate performance. The following table presents the reconciliation from net loss to Adjusted EBITDA for the three months and years ended December 31, 2020 and 2019:

(Amounts in thousands CAD)	Three months ended December 31,				Year ended December 31,			
	2020	2019	$ change	% change	2020	2019	$ change	% change
Net loss	**(446)**	**(6,204)**	**5,758**	**(93)%**	**(43,990)**	**(19,483)**	**(24,507)**	**126 %**
Amortization of property and equipment, right-of-use assets and other intangible assets	4,749	4,996	(247)	(5)%	18,566	18,989	(423)	(2)%
Finance costs, net	2,774	2,116	658	31 %	10,634	8,415	2,219	26 %
Income taxes	1,264	858	406	47 %	1,884	1,067	817	77 %
EBITDA[1]	**8,341**	**1,766**	**6,575**	**372 %**	**(12,906)**	**8,988**	**(21,894)**	**(244)%**
Adjustments:								
Amortization of program intangibles[2]	718	839	(121)	(14)%	2,926	7,196	(4,270)	(59)%
Change in fair value of contingent consideration[3]	(3,180)	(16)	(3,164)	19775 %	(2,300)	368	(2,668)	(725)%
Gain on sale of assets[4]	(1,356)	(3,079)	1,723	(56)%	(1,356)	(3,079)	1,723	(56)%
Transaction costs[5]	(460)	840	(1,300)	(155)%	254	4,292	(4,038)	(94)%
Change in fair value of embedded derivative and other financial liabilities[6]	1,792	2,007	(215)	(11)%	8,743	8,710	33	— %
Share-based compensation[7]	2,429	242	2,187	904 %	5,449	721	4,728	656 %
Goodwill impairment[8]	—	—	—	— %	12,959	—	12,959	100 %
Loss on debt modification[9]	—	4,317	(4,317)	(100)%	342	4,317	(3,975)	(92)%
Reorganization costs[10]	—	182	(182)	(100)%	192	956	(764)	(80)%
Adjusted EBITDA[1]	**8,284**	**7,098**	**1,186**	**17 %**	**14,303**	**32,469**	**(18,166)**	**(56)%**

1) See "Non IFRS Financial Measures".
2) Amortization of program intangibles acquired in business combinations included in production, service and distribution expenses.
3) Change in value of contingent consideration associated with acquisition of Platform One.
4) Gain on sale of an equity accounted investee in 2020 and the sale of land and a building in 2019.
5) Transaction costs represent professional fees incurred in support of acquisitions in 2019.
6) Change in fair value of other financial liabilities represent the non-cash expenses on certain put options.
7) Share based compensation related to non-cash expenses associated with stock options granted to certain officers and employees.
8) Impairment of Goodwill associated with the Unscripted cash generating unit in the three months ended September 30, 2020.
9) Non-cash expenses incurred because of amendments to the Company's corporate credit facility during 2020 and in the three months ended December 31, 2019.
10) Restructuring charges primarily related to personnel related costs.

Boat Rocker Media Inc.

Consolidated Financial Statements
December 31, 2020 and 2019

(expressed in thousands of Canadian dollars)

Independent auditor's report

To the Shareholders of Boat Rocker Media Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Boat Rocker Media Inc. and its subsidiaries (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of loss for the years then ended;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill *Refer to note 3 – Summary of significant accounting policies and note 11 – Goodwill to the consolidated financial statements.* The Company had goodwill of $92.9 million as at December 31, 2020. Management performs an impairment test annually as of December 31, or more frequently if events or circumstances indicate that the asset might be impaired. Goodwill is allocated to a cash generating unit (CGU), or group of CGUs, which is the lowest level within an entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment. In assessing goodwill for impairment, management compares the carrying value of a CGU to which the goodwill relates to the recoverable amount. An impairment charge is recognized to the extent that the carrying value exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. In the third quarter of fiscal 2020, management identified that there were indications of impairment associated with the Unscripted CGU, given the pervasive economic impact of COVID-19 on unscripted television productions. Accordingly, management performed an impairment test on the Unscripted CGU as at September 30, 2020 and subsequently as at December 31, 2020, as part of the annual goodwill impairment test.	Our approach to addressing the matter included the following procedures, among others: • Evaluated how management determined the recoverable amounts of the goodwill CGUs, which included the following: – Tested the appropriateness of the method used and the mathematical accuracy of the discounted cash flow models. – Tested the reasonableness of estimated revenue, revenue growth rates and service and production margins applied by management in the discounted cash flow models by comparing them to historical performance of each CGU, the budget approved by the Board of Directors and available third party published economic data. – Specific to the Unscripted CGU, tested the reasonableness of the estimated revenue and service and production margins associated with the assumed renewal and continuation of the current shows under development by comparing them to signed contracts and correspondence with television studies, where applicable, and compared them to historical performance. – Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the pre-tax weighted average cost of capital rates applied by management based on available data of comparable companies. – Tested the underlying data used in the discounted cash flow models. • Tested the disclosures made in the consolidated financial statements, particularly with regard to the sensitivity of the significant assumptions used.

Key audit matter	How our audit addressed the key audit matter
As at September 30, 2020 and December 31, 2020, management applied the value in use method. In assessing the value in use, the estimated future cash flows are discounted (discounted cash flow models). Significant assumptions used in the discounted cash flow models included estimated revenue, revenue growth rates, service and production margins and pre-tax weighted average cost of capital rates. In determining estimated revenue and service and production margins, specific to the Unscripted CGU, management had to estimate the assumed renewal and continuation of the current shows under development with major television studios. Management recognized an impairment charge of $13.0 million on the Unscripted CGU's goodwill as at September 30, 2020. For each of the CGUs tested as at December 31, 2020, including the Unscripted CGU, no further impairment charge was recognized. We considered this a key audit matter due to (i) the significance of the goodwill balance and (ii) the significant judgment made by management in determining the recoverable amounts of the CGUs, including the use of significant assumptions. This has resulted in a high degree of subjectivity and audit effort in performing audit procedures to test the significant assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Michael Paterson.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 31, 2021

Boat Rocker Media Inc.

Consolidated Statements of Financial Position

As at December 31, 2020 and 2019

(expressed in thousands of Canadian dollars)

	December 31, 2020	December 31, 2019
Assets	**$**	**$**
Current assets		
Cash	71,754	59,268
Accounts receivable (note 10)	34,553	29,460
Receivable from related parties (note 21)	8,446	212
Production tax credits receivable	23,294	73,337
Prepaid expenses and deposits	10,371	5,017
Total current assets	148,418	167,294
Long-term accounts receivable (note 10)	3,857	1,682
Long-term production tax credits receivable	73,270	10,907
Investment in content (note 8)	243,140	115,378
Intangible assets (note 9)	48,438	58,569
Property and equipment (note 7)	9,991	11,861
Right-of-use assets (note 20)	28,352	26,734
Investment in equity accounted investees (note 5)	921	1,798
Financial assets (note 6)	7,741	7,552
Fair value of unsettled forward exchange contracts (note 6)	384	135
Deferred income tax assets (note 28)	5,957	6,276
Goodwill (note 11)	92,943	107,957
Total assets	663,412	516,143
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	51,139	53,761
Income taxes payable	2,643	6,844
Current portion of contingent consideration (note 26)	1,012	5,106
Interim production financing (note 15)	139,844	110,177
Loans and borrowings (note 16)	93,595	87,869
Convertible debentures (notes 18, 21)	47,263	18,618
Current portion of lease liabilities (note 20)	9,551	7,260
Other current financial liabilities (note 17)	19,546	14,412
Current portion of deferred revenue (note 25)	162,359	41,362
Total current liabilities	526,952	345,409
Long-term contingent consideration (note 26)	11,680	17,994
Long-term lease liabilities (note 20)	21,992	22,366
Other long-term financial liabilities (note 17)	41,169	53,968
Long-term deferred revenue (note 25)	1,955	—
Total liabilities	603,748	439,737
Shareholders' Equity		
Equity attributable to owners of Boat Rocker Media Inc.	31,267	48,394
Non-controlling interests	28,397	28,012
Total shareholders' equity	59,664	76,406
Total shareholders' equity and liabilities	663,412	516,143

Commitments and contingencies (note 31)
Subsequent events (note 34)

On Behalf of the Board of Directors

(signed) Ivan Schneeberg Director (signed) David Fortier Director

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

Boat Rocker Media Inc.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

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

	Number of common shares	Number of preferred shares	Share capital $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Retained earnings (deficit) $	Other equity $	Equity attributable to owners of Boat Rocker Media Inc. $	Non-controlling interests $	Total equity $
Balance – December 31, 2018	15,076,923	–	32,715	3,657	(1,468)	42,686	(3,385)	74,205	3,910	78,115
Net (loss) income	–	–	–	–	–	(23,707)	–	(23,707)	4,224	(19,483)
Issuance of preferred shares	–	1,156,910	20,114	–	–	–	–	20,114	–	20,114
Exchange of common shares for preferred shares (note 12)	(385,637)	385,637	5,934	–	–	(5,934)	–	–	–	–
Shared-based compensation (note 13)	–	–	–	721	–	–	–	721	–	721
Acquisition of Untitled (note 4(a))	–	–	–	–	–	–	–	–	25,208	25,208
Put option of Untitled (note 4(a))	–	–	–	–	–	–	(24,444)	(24,444)	–	(24,444)
Movement in the fair value of financial assets through OCI (note 6)	–	–	–	–	(667)	–	–	(667)	–	(667)
Dividends distributed to non-controlling interests (note 22)	–	–	–	–	–	–	–	–	(5,330)	(5,330)
Translation reserves	–	–	–	–	2,172	–	–	2,172	–	2,172
Balance – December 31, 2019	14,691,286	1,542,547	58,763	4,378	37	13,045	(27,829)	48,394	28,012	76,406
Balance – December 31, 2019	14,691,286	1,542,547	58,763	4,378	37	13,045	(27,829)	48,394	28,012	76,406
Net (loss) income	–	–	–	–	–	(48,744)	–	(48,744)	4,754	(43,990)
Issuance of common shares (note 12)	1,603,645	–	27,068	–	–	–	–	27,068	–	27,068
Cancellation of preferred shares/ issuance of common shares (note 12)	14,665	(58,660)	10	–	–	(10)	–	–	–	–
Shared-based compensation (note 13)	–	–	–	5,449	–	–	–	5,449	–	5,449
Movement in the fair value of financial assets through OCI (note 6)	–	–	–	–	(110)	–	–	(110)	–	(110)
Dividends distributed to non-controlling interests (note 22)	–	–	–	–	–	–	–	–	(4,369)	(4,369)
Translation reserves	–	–	–	–	(790)	–	–	(790)	–	(790)
Balance – December 31, 2020	16,309,596	1,483,887	85,841	9,827	(863)	(35,709)	(27,829)	31,267	28,397	59,664

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

Boat Rocker Media Inc.

Consolidated Statements of Loss

For the years ended December 31, 2020 and 2019

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

	Year Ended December 31, 2020 $	2019 $
Revenue (note 19)	226,803	244,165
Expenses		
Production, distribution and service costs (note 29)	151,836	157,576
General and administrative costs (note 29)	70,773	69,820
Amortization of property and equipment, right-of-use assets and other intangible assets (note 29)	18,566	18,989
Gain on sale of assets (notes 5, 7)	(1,356)	(3,079)
Impairment expense (note 11)	12,959	—
Finance costs, net (note 24)	10,634	8,415
Foreign exchange gain	(513)	(307)
Loss on loan modification (note 16)	342	4,317
Share of income of equity accounted investees (note 5)	(227)	(360)
Change in fair value of financial assets (note 6)	(548)	(1,868)
Change in fair value of embedded derivative (note 18) and other financial liabilities (note 17)	8,743	8,710
Change in fair value of contingent consideration (note 26)	(2,300)	368
Loss before income taxes	(42,106)	(18,416)
Current income tax expense (note 28)	1,793	8,984
Deferred income tax expense (recovery) (note 28)	91	(7,917)
Net loss for the year	(43,990)	(19,483)
Net (loss) income attributable to		
Owners of Boat Rocker Media Inc.	(48,744)	(23,707)
Non-controlling interests	4,754	4,224
	(43,990)	(19,483)
Loss per share attributable to owners of Boat Rocker Media Inc. (note 14)		
Basic loss per share (note 14)	(3.09)	(1.60)

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

Boat Rocker Media Inc.

Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2020 and 2019

(expressed in thousands of Canadian dollars)

	Year Ended December 31,	
	2020	**2019**
	$	**$**
Net loss for the year	(43,990)	(19,483)
Other comprehensive income (loss)		
Items that may be reclassified to loss		
Cumulative translation adjustments on foreign operations	(790)	2,172
Items that will not be reclassified to loss		
Movement in fair value of financial assets (note 6)	(110)	(667)
Other comprehensive income for the year	(900)	1,505
Comprehensive loss for the year	(44,890)	(17,978)
Comprehensive (loss) income attributable to		
Owners of Boat Rocker Media Inc.	(49,644)	(22,202)
Non-controlling interests	4,754	4,224
	(44,890)	(17,978)

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

Boat Rocker Media Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(expressed in thousands of Canadian dollars)

	Year ended December 31,	
	2020	**2019**
		$
Cash provided by (used in)		
Operating activities		
Net loss	(43,990)	(19,483)
Adjustments for non-cash items:		
Amortization of property and equipment (note 7)	2,987	3,784
Amortization of right-of-use assets (note 20)	6,937	6,938
Amortization of investment in content (note 8)	57,620	67,019
Amortization of intangible assets (note 9)	8,642	8,180
Impairment expense (note 11)	12,959	—
Share-based compensation expense (note 13)	5,449	721
Finance costs, net (note 24)	10,634	8,415
Foreign exchange gain	(513)	(307)
Loss on loan modification (note 16)	342	4,317
Share of income on equity accounted investees (note 5)	(227)	(360)
Current income tax expense (note 28)	1,793	8,984
Deferred income tax expense (note 28)	91	(7,917)
Gain on sale of assets (notes 5,7)	(1,356)	(3,079)
Change in the fair value of financial assets (note 6)	(548)	(1,868)
Change in the fair value of other financial liabilities (note 17)	8,743	8,710
Change in fair value of contingent consideration (note 26)	(2,300)	368
Additions to investment in content (note 8)	(185,382)	(92,574)
Cash interest paid	(8,626)	(6,020)
Cash income taxes paid	(5,959)	(6,403)
Change in non-cash balances related to operations (note 30)	96,179	(13,205)
Cash used in operating activities	(36,525)	(33,780)
Financing activities		
Proceeds from interim production financing (note 30)	147,828	83,145
Repayments from interim production financing (note 30)	(118,161)	(34,280)
Proceeds from loans and borrowings (note 30)	13,006	55,626
Repayments of loans and borrowings (note 30)	(5,244)	(19,506)
Proceeds from issuance of convertible debentures (note 30)	25,000	19,998
Repayment of lease liabilities (note 20, 30)	(7,860)	(7,415)
Distributions paid to non-controlling interest shareholders (Note 22)	(4,368)	(5,330)
Proceeds from share issuance (note 12)	—	20,114
Cash provided by financing activities	50,201	112,352
Investing activities		
Acquisition of property and equipment (note 7)	(1,667)	(6,553)
Acquisition of financial assets (note 6)	—	(680)
Dividends received from equity accounted investees (note 5)	1,283	300
Payment of financial liabilities	—	(27,344)
Payment of contingent consideration (note 26)	(1,564)	(6,296)
Acquisition of Untitled Entertainment LLC – net of cash of $nil (note 4(a))	—	(51,342)
Acquisition of Platform One LLC – net of cash acquired of $1,858 (note 4(b))	—	1,858
Proceeds from disposal of property and equipment (note 7)	475	14,990
Cash used in investing activities	(1,473)	(75,067)
Foreign exchange on cash held in foreign currency	283	347
Increase in cash	12,486	3,852
Cash – Beginning of year	59,268	55,416
Cash – End of year	71,754	59,268

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

1 Corporate information and developments

Boat Rocker Media Inc. (the Company) is an independent global entertainment company that creates and produces television and film content across many genres, distributes content worldwide, and represents on-screen talent and third-party intellectual property (IP) owners. The Company was incorporated in and is domiciled in Canada and the address of the Company's registered office is 310 King Street East, Toronto, Ontario M5A 1K6. As at December 31, 2020 and 2019, the Company's controlling shareholder is Fairfax Financial Holdings Ltd. (Fairfax).

In early 2020, the World Health Organization characterized COVID-19 as a global pandemic. Since that time, several preventative measures have been implemented in the countries where the Company operates, including shelter-in-place orders and the closure of the border between Canada and the United States to non-essential travel. Live-action content production in the Scripted, Unscripted and Insight cash generating units (CGUs) were halted, impacting cash inflows from broadcasters and delaying the delivery of greenlit content, negatively impacting revenue. This hiatus has also negatively affected the results of the Representation CGU which earns commission revenue. The Company's Kids and Family and Animation CGUs continued to provide services as the workforce has successfully transitioned to working from home. Boat Rocker accessed $13.8 million funds from the Canada Emergency Wage Subsidy (CEWS) as of December 31, 2020 (2019 - $nil).The Company also accessed government assistance in the form of a grant from the Ministry of Heritage administered by the Canada Media Fund of $0.6 million in the year ended December 31, 2020 (2019 - $nil). In July 2020, as a result of the impact of COVID-19 on the business of the Company, Boat Rocker amended its banking facility with the Bank of Montreal (BMO) and drew $13.4 million on an additional demand loan facility. The extent to which COVID-19 continues to impact the Company's business will depend on future developments, which are highly uncertain and cannot be predicted at this time. These developments include the continued severity and scope of the outbreak and the actions taken to contain or treat the pandemic. Please refer to note 3 for a summary of estimates and judgments where the impact of COVID-19 was considered.

On March 24, 2021, Boat Rocker completed its initial public offering (IPO), raising an aggregate of $170.1 million. The IPO comprised of the issuance of 18.9 million Subordinate Voting Shares from treasury at $9.00 per share.

2 Basis of preparation and statement of compliance

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, except for those assets and liabilities that are measured at fair value, including certain financial assets, contingent consideration liability, convertible debentures, and other certain financial liabilities. These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company. These consolidated financial statements are presented in thousands of dollars, with the exception of per share amounts, which are presented in dollars.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and all of its controlled subsidiaries. All intercompany balances and transactions have been eliminated on consolidation. Subsidiaries are those entities that the Company controls. Consistent with the film and television industry, the Company utilizes single-purpose entities to manage the costs and funding for its content production projects. For accounting purposes, control is established by the Company when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases. Non-controlling interests are measured at their

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proportionate share of the acquiree's identifiable net assets at the date of the acquisition. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

These consolidated financial statements were authorized for issue by the Board of Directors on March 31, 2021.

3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these consolidated financial statements, unless otherwise indicated. The accounting policies have been applied consistently by all companies in the consolidated group.

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

Investments in equity accounted investees

Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

Investments in associates are originally recognized at cost and are subsequently accounted for using the equity method. Under the equity method, the investment in associates is carried on the consolidated statement of financial position at cost plus post-acquisition changes in the Company's share of income and other comprehensive income (OCI), less distributions of the investee.

The financial statements of investments in which the Company has significant influence are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company. All intra-company unrealized gains resulting from intra-company transactions and dividends are eliminated against the investment to the extent of the Company's interest in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

After the application of the equity method, the Company determines at each reporting date whether there is any objective evidence that the investment in associates is impaired and, consequently, whether it is necessary to recognize an additional impairment loss on the Company's investment in associates. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of loss and comprehensive loss.

Revenue

The Company's accounting policies for revenue follow the guidance of IFRS 15, Revenue from Contracts with Customers (IFRS 15).

The Company earns revenue from the following sources:

- the initial licensing of content produced and owned by the Company;
- the distribution of content owned by the Company either through the Company acting as a distribution agent or using third-party distribution agents;
- the performance of services, both animation and live-action, to facilitate production of content owned by a third-party; and
- the performance of franchise and brand management services provided to talent and IP representation services to third-party IP owners.

Licensing revenue for content

- The Company grants licences to third-parties for content owned either by the Company or a third-party producer. Licensing revenue that supports the greenlight of the production, also called a pre-sale, is presented as production revenue. Licensing revenue earned after the pre-sale is presented as distribution revenue.
- The Company follows the specific guidance on licensing included in IFRS 15. The Company determined that the licences are right-to-use intellectual property. Under the standard, revenue from contracts associated with right to use intellectual property is recognized in full when all of the performance obligations are met.

Performance obligations for licensing revenue are satisfied when each of the following conditions are met:

- the production has been completed;
- the customer has access to the content;
- the amount of revenue can be measured reliably;
- the collectibility of proceeds is probable; and
- the licence period associated with the contract has started.

Distribution of certain Company content is performed by third-parties and includes variable consideration due to uncertainty as to the amount of revenue earned. Revenue from variable consideration is recognized only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved (variable consideration constraint). The variable consideration contained in the Company's contracts primarily relates to the activities of the third-parties. Once the variable consideration is known and the related uncertainty is resolved, which is upon receipt of earnings reports from the third-parties, the Company will recognize revenue.

The Company evaluates arrangements with third-parties to determine whether revenue should be reported on a gross or net basis under each individual arrangement by determining whether the Company acts as the principal or agent under the terms of each arrangement. In the case that the Company acts as the principal in the arrangement, revenue is reported on a gross basis, resulting in revenue and expenses being classified in their respective consolidated financial statement line items. In the case that the Company is acting as an agent

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in the arrangement, revenue is presented net of any related expenses. The primary factor that the Company considers in its evaluation of such arrangements is if the Company has control of the content or service before it is transferred to the customer, including if it has the ability to set the pricing.

Service revenue

The Company performs production services to facilitate production of content owned by a third-party. Service revenue is recognized over time.

IFRS 15 requires the Company to select a single method for measuring progress and applies it consistently. The Company elects to use the input method as the basis of the measurement. Progress of the contract is measured based on the proportion of costs incurred in the current period to total expected costs. A provision is made for the entire amount of future estimated losses, if any, on production-in-progress.

Accounts receivable for service productions that are in progress are classified as contract assets.

Representation revenue

The performance obligations pertaining to the Company's talent management services included in representation revenue are to provide various services for clients, which generally include representing, supporting and advocating for clients under their engagements with third-parties. This representation revenue is earned based on a predetermined percentage of a client's earnings. The performance obligations pertaining to services provided to third-party IP owners included in representation revenue typically conclude with the Company negotiating a licensing arrangement for the use of the IP, on which the Company earns a pre-negotiated commission from its client.

Under IFRS 15, representation revenue from talent management services is recognized as services are performed for the Company's clients over time, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. Revenue from variable consideration is recognized only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved (variable consideration constraint). The variable consideration contained in the Company's contracts primarily relates to the client's earnings. Once the variable consideration is known and the related uncertainty is resolved, which is mainly when the client has earned their income, the Company will recognize revenue. The Company typically receives its commission within a short period of time subsequent to the client earning their income. When such services are performed prior to receiving supporting statements or other information from clients or third-party customers, the Company estimates the amount of revenue to recognize prior to receipt of the consideration relating to the variable consideration constraint. If the estimates and judgments were to change, the timing and amount of revenue recognized may be different. For representation revenue derived from IP representation for third-party IP, revenue is typically recognized at the point of sale, since it is at this point that the Company's performance obligations are complete.

Investment in content

Investment in content is classified by the Company into the following categories: development, in production, delivered and acquired content. For content produced by the Company, all direct production and financing costs incurred during production that are expected to benefit future periods are capitalized. Financing costs are capitalized until substantially all of the activities necessary to prepare the content for delivery are complete. Federal and provincial program contributions and production tax credits are recorded as a reduction of the cost of the content, as is production financing provided by third-parties that acquire participation rights.

Development costs represent expenditures incurred on projects prior to the commencement of production and are expensed at the date when the costs are determined not to be recoverable.

Content in production represents the accumulated costs of content currently in production. On delivery of the content to the licensor, content is reclassified into the delivered category.

Delivered content is accounted for as an intangible asset and is amortized using a declining balance method at rates ranging from 36% to 100% at the time of delivery and at rates ranging from 10% to 50% annually on a declining balance as the underlying rights are consumed.

Acquired content includes both intellectual property and distribution rights acquired from third-party content creators. Acquired content is amortized using a straight-line method with useful lives ranging from 4-10 years.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred by the Company is measured as the fair value of assets transferred, equity instruments issued and liabilities incurred or assumed at the date of completion of the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The excess of the consideration transferred over the fair value of the net assets acquired is recorded as goodwill. If the consideration transferred is less than the net assets acquired, the difference is recognized directly in the consolidated statement of loss and comprehensive loss as a gain on acquisition. Results of operations of a business acquired are included in the Company's consolidated financial statements from the date of the business acquisition. Acquisition costs incurred are expensed and included in general and administrative expenses.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statement of loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized as a gain or loss in the consolidated statement of loss.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired at the date of acquisition. Goodwill is carried at cost less any accumulated impairment losses and is not subject to amortization. Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. Goodwill is allocated to a CGU, or group of CGUs, which is the lowest level within an entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment. Impairment is tested by comparing the recoverable amount of goodwill assigned to a CGU or group of CGUs to its carrying value. For the purposes of allocating goodwill, the Company has determined that it has six groups of CGUs: Scripted, Unscripted, Insight, Kids and Family, Animation and Representation services. The first five groups of CGUs earn production, distribution and service revenue in the indicated genre of content. The Representation CGU earns commission in the form of a pre-determined percentage of client's earnings.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided for at the following annual rates:

Building and fixtures	straight-line	three to twenty years
Equipment	straight-line	three years
Leasehold improvement	straight-line	over lease term

Depreciation rates and the estimated useful lives of property and equipment are reviewed at each financial year-end and are adjusted if necessary. Buildings had been amortized using a 20-year useful life prior to the sale of 772 Dovercourt Road (note 7). There are no remaining buildings owned by the Company as at December 31, 2020 and 2019.

Land is recorded at cost and is not amortized.

Gains and losses on disposal of a property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property and equipment and are recognized net in the consolidated statement of loss.

Other intangible assets

Other intangible assets include trademarks, non-compete agreements and talent relationships. Trademarks represent the value of the brand name of an acquired subsidiary. Non-compete agreements represent the value of the covenant to the purchase and sale agreement that restricts the seller of a business from competing with that business in the future. Talent relationships represent the client relationships managed in the Company's Representation segment.

Impairment of long-lived assets

The carrying amounts of the Company's long-lived assets with finite lives, including investment in content, other intangible assets and property and equipment, are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the

units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Foreign currency transactions and translation

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are translated into the functional currency at the rate of exchange in effect on the reporting date. Gains and losses on the translation of monetary items are recognized in the consolidated statement of loss.

The assets and liabilities of foreign operations are translated into Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated into Canadian dollars at the average exchange rates for the period. Foreign currency differences are recognized and presented in OCI and in transaction reserves in equity.

Financial instruments

The Company follows IFRS 9, Financial instruments (IFRS 9) to account for its financial assets and liabilities.

Classification of financial assets and financial liabilities

- Financial assets

  On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

  A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:
  - it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
  - its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  For an investment in equity instruments that is not held for trading, the Company may elect, on an investment by investment basis, to present the subsequent change in fair value in OCI.

  All financial assets not classified as amortized cost or FVOCI as described above are measured at FVTPL.

- Financial liabilities

  Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statement of loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognized in the consolidated statement of loss. Any gain or loss on derecognition is also recognized in the consolidated statement of loss.

- Derivatives

  The Company holds convertible debentures issued by its parent company whereby balances can be converted into equity. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognized in profit or loss.

Impairment

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

The Company applies the simplified approach in calculating lifetime expected credit losses on accounts receivable. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the financial asset is no longer credit impaired and the improvement can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the counterparty's credit rating).

Leases

The Company follows IFRS 16, Leases (IFRS 16) for lease accounting.

- At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and if it has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. The Company does not recognize a right-of-use asset and lease obligation for low value leases as well as any leases with a term of less than twelve months.

- As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

- The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily

determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest rate method. The effect of passage of time is recorded in the Company's consolidated statement of loss as accretion expense. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the consolidated statement of loss if the carrying amount of the right-of-use asset has been reduced to zero.

Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit.

Extension and termination options

Extension and termination options are included in some of the Company's leases. These options are exercisable only by the Company and not by the lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential undiscounted future cash outflows of $26,662 (2019 – $36,204) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

Government financing and assistance

The Company has access to several government programs that are designed to assist content production in Canada and internationally. Government assistance in the form of federal and provincial production tax credits and other programs is recorded as a reduction of investments in content and service costs when eligible expenditures are made and there is a reasonable expectation of realization.

Finance income and costs

Net finance income comprises interest income on funds invested, interest expense on loans and borrowings, interest expense on interim financing, and accretion expense on lease liabilities, the calculation of which is based on the effective interest rate method.

Interim production financing expense that is directly attributable to the production of a qualifying asset, such as an investment in content, is capitalized as part of the cost of that asset until such time as the asset is substantially complete and ready to use.

Interest income and expense are recognized using the effective interest rate method.

Foreign exchange gains and losses

Foreign exchange gains and losses are reported on a net basis.

Cash

Cash consists of cash on hand and balances with banks, net of cheques issued and outstanding at the reporting date.

Employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based compensation

The Company grants stock options to certain officers and employees of the Company. Stock options vest over periods from four to eight years and expire after ten years. Each grant of stock options with different vesting terms is considered a separate award with its own vesting period and estimated grant date fair value. The participants in the plan may elect to receive cash equal to the difference between the grant date fair value and the exercise price. However, the Board of Directors has the right to reject such election and historically has not settled options with cash. The estimated grant date fair value of each vesting tranche is estimated using the Black-Scholes option pricing model. The non-cash compensation expense is recognized over each tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually with any change to fair value recognized as compensation expense over the vesting period.

The Company grants restricted share units (RSU) to certain employees, officers and directors of the Company. The fair value of RSUs is based on the closing stock price at the date of the grant. RSUs may vest at the time of grant, in which case compensation expense is recognized at the time of grant. RSUs may vest over a period of time, in which case compensation expense is recognized on a straight-line basis over the specified period.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax

rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

Income tax

Income tax expense comprises current and deferred income tax. Current tax and deferred tax are recognized in the consolidated statement of loss except to the extent that they relate to a business combination, or items recognized directly in equity or in OCI.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results.

The most significant estimates and judgments made by management in the preparation of the Company's consolidated financial statements include the following:

- The methods and estimates of useful life needed to determine the appropriate amortization of investment in content depend on judgments with respect to many variables including the ability to license content to broadcasters, the availability of secondary markets, the impact of new media platforms, and the demand for merchandise and licensing of the related brand. The usage of content may differ materially and impact future amortization and net income.

- Goodwill is tested for impairment if there is an indicator of impairment and annually for the Company's CGUs. Calculating the value in use of CGUs for goodwill impairment tests requires management to make estimates and assumptions with respect to future revenue and costs, as well as discount rates. Changes in any of the assumptions or estimates used in determining the fair values could impact the impairment analysis.
- The amount of production tax credits the Company files for as costs are incurred, and the amounts ultimately recovered may differ. The expected timing of the receipt of production tax credits is subject to uncertainty and amounts have been classified as current or long-term based on the expected date of receipt.
- The process of allocating consideration to the fair value of assets given, equity instruments issued and liabilities incurred or assumed as the date of acquisition requires management to make significant estimates and assumptions including but not limited to the estimated fair values of tangible and intangible assets; probability of required payment under contingent consideration provisions; estimated income tax assets and liabilities and estimated fair value of pre-acquisition contingencies. While management uses its best estimates and assumptions as part of the purchase price allocation process to accurately value the assets acquired and liabilities assumed at the business combination date, estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the measurement period, which is the earlier of the date management receives the information it is looking for and one year from the business combination date, adjustments are recorded to the assets acquired and liabilities assumed, with the corresponding amounts offset to goodwill.
- The Company purchased 70% of the outstanding common shares of Insight Productions Ltd. (Insight) on May 17, 2018. The unanimous shareholder agreement of Insight sets out the terms whereby the Company can elect to purchase or can be required to purchase the non-controlling interest in Insight. After the third anniversary of the acquisition date, the remaining 30%, not less than 30%, for cash or common shares of the Company. The agreement sets out various scenarios in which this purchase can take place and these scenarios result in different valuations of the consideration to be paid. Assumptions made by management include the likelihood of each scenario , the timing of the scenarios, and other inputs to the valuation of the purchase price. Changes to the underlying assumptions may materially change the value of the put option as it is currently estimated.
- The Company purchased 51% of the outstanding membership interests of Untitled on February 1, 2019. The Limited Liability Company agreement sets out the terms whereby the Company can elect to purchase or can be required to purchase the non-controlling interest in Untitled. After the fifth anniversary of the acquisition date, the option is available to the seller to require the Company to purchase the remaining 49% of Untitled. The agreement sets out various scenarios in which this purchase can take place and these scenarios result in different valuations of the consideration to be paid. Assumptions made by management include the likelihood of each scenario, the timing of the scenarios, and other inputs to the valuation of the purchase price. Changes to the underlying assumptions may materially change the value of the put options as it is currently estimated.
- The fair value measurement of certain financial assets requires the Company to assess the classification of the assets based on the contract from which the asset arises. In the case that the asset represents investments in third-party entities that are not registered in the public markets, factors that are used to assess fair value include: the valuation indicated by the most recent equity offerings, management information presented at board meetings, and knowledge of the market in which the third-party transacts. Changes in any of the assumptions or estimates used in determining the fair values could impact the valuation of these financial assets.
- The application of IFRS 16 requires judgment as to whether a lease may be renewed at the end of its term. Valuation of the lease liability requires a discount rate to be selected. Changes to the underlying assumptions may materially change the value of both the right-of-use asset and the lease liability.

- Valuation of the derivative liability component of the convertible debentures issued to the Company's controlling shareholder requires various inputs that are subject to management estimates. The Company uses the fair value method of accounting for derivative liabilities and such liabilities are remeasured at the reporting date with changes in fair value recorded in the consolidated statement of loss in the period incurred. The fair value is estimated using a modified Black-Scholes option pricing model.

Although management believes the assumptions and estimates made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain.

Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill in the purchase price allocation, which could also impact net income as expenses and impairments could change. Unanticipated events and circumstances may occur, which may affect the accuracy or validity of such assumptions, estimates or actual results. The impact of the COVID-19 pandemic was considered in all of the above estimates and judgements, refer to notes 11 and 23 for further information on the impact on goodwill and government assistance respectively.

The significant assumptions that affect these estimates and judgments in the application of accounting policies are noted throughout these consolidated financial statements.

Recently adopted accounting pronouncements

- COVID-19-related Rent Concessions (Amendment to IFRS 16)

  On May 28, 2020 the IASB issued an amendment to IFRS 16 *Leases* to provide an optional practical expedient for lessees so that rent concessions received as a direct consequence of the COVID-19 pandemic do not have to be accounted for as lease modifications under IFRS 16. Early adoption of the amendment in accordance with the applicable transition provisions did not have a significant impact on the Company's consolidated financial statements.

- Definition of a Business (Amendments to IFRS 3)

  The amendments to IFRS 3 *Business Combinations* narrow the definition of a business and clarify the distinction between a business combination and an asset acquisition. Prospective adoption of these amendments on January 1, 2020 did not impact the Company's consolidated financial statements.

- Definition of Material (Amendments to IAS 1 and IAS 8)

  The amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarify the definition of "material". Prospective adoption of these amendments on January 1, 2020 did not have a significant impact on the Company's consolidated financial statements.

- Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7

  Amendments to IFRS 9, IAS 39 and IFRS 7 were issued in September 2019 related to interest rate benchmark reform and are effective retrospectively for annual periods beginning on or after January 1, 2020. The amendments provide temporary relief for hedge accounting to continue during the period of uncertainty before replacement of an existing interest rate benchmark with an alternative risk-free rate. The amendments apply to all hedge accounting relationships that are affected by the interest rate benchmark reform. The IASB has issued further guidance addressing various accounting issues that will arise when the existing interest rate benchmark has been replaced. Adoption of these amendments did not have a significant impact on the Company's Consolidated Financial Statements.

- Conceptual Framework for Financial Reporting

  The revised Conceptual Framework includes revised definitions of an asset and a liability, and new guidance on measurement, derecognition, presentation and disclosure. It does not constitute an accounting pronouncement and did not result in any immediate change to IFRS, and will be used by the IASB and IFRS Interpretations Committee in setting future standards. Adoption of the revised Conceptual Framework on January 1, 2020 did not have an impact on the company's consolidated financial statements.

New accounting standards issued but not yet adopted

The Company is currently evaluating the expected impact on its consolidated financial statements of the following pronouncements issued but not yet adopted:

- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), effective January 1, 2021;
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37), Reference to the Conceptual Framework (Amendments to IFRS 3), and Annual Improvements to IFRS Standards 2018–2020, which are effective January 1, 2022; and
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) for which the effective date is January 1, 2023.

4 Business combinations

2019 Acquisitions

a) **Untitled Entertainment LLC**

On February 1, 2019, the Company completed the acquisition of 51% of the outstanding membership interests of Untitled Entertainment LLC (Untitled). Untitled is a talent management company based in Los Angeles, CA and New York, NY that provides talent management services to a roster of celebrities and performers (talent).

The consideration consisted of cash, a contingent cash payment, and phantom share units, which track the value of the Company's common shares but whose value will be settled via a future cash payment. On the closing date, cash of approximately $51,010 was paid, net of working capital and other adjustments. Non-controlling interest of $25,208 was recognized on acquisition.

Cash consideration of $1,314 ($1,000 USD) was contingently payable based on meeting a specified earnings before interests, taxes, depreciation and amortization (EBITDA) threshold for the year ended December 31, 2018. This threshold was met, and the payment will be paid on the anniversary date of five years following the closing date (February 1, 2024). The fair value of this payment at February 1, 2019 was $1,058.

In addition, 200,086 phantom shares were granted on closing that are contingent on future EBITDA thresholds being met. These phantom shares vest 33% if the December 31, 2019 EBITDA threshold is met, 33% if the December 31, 2020 EBITDA threshold is met, and 33% if the December 31, 2021 EBITDA threshold is met. There is also a catch-up provision that applies if the total EBITDA for those three years exceeds the total combined EBITDA threshold, all tranches shall vest, even if any individual year's EBITDA threshold was not met. Although the 2019 and 2020 EBITDA thresholds were not met, management believes that the catch-up provision will be met and as such has not reversed the contingent consideration relating to these shares as of December 31, 2020. These shares are designed to track the value of the

Company's Series B non-voting shares, with one phantom share unit being equivalent to the value of one Series B non-voting share. The value of the vested phantom share units via tracking of the Company's Series B non-voting share value will be paid out in cash 180 days following the fifth anniversary date of the closing date (August 1, 2024). The fair value of this payment at February 1, 2019 was $3,889. The value included in the contingent consideration liability at December 31, 2020 is $4,193 (December 31, 2019 – $4,152).

The Untitled Limited Liability Company Agreement sets out the terms whereby the Company can elect to purchase or is required to purchase the non-controlling interest in Untitled. After the fifth anniversary of the acquisition date, the option is available to the seller to require the Company to purchase the remaining 49% of Untitled. The put option was valued using a discount rate of 19% for five years from the acquisition date and a financial liability of $24,444 was recorded at the acquisition date. At December 31, 2020, the present value of this liability was estimated to be $34,204 (December 31, 2019 – $29,381).

The goodwill acquired represents relationships with a roster of talent, the workforce, potential production opportunities, and certain synergies expected to be derived from access to this talent in the production of the Company's content. The goodwill is recorded in the Representation segment and is deductible for tax purposes.

In the year ended December 31, 2019, the Company incurred transaction costs of $508, which were included in general and administrative costs on the consolidated statement of loss.

For the year ended December 31, 2019, revenue of $32,911 and net income of $13,124 have been included in the consolidated statement of loss as a result of the acquisition of Untitled. Had Untitled been acquired January 1, 2019, for the year ended December 31, 2019, revenue of $34,372 and net income of $13,721 would have been included in the consolidated statement of loss.

b) **Platform One Media LLC**

On August 31, 2019, the Company completed the acquisition of 100% of Platform One Media LLC (Platform One). Platform One is a television production company based in Los Angeles, CA. Fair value of the consideration transferred at the date of acquisition consisted of non-cash financial liabilities and contingent consideration.

The non-cash financial liability recorded represents the seller's right to a variable number of Series D non-voting common shares of the Company valued at $3,250 ($2,500 USD) on the acquisition date, which was settled on January 1, 2020, through the issuance of 138,185 Series D non-voting common shares (note 17).

The contingent consideration includes three earnouts that provide the seller with the right to a variable number of Series D non-voting common shares of the Company. The consideration and settlement dates of the earnouts are contingent on Platform One meeting certain operational criteria, including the receipt of signed sales agreements with particular American broadcasters. The total consideration for contingent earnout share issuances was recorded at a fair value of $18,662 ($14,037 USD) on acquisition, using a discount rate of 5.15%.

The milestone attached to the second earnout of $6,499 ($5,000 USD) as valued on the acquisition date was met and the earnout was settled on January 1, 2020 with 280,554 Series D non-voting common shares issued to the seller (note 26). During 2020, the Company has determined that the milestones attached to the first earnout were not met and a gain of $3,352 was recorded on the consolidated statement of loss as the contingent consideration associated with this earnout was reversed (note 26). Milestones attached to the third earnout not yet been met as at December 31, 2020 and is included in contingent consideration (note 26) at a present value of $6,057 ($4,755 USD).

The goodwill acquired represents relationships with American broadcasters in the scripted market, the workforce and certain synergies expected to be derived from combining Platform One's operations with the Company's existing Scripted business unit. Accordingly, the goodwill has been recorded in the Company's Scripted CGU. The goodwill is deductible for tax purposes.

In the year ended December 31, 2019, the Company incurred transaction costs of $807 which were included in general and administrative costs on the consolidated statement of loss.

For the year ended December 31, 2019, net loss of $5,028 has been included in the consolidated statement of loss as a result of the acquisition of Platform One. Had Platform One been acquired January 1, 2019, for the year ended December 31, 2019, net loss of $11,928 would have been included in the consolidated statement of loss.

The following table summarizes the amounts paid or payable at the date of the acquisitions and the allocation of the purchase prices to the identifiable assets acquired and liabilities assumed based on management's estimate of the fair values:

	Platform One $	Untitled $	Total $
Assets acquired			
Cash and cash equivalents	1,858	(332)	1,526
Accounts receivable	49	27	76
Prepaid expenses and other assets	1,020	—	1,020
Investment in content	16,835	—	16,835
Trademarks	—	1,052	1,052
Talent relationships	—	48,633	48,633
Non-compete agreements	—	2,366	2,366
Property and equipment	21	—	21
Right-of-use asset	952	1,373	2,325
Goodwill	13,676	29,721	43,397
Total assets	34,411	82,840	117,251
Liabilities assumed			
Accounts payable and accrued liabilities	7,744	302	8,046
Lease liabilities	952	1,373	2,325
Deferred revenue	7,053	—	7,053
Total liabilities	15,749	1,675	17,424
Net assets acquired before non-controlling interests	18,662	81,165	99,827
Non-controlling interests	—	(25,208)	(25,208)
Net assets acquired	18,662	55,957	74,619
Financed by:			
Cash	—	51,010	51,010
Non-cash financial liabilities	3,268	—	3,268
Contingent consideration	15,394	4,947	20,341
Total purchase consideration	18,662	55,957	74,619

The above purchase price allocations are final, with no changes recorded from the initial amounts.

5 Investment in equity accounted investees

	December 31, 2020 $	December 31, 2019 $
Investments in equity accounted investees		
Investment in The Old Telegram Building Inc. (a)	—	52
Investment in Industrial Brothers Canada Ltd. (b)	617	1,442
Investment in Insight co-production (c)	304	304
	921	1,798

a) In 2012, the Company invested a nominal amount to acquire 29.5% in outstanding common shares of The Old Telegram Building Inc. (OTBI).

OTBI's principal place of business is Canada and its sole asset is a building at 595 Adelaide Street East, in which the Company is the principal tenant. During 2020, OTBI declared and paid a dividend to the Company of $233, of which $52 has been recorded as a return of capital, reducing the investment, and $181 has been recorded on the Company's consolidated statement of loss.

On November 17, 2020, the Company sold its investment in OTBI to certain shareholders in exchange for notes receivable of $1,358 and recorded a gain on disposal of $1,356. The notes receivable are non-interest bearing and are due on the earlier of an initial public offering and January 1, 2021. In addition, the Company recorded its share of OTBI's income of $2 on the consolidated statement of loss for the year ended December 31, 2020 (2019 - $48).

b) On December 9, 2015, the Company subscribed for common shares in Industrial Brothers Canada Ltd. (IB) for an aggregate consideration of $480. In addition, the Company purchased common shares from existing shareholders for an aggregate consideration of $720. The total investment of $1,200 represents a 30% interest in the common shares of IB, a content creation and production company whose principal place of business is Canada.

During 2020, IB declared and paid a dividend to the Company of $1,050 (2019 – $300), which was recorded as a return of capital, reducing the investment. For the year ended December 31, 2020, IB recorded net income of $748 (2019 – $1,042) and the Company recorded its share of the equity income of $225 (2019 – $312) in the consolidated statement of loss and as an increase in the value of the investment.

The Company has a first option to co-develop, co-produce and distribute all content to be developed or produced by IB. In this regard, the Company has agreed to provide IB with $150 per annum to be used by IB to develop projects. For all projects subsequently produced, all rights, title and interest in the project will be held by the Company, with fees being shared between the Company and IB. In addition, the Company will provide IB with office space and certain overhead for a nominal monthly fee. This agreement will continue for so long as the Company owns at least 17.5% of the outstanding common shares of IB.

c) Prior to the acquisition of Insight by the Company, Insight entered into an agreement with a third-party to co-produce certain scripted content. This agreement constitutes a jointly controlled enterprise and as such the Company accounts for the agreement as an equity accounted investee and records its share of the equity

income in the consolidated statements of loss and as an increase in the value of the investment. There was no change in the value of the investment in the year ended December 31, 2020.

The following is summarized financial information for OTBI, IB and the Insight co-production based on their respective financial statements:

	Year ended December 31, 2020		
	OTBI	**IB**	**Insight co-production**
	$	**$**	**$**
Revenue	627	2,957	—
Profit from continuing operations	252	1,119	—
Total net income and comprehensive income	8	748	—
Current assets	362	1,417	430
Non-current assets	7,073	753	—
Current liabilities	137	718	304
Non-current liabilities	7,658	3,150	—

	Year ended December 31, 2019		
	OTBI	**IB**	**Insight co-production**
	$	**$**	**$**
Revenue	773	3,534	—
Profit (loss) from continuing operations	162	1,042	(56)
Total net income (loss) and comprehensive income (loss)	162	1,042	(56)
Current assets	90	3,309	430
Non-current assets	6,532	124	—
Current liabilities	838	534	303
Non-current liabilities	6,116	1,845	—

6 Financial assets

	December 31, 2020	**December 31, 2019**
	$	**$**
FVOCI		
Investment in Bustle Digital Group Media (formerly Independent Media Corp.) (a)	2,507	2,564
Investment in Marco Polo Learning, Inc. (b)	1,954	1,998
Investment in Toronto Arrows GP Inc. (c)	382	391
	4,843	4,953
FVTPL		
Investment in Creative Labs LP (d)	723	375
Investment in Serial Box Publishing LLC (e)	2,175	2,224
Fair value of unsettled forward exchange contracts (f)	384	135
	3,282	2,734
Closing balance	8,125	7,687

The following table summarizes the movement of the financial assets:

	December 31, 2020	**December 31, 2019**
	$	**$**
Opening balance	7,687	7,186
Investments made (d)(e)	—	680
Movement in the fair value of investments – profit and loss	548	488
Movement in the fair value of investments – other comprehensive loss	(110)	(667)
Closing balance	8,125	7,687

a) On July 14, 2016, the Company acquired 2,678,571 Series A preferred shares of Independent Media Corp. (referred to here as the Outline) for $2,341 ($1,800 USD), which represents a 16.36% ownership on a fully diluted basis. In September 2018, the Company acquired additional 942,685 Series A-2X preferred shares of The Outline for $643 ($500 USD). The ownership decreased to 15.82% after the investment. The Outline is a digital publication whose principal place of business is the U.S.

These preferred shares were convertible into common shares at the option of the holder without payment of additional consideration. The number of fully paid shares of common stock was determined by multiplying the number of preferred shares by the conversion price of US$0.6720 for Series A and

US$0.5304 for Series A-2X. Each holder of preferred shares was entitled to cast the number of votes equal to the number of whole shares of common stock into which the preferred shares are convertible as at the record date. In the event of a liquidation, dissolution or winding up of The Outline or of a transaction that is deemed to be a liquidation event, holders of preferred shares were entitled to be paid out of the assets of the corporation available for distribution to its stockholders before any payment will be made to the holders of common stock at an amount equal to the greater of (i) number of preferred shares multiplied by the respective conversion price plus dividends declared but unpaid; and (ii) the amount per preferred share that would have been payable had all preferred shares been converted into common stock immediately prior to the event.

During the year ended December 31, 2019, the Outline (Independent Media Corp.) was acquired by Bustle Digital Group (BDG) in exchange for $5,389 ($4,137 USD) of preferred shares of BDG. As a result of this transaction, the Independent Media Corporation was amalgamated into Independent Media Holdings LLC, a holding company which exists to receive BDG shares (i.e. consideration for the sale of the Outline). All common and preferred shares issued were cancelled and ceased to exist as each common and preferred share was converted into one unit of common or preferred membership interest in the LLC, the LLC existing to receive the share consideration of BDG. As a result of this conversion and via its proportional ownership in Independent Media Holdings LLC, the Company is entitled to a proportionate 435,487 BDG shares. The BDG shares represent the full value of the entity formerly known as the Outline/Independent Media, and these are the shares being valued in these consolidated financial statements.

As at December 31, 2020, the fair value of the shares has been determined to be $2,507 (2019 – $2,564) and an adjustment of $(57) (2019 – $(784)) has been made to the Company's OCI.

b) On March 31, 2017, the Company acquired 215,342 Series A preferred shares of Marco Polo Learning, Inc. (MPL), a Delaware corporation, for $1,729 ($1,300 USD). As at December 31, 2020, the fair value of the shares has been determined to be $1,954 (2019 – $1,998) and an adjustment of $(44) (2019 – $119) has been made to the Company's OCI.

c) On November 1, 2018, the Company invested $393 ($300 USD) cash in Toronto Arrows GP Inc. (Arrows), for an 8.82% ownership. Toronto Arrows R.F.C. is Canada's first professional rugby union team that competes in Major League Rugby.

As at December 31, 2020, the fair value of the shares has been determined to be $382 (2019– $391) using cost as a proxy and an adjustment of $(9) (2019- $(2)) has been made to the Company's OCI.

d) On February 24, 2017, the Company purchased 75,000 limited partnership units (LP units) in Creative Labs LP, a Delaware limited partnership that creates content, for $75 cash on the acquisition date, which resulted in an ownership of 3.2% of outstanding LP units. In March 2018, $150 cash was paid to purchase a further 150,000 LP units, after which the ownership remained at 3.2%. During the year ended December 31, 2019, the Company purchased another 150,000 units with $150 cash, bringing the total LP units owned to 375,000.

As at December 31, 2020, the fair value of the units has been determined to be $723 (2019– $375) and an adjustment of $348 (2019– nil) has been made in the Company's consolidated statement of loss.

e) On August 7, 2017, the Company acquired a convertible note receivable from Serial Box Publishing LLC (Serial Box), a Delaware limited liability company that creates content, for $951 ($750 USD). The note receivable had a principal balance equal to the face of the note, a 0% coupon rate and maturity date of

August 7, 2019. On February 19, 2019, Serial Box had a private equity raise in which the Company invested an additional $530 ($400 USD) for 264,270 common shares of Serial Box. Additionally, the full note receivable was converted into 649,745 common shares. As at December 31, 2020, the Company holds a total of 914,015 shares in Serial Box, representing ownership of 5.43%.

As at December 31, 2020, the fair value of the shares was determined to be $2,175 (2019 – $2,224). An adjustment of $(49) (2019 – $353) has been made in the Company's consolidated statement of loss.

f) The Company periodically enters into foreign exchange contracts to manage its foreign exchange risk on foreign currencies. At the reporting date, the Company revalues its financial instruments denominated in a foreign currency at the prevailing exchange rates. For the year ended December 31, 2020, the Company recognized an unrealized gain of $249 (2019 - $135) in the consolidated statement of loss.

Summary of forward contracts balance sheet positions at December 31, 2020:

Currency contracts	Quantity contracted in foreign currency	Quantity outstanding in foreign currency	Contract price	Ending rate	Unrealized gain (loss)	Contract ending date
United States Dollar	3,218	3,218	$1.300	$1.274	$91	November 1, 2021
British pound sterling	8,500	4,904	$1.720	$1.740	$72	January 29, 2021
Japanese yen	355,658	336,727	$0.012	$0.120	$221	March 31, 2021
Total					$384	

Summary of forward contracts at December 31, 2019:

Currency contracts	Quantity contracted in foreign currency	Quantity outstanding in foreign currency	Contract price	Ending rate	Unrealized gain (loss)	Contract ending date
British pound sterling	3,509	3,509	$1.66	$1.72	$202	June 30, 2020
Japanese yen	301,736	301,736	$0.012	$0.12	$(67)	May 8, 2020
Total					$135	

7 Property and equipment

	Land	Building and fixtures	Equipment	Leasehold improvements	Total
Cost					
December 31, 2018	2,350	12,541	9,187	5,654	29,732
Acquisition through business combination (note 4)	—	21	—	—	21
Additions	—	335	2,264	3,954	6,553
Impact of foreign exchange	—	(15)	(23)	(145)	(183)
Disposal	(2,350)	(11,092)	—	—	(13,442)
December 31, 2019	—	1,790	11,428	9,463	22,681
Additions	—	50	1,510	107	1,667
Impact of foreign exchange	—	3	(16)	(62)	(75)
Disposal	—	—	—	(475)	(475)
December 31, 2020	—	1,843	12,922	9,033	23,798
Accumulated amortization					
December 31, 2018	—	1,727	5,967	721	8,415
Amortization	—	860	1,731	1,193	3,784
Impact of foreign exchange	—	(5)	(1)	(2)	(8)
Disposal	—	(1,371)	—	—	(1,371)
December 31, 2019	—	1,211	7,697	1,912	10,820
Amortization	—	526	1,482	979	2,987
December 31, 2020	—	1,737	9,179	2,891	13,807
Net book value					
December 31, 2019	—	579	3,731	7,551	11,861
December 31, 2020	—	106	3,743	6,142	9,991

On November 21, 2019, the Company disposed of the land and building at 772 Dovercourt Road for total proceeds, net of selling expenses and other deductions, of $14,990. The Company recorded a gain of $3,079 from the disposal.

During the year ended December 31, 2020, it was determined that there was an impairment indicator in the Unscripted CGU and as a result, property and equipment included in this CGU, which included building and fixtures, equipment and leasehold improvements, were tested for impairment. Although a goodwill impairment charge was recorded for this CGU (refer to Note 11), the value in use of the property and equipment in this CGU exceeded the carrying amount and thus was determined not to be impaired. There were no impairment indicators for any other amounts of property and equipment during the year ended December 31, 2020.

(expressed in thousands of Canadian dollars)

8 Investment in content

	Development	In production	Delivered	Acquired content	Total
	$	$	$	$	$
Cost					
December 31, 2018	2,082	26,929	208,647	24,342	262,000
Acquisition through business combination (note 4)	3,555	13,280	—	—	16,835
Additions	246	91,614	—	714	92,574
Reclassification	—	(91,667)	91,667	—	—
December 31, 2019	5,883	40,156	300,314	25,056	371,409
Additions	7,119	176,188	—	2,075	185,382
Reclassification	—	(14,629)	14,629	—	—
December 31, 2020	13,002	201,715	314,943	27,131	556,791
Accumulated depreciation					
December 31, 2018	242	—	185,069	3,701	189,012
Amortization	186	—	58,361	8,472	67,019
December 31, 2019	428	—	243,430	12,173	256,031
Amortization	1,804	—	52,075	3,741	57,620
December 31, 2020	2,232	—	295,505	15,914	313,651
Net book value					
December 31, 2019	5,455	40,156	56,884	12,883	115,378
December 31, 2020	10,770	201,715	19,438	11,217	243,140

The amount of interest capitalized during the year ended December 31, 2020 and included in delivered content is $428 (December 31, 2019 – $756). The interest capitalized during the year ended December 31, 2020 and included in content in production is $2,449 (December 31, 2019 – $276).

The Company expects $139,079 of the net book value of its investments in content to be amortized during the year ended December 31, 2021, $5,201 in 2022, $4,069 in 2023, $3,205 in 2024 and $2,558 in 2025.

(expressed in thousands of Canadian dollars)

9 Intangible assets

	Trademarks	Non-compete agreements	Talent relationships	Total
	$	$	$	$
Cost				
December 31, 2018	11,793	3,682	—	15,475
Acquisition through business combination	1,052	2,366	48,633	52,051
December 31, 2019	12,845	6,048	48,633	67,526
Foreign exchange	(309)	(168)	(1,502)	(1,979)
December 31, 2020	12,536	5,880	47,131	65,547
Accumulated depreciation				
December 31, 2018	610	167	—	777
Amortization	2,552	1,170	4,458	8,180
December 31, 2019	3,162	1,337	4,458	8,957
Amortization	2,569	1,210	4,863	8,642
Foreign exchange	(132)	(69)	(289)	(490)
December 31, 2020	5,599	2,478	9,032	17,109
Net book value				
December 31, 2019	9,683	4,711	44,175	58,569
December 31, 2020	6,937	3,402	38,099	48,438

The Company expects $8,642 of the net book value of its other intangible assets to be amortized for each of the years ended December 31, 2021 and 2022, $7,865 for the year ended December 31, 2023, $4,920 for the year ended December 31, 2024 and $4,863 for the year ended December 31, 2025.

During the year ended December 31, 2020, it was determined that there was an impairment indicator in the Unscripted CGU and as a result, long-lived intangibles included in this CGU which included trademarks and non-compete agreements were tested for impairment. Although a goodwill impairment charge was recorded for this CGU (refer to Note 11), the value in use of the long-lived intangible assets in this CGU exceeded the carrying amount and thus was determined not to be impaired. There were no impairment indicators for any other long-lived intangible assets during the year ended December 31, 2020.

(expressed in thousands of Canadian dollars)

10 Accounts receivable

	December 31, 2020	December 31, 2019
	$	$
Trade receivables	30,653	27,456
Goods and services tax recoverable - net	3,900	2,004
Short-term accounts receivable	34,553	29,460
Long-term accounts receivable	3,857	1,682
	38,410	31,142

The aging of trade receivables is as follows:

	December 31, 2020	December 31, 2019
	$	$
Unbilled accounts receivable	20,501	16,052
Contract asset	9,304	4,426
Less than 60 days	3,645	5,521
Between 60 and 90 days	53	1,575
Over 90 days	1,007	1,564
	34,510	29,138

The Company does not have security over these balances. Trade receivables are provided for based on estimated recoverable amounts as determined by using a combination of historical default experience, any changes to credit quality and management estimates. The amount of expected credit losses in 2020 and 2019 was determined to be nominal.

At December 31, 2020, the Company had 2 customers (2019 - 1 customer) that accounted for approximately 32% (2019 - 14%) of all the receivables and contract assets outstanding.

(expressed in thousands of Canadian dollars)

11 Goodwill

	December 31, 2020	December 31, 2019
	$	$
Opening balance	107,957	64,560
Acquisition of Untitled	—	29,721
Acquisition of Platform One	—	13,676
Impairment of Unscripted CGU	(12,959)	—
Foreign exchange	(2,055)	—
Closing balance	92,943	107,957

September 30, 2020 impairment testing

In the three months ended September 30, 2020, management identified that there were indications of impairment associated with the Unscripted CGU, given the pervasive economic impact of COVID-19 on unscripted television productions where actual operating results and financial projections fell short of previous estimates and projections. Accordingly, the Company tested goodwill of this CGU for impairment as at September 30, 2020, applying the value in use method.

Based on the analysis performed of the Unscripted CGU at September 30, 2020, it was determined that the carrying value exceeded the value in use and therefore an impairment of $12,959 was recorded at this date.

In testing the Unscripted CGU for impairment at September 30, 2020, the significant assumptions were consistent with those disclosed below. More specifically: the pre-tax weighted average cost of capital rate used was 25.2%; average revenue growth for 2022 to 2025 was estimated at 3.1%; gross margin percentage for production revenue was estimated at 20.4% for 2021 and ranging from 21.0% to 22.3% for 2022 to 2025; and gross margin percentage for service revenue was estimated at 13.5% for 2021 and ranging from 13.9% to 15.2% for 2022 to 2025.

Sensitivity analysis was performed for the Unscripted CGU at September 30, 2020 by changing the following significant assumptions: weighted average cost of capital rates, revenue growth and production and service expenses. To determine the impact on the recoverable amounts, the weighted average cost of capital rates were increased by 1.0% (a 100 basis point increase), the service and production revenue growth rates were decreased by 1.0% (a 100 basis point decrease) and gross profit margin decreased by 1.0% (a 100 basis point decrease). Each significant assumption was changed independently while holding all other assumptions constant.

An increase of the weighted average cost of capital of 1.0% (a 100 basis point increase), a decrease in the service revenue growth rate of 1.0% (a 100 basis point decrease) or a decrease in the gross profit margin of 1.0% (a 100 basis point decrease) would have resulted in a further impairment of the Unscripted CGU at September 30, 2020 in the amount of $2.0 million, $6.0 million and $6.5 million respectively. As each significant assumption was changed independently, the results of the sensitivity analyses do not contemplate management's ability to mitigate against any adverse effects that may arise in the future.

The most significant assumption used in the Unscripted CGU is the future cash flows associated with the assumed renewal and continuation of the current shows under development with major television studios. If those shows are cancelled, not renewed or the Company is not able to replace their production with new shows or content that is being developed, there could be a further significant impairment in the Unscripted CGU.

Annual impairment testing

Goodwill is tested for impairment annually as at December 31 or more frequently if events or circumstances indicate that the asset might be impaired. In assessing the goodwill for impairment, the Company compares the carrying value of the CGU to the recoverable amount, where the recoverable amount is the higher of fair value less costs of disposal and the value in use. An impairment charge is recognized to the extent that the carrying value exceeds the recoverable amount. As at December 31, 2020, the Company applied the value in use method.

For each of the CGUs tested at December 31, 2020 including the Unscripted CGU, it was determined that the value in use exceeded the carrying value and therefore no further impairment existed.

The cash flows used were forecasted for five years based on management's expectations of content planned and greenlit, including the ability to distribute the content through global territories, as well as estimates of further seasons and projects in development. In determining the recoverable value for each CGU the following significant assumptions were used:

- Estimates of revenue and service and production margin are based on historical results and future expectations of operating performance. Revenue from production, services and representation were estimated for the next 12-24 months based on a slate of programs and content currently in ongoing production and greenlit and planned to begin. Additionally, programs and content in discussions with third-parties or forecasted with reasonable certainty to proceed in this period have been included.
- Using these estimates as a basis, revenues beyond 2021 were estimated based on the variability of number and size of production or service by CGU. Service and production margin were estimated based on known license fees, production service agreements and budgeted costs, consistent with historical and recent experience. Average revenue growth estimates for the Television reporting segment for 2022 to 2025 ranged from 4.2% to 14.1%. Average revenue growth estimates for the Kids and Family reporting segment for 2022 to 2025 ranged from 6.8% to 7.2%. Average revenue growth estimates for the Representation CGU and reporting segment was estimated at 3.1% for 2022 to 2025.
- The pre-tax weighted average cost of capital ranged from 15.9% to 24.3% for CGUs within the Television reporting segment, 17.5% to 18.2% for CGUs within Kids and Family reporting segments, and 24.0% for the Representation reporting segment.
- Gross margin percentage estimates for production revenue included in the Television reporting segment CGUs ranged from 5.4% to 21.2% for 2021 and from 7.6% to 22.4% for 2022 to 2025. Gross margin percentage estimates for production revenue included in the Kids and Family reporting segment CGUs ranged from 14.9% in 2021 to between 4.9% to 10.9% for 2022 to 2025. Gross margin percentage estimates for service revenue included in the Television reporting segment CGUs ranged from 13.6% to 18.8% for 2021 and from 14.0% to 18.8% for 2022 to 2025. Gross margin percentage estimates for service revenue included in the Kids and Family reporting segment CGUs ranged from 12.5% to 25.8% for 2021 and from 12.6% to 25.8% for 2022 to 2025. Gross margin percentage estimates in the Representation CGU and reporting segment were estimated at 32.9% for 2021 and ranged from 36.7% to 37.6% for 2022 to 2025.

Sensitivity analysis was performed for each CGU by changing the following significant assumptions: weighted average cost of capital rates, revenue growth and service and production margins. These sensitivities help to determine the theoretical impairment losses that would be recorded.

- For the Scripted and Insight CGUs (included in the Television reporting segment), and for the Animation and Kids & Family CGUs (included in the Kids and Family reporting segment), no reasonable changes would be indicative of impairment.
- For the Unscripted CGU (included in the Television reporting segment), the weighted average cost of capital rate would have to increase by 2.5% (a 250 basis point increase) before any further impairment would need to be recorded, however, a decrease in the revenue growth rate of 1.0% (a 100 basis point decrease) or a decrease in the gross profit margin of 1.0% (a 100 basis point decrease) would result in an impairment in the amount of $1.5 million and $5.3 million, respectively. The most significant assumption used in the Unscripted CGU is the future cash flows associated with the assumed renewal and continuation of the current shows under development with major television studios. If those shows are cancelled, not renewed or the Company is not able to replace their production with new shows or content that is being developed, there could be a further significant impairment in the Unscripted CGU.
- For the Representation CGU, there is no reasonable change to the weighted average cost of capital rate that would cause an impairment. However, a decrease of 5.0% in 2021 revenue with no adjustments made to indirect costs would result in the recoverable amount being equal to the carrying amount. For each additional 1.0% decline (a 100 basis point decrease) in revenue beyond this amount, the goodwill of the CGU would be impaired by approximately $2.2 million.

As each significant assumption was changed independently, the results of the sensitivity analyses do not contemplate management's ability to mitigate against any adverse effects that may arise in the future.

The following table presents the goodwill by CGU as at December 31, 2020 and December 31, 2019:

	December 31, 2020	**December 31, 2019**
	$	**$**
Scripted	13,274	13,676
Unscripted	25,859	39,599
Kids and Family	13,563	13,563
Insight	3,738	3,738
Animation services	7,660	7,660
Representation	28,849	29,721
	92,943	107,957

(expressed in thousands of Canadian dollars)

12 Share capital

	Authorized	Outstanding December 31, 2020	Outstanding December 31, 2019
Voting common shares	Unlimited	14,705,951	14,691,286
Series A non-voting common shares	Unlimited	686,091	—
Series B non-voting common shares	Unlimited	498,815	—
Series C non-voting common shares	Unlimited	—	—
Series D non-voting common shares	Unlimited	418,739	—
Class C preferred shares	Unlimited	1,483,887	1,542,547
Total	Unlimited	17,793,483	16,233,833

On November 18, 2020, the Company issued 686,091 or $7,088 of series A non-voting common shares to certain shareholders.

On January 1, 2020, the Company issued 418,739 or $9,749 of Series D non-voting common shares related to the acquisition of Platform One (notes 17 and 26).

On January 1, 2020, the Company issued 498,815 or $10,234 of Series B non-voting common shares related to the acquisition of Matador Content LLC (note 17).

On March 22, 2019, the Company issued 1,156,910 Class C preferred shares to a third-party for $20,114 ($15,000 USD). Class C preferred shares hold the same features as non-voting common shares except they have first preference on a liquidation event. Concurrently and as part of the same transaction, 385,637 Series A non-voting common shares held by certain shareholders were cancelled and exchanged on a 1:1 basis for 385,637 Class C preferred shares. No additional consideration was paid as a result of this exchange, but the transaction resulted in a decrease to retained earnings of $5,934. The Company determined that these preferred shares should be classified as equity and have been recorded at the fair value of consideration received ($20,114 or $17.30 per share). Additionally, based on a remeasurement clause of the preferred shares agreement, the Company adjusted the number of Class A non-voting common shares that needed to be exchanged into Class C preferred shares and recorded a decrease to retained earnings of $10 on January 1, 2020.

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13 Share-based payments

Stock options

In January 2016, the Company authorized a share-based payment arrangement that allows the Company to grant stock options to certain employees, officers and directors. The plan reserves for issuance of up to 7.5% of the number of shares in the capital of the Company to be issued and outstanding. The participants in the plan may elect to receive cash equal to the difference between the grant date fair value and the exercise price. However, the Board of Directors has the right to reject such election and the company has not historically settled the options in cash. During the year ended December 31, 2020, 366,500 (2019 – 222,500) stock options were granted. Stock options granted vest over periods from four to eight years and expire ten years from the date of grant, except 50,000 options granted in 2016 that vested on the grant date. In the event of an IPO, all unvested options would vest immediately prior to the IPO closing date.

In expectation of an IPO closing prior to March 31, 2021, the Company accelerated the vesting of its options and as a result recorded an additional $4,299 expense in the year ended December 31, 2020.

Stock option transactions for the years ended December 31, 2020 and 2019 were as follows:

	Number of shares under option	Weighted average exercise price per option
		$
Balance – December 31, 2018	759,500	8.72
Granted	222,500	17.27
Balance – December 31, 2019	982,000	10.66
Granted	366,500	16.11
Forfeited	(67,145)	10.88
Balance – December 31, 2020	1,281,355	12.21

As at December 31, 2020, 149,928 (2019 –50,000) options were vested and exercisable.

(expressed in thousands of Canadian dollars)

Weighted average number of options outstanding

During the year ended December 31, 2020, the Company accelerated the vesting of the options and estimated that all outstanding options are fully vested by March 31, 2021. As at December 31, 2020, the weighted average number of options outstanding and their remaining contractual life is as follows:

Exercise price $	Number outstanding – December 31, 2020	Weighted average remaining contractual life (years)
4.93	249,855	0.25
9.23	152,500	0.25
9.50	100,000	0.25
12.00	180,000	0.25
16.00	20,000	0.25
16.11	386,500	0.25
17.00	80,000	0.25
17.64	112,500	0.25
	1,281,355	

The fair value of the stock options is recognized on a graded vesting basis over the vesting periods of the options. During the year ended December 31, 2020, the Company accelerated the vesting of the options and estimated that all outstanding options are fully vested by March 31, 2021. For the year ended December 31, 2020, the Company recognized share-based compensation expense of and $5,449 (2019 – $721) in general and administrative costs.

The calculation of the fair value of options granted during the years ended December 31, 2020 and 2019 used the Black-Scholes option pricing model with the following weighted average assumptions:

	Options granted			
	2020		2019	
Fair value of options at grant date	$16.11	$10.16	–	$11.13
Share price at grant date	$16.11	$16.11	–	$17.64
Exercise price	$16.11	$16.11	–	$17.64
Risk-free interest rate	1.65 %			5.95 %
Volatility factor of the expected market price of the Company's shares	50 %			50 %
Expected option life	10 years			10 years

(expressed in thousands of Canadian dollars)

Restricted share units

In January 2018, the Company authorized an RSU plan that allows the Company to grant RSUs to certain employees, officers and directors. During 2018, the Company awarded 313,800 units with a fair value of $9.50 per share, which were vested on the grant date. No RSUs were granted in the years ended December 31, 2020 and 2019. At December 31, 2020, 313,800 RSUs remain outstanding.

14 Loss per share

The following table reconciles the numerators and denominators of the basic and diluted loss per share computation. No diluted loss per share has been calculated for the year ended December 31, 2020 and 2019 as the effect would be anti-dilutive. Basic loss per share calculation is as follows:

	Year Ended December 31,	
	2020	2019
Numerator for basic loss per share – net loss attributable to owners	$ (48,744)	$ (23,707)
Denominator for basic loss per share – weighted average common shares	15,785,160	14,776,866
Basic loss per share	$ (3.09)	$ (1.60)

For the years ended December 31, 2020 and 2019, as a result of the consolidated net losses recognized, dilutive earnings per share was calculated using the basic weighted average shares outstanding as the effect of potential common shares would have been anti-dilutive. Had there been net earnings, dilutive stock awards for options and RSUs would have been calculated as 357,184 shares and 129,562 shares, respectively.

(expressed in thousands of Canadian dollars)

15 Interim production financing

	December 31, 2020	December 31, 2019
	$	$
Interim production financing from Aver Media Finance, a division of Bank of Montreal, with interest at prime plus 0.50%, secured by production tax credits, specified production financing contracts and a general security agreement	37,435	42,528
Interim production financing from Universal City Studios, with interest at 1.00%, secured by production tax credits and a first ranking security interest over all rights, title and interest in and to related production	—	15,695
Interim production financing from Royal Bank of Canada, with interest at prime plus 0.50%, secured by production tax credits, specified production financing contracts and a general security agreement	13,514	20,460
Interim production financing from JP Morgan Chase Bank, with interest at LIBOR plus 2.75%, secured by production tax credits, specified production financing contracts and a general security agreement	88,895	31,494
	139,844	110,177

Interim production financing is drawn by the Company in order to bridge the timing differences between the receipt of licence fees, distribution advances, government assistance and production tax credits and the funding of production costs. On collection of amounts owing, interim production financing is repaid by the Company.

These liabilities are secured by federal, provincial and state film and television tax credits and licensing and production services agreements. The liabilities are presented as current in the Company's consolidated statement of financial position as they are repayable upon demand by the lender while the collateral is presented based on the Company's expected time of receipt of cash which can range from six months to 3 years.

(expressed in thousands of Canadian dollars)

16 Loans and borrowings

	December 31, 2020	December 31, 2019
	$	$
Demand loan payable to Bank of Montreal – Canadian dollar (prime+ 3.0%) (Facility 2)	20,484	21,800
Demand loan payable to Bank of Montreal – US dollar (LIBOR+4.0%) (Facilities 5 & 7)	61,280	66,645
Demand loan payable to Bank of Montreal – Canadian dollar (prime+ 3.0%) (Facility 8)	12,040	—
Loan payable to Royal Bank of Canada	105	729
Total before loan fees	93,909	89,174
Loan fees, net of amortization	(314)	(1,305)
	93,595	87,869
Less: Current portion	93,595	87,869
Long-term portion	—	—

On October 30, 2018, the Company entered into an amended and restated offer of financing with the Bank of Montreal (BMO). The offer of financing was subsequently amended on February 1, 2019, December 31, 2019 and July 20, 2020 (collectively the Corporate Credit Facility). The Corporate Credit Facility is comprised of:

1) a $5,000 demand revolver;
2) a $21,460 demand term loan;
3) a $3,500 treasury risk management facility;
4) a $300 credit card facility;
5) a US$37,110 demand term loan;
6) a US$2,000 demand revolver (which is also available by way of letters of credit in US dollars up to a maximum of US$1,650);
7) a US$13,000 demand term loan; and
8) a $13,378 demand term loan.

The Corporate Credit Facility is guaranteed by certain Canadian, US and UK subsidiaries of Boat Rocker. The Company and the guarantors have provided the lender with a first priority lien over all of their respective assets, subject to certain exclusions and permitted liens. The Company and certain of the guarantors also pledged 100% of the equity interests they hold in the capital of certain of their subsidiaries.

The amendment on December 31, 2019 impacts both its Canadian and US dollar facilities described in (2) and (5) above. The interest rates are based on the Company's Senior Funded Debt: EBITDA ratio. At December 31, 2019, at a ratio of greater than 3:1, the CAD facilities described in (1) and (2) bear interest at CAD prime plus

(expressed in thousands of Canadian dollars)

2.5% and the USD facilities in (5), (6) and (7) bear interest at LIBOR plus 3.5%. The applicable rates decline depending on the Company's Senior Funded Debt: EBITDA ratio to a minimum interest rate of CAD prime plus 1% and LIBOR plus 2% should this ratio fall below 1.5:1.

Facility 8 was introduced in the amended agreement on July 20, 2020 and is repayable at 5% of the principal balance per quarter over ten quarters commencing September 30, 2020, with the residual 50% principal balance due on the earlier of an acceleration event, defined as the earlier of demand and an event of default including a change of control, and December 31, 2022. The new facility bears interest at the Canadian prime rate plus 3%. The Export Development Bank of Canada guaranteed 75% of the loan as part of its suite of programs put in place to support Canadian businesses during the pandemic.

Management has assessed the above amendments and has determined that these amendments constitute a modification of debt, which has resulted in a loss on modification of $342 for the year ended December 31, 2020 (2019- $4,317). The loss was recorded on the demand loans payable to BMO.

The demand term loans are uncommitted facilities due on demand. As at July 20, 2020, the amendment includes no requirement for testing financial ratio covenants. A target EBITDA was set for certain subsidiaries over which BMO has security for quarters ended September 30, 2020, December 31 2020, March 31, 2021 and June 30, 2021. The Company was in breach of this covenant at September 30, 2020, but was in compliance at December 31, 2020. Subsequent to the year end on February 8, 2021, the Company entered into an amended and restated offer of financing in which the quarterly target EBITDA covenant noted above was waived for all quarters. As the Corporate Credit Facility is due on demand, it is classified as current on the consolidated statement of financial position.

Subject to certain exceptions, the Corporate Credit Facility contains restrictive covenants customary for credit facilities of this nature, including, without limitation, restrictions on the Company, Boat Rocker Media (US) Inc. and each guarantor to grant or create any mortgage, charge, lien, pledge, security interest or other encumbrance, sell, transfer, lease or otherwise dispose of any of its properties or assets, make distributions, acquisitions, loans, advances or guarantees, merge, amalgamate or consolidate with other persons, make investments, incur indebtedness, enter into any sale-leaseback transactions or repay indebtedness.

The following table summarizes the scheduled minimum principal repayments for all loans, excluding capitalized loan fees and adjustments from modification of debts:

	BMO - CAD	BMO - USD	RBC	Total
	$	$	$	$
2021	4,286	5,293	105	9,684
2022	10,974	5,293	—	16,267
2023	1,610	5,293	—	6,903
2024	14,752	43,802	—	58,554
Thereafter	—	—	—	—
	31,622	59,681	105	91,408

As at December 31, 2020, the $5,000 demand revolver was undrawn and the U.S. dollar revolver was fully drawn by way of letters of credit issued. The credit card facility was repaid in the normal course on a monthly basis.

(expressed in thousands of Canadian dollars)

Subsequent to December 31, 2020, the Company completed its IPO, raising gross proceeds of $170.1 million from which it repaid in full the principal balance outstanding of Facilities 2, 5, 7 and 8 on March 24, 2021 (see note 34).

17 Other Financial Liabilities

	December 31, 2020	December 31, 2019
	$	$
Put Option for 30% of non-controlling interest of Insight	4,744	4,129
Put Option for 49% of non-controlling interest of Untitled (note 4)	34,204	29,381
Provision for right to a variable number of shares, Platform One Acquisition	—	3,256
Provision to repay investment, Platform One Acquisition	6,965	6,772
Provision for right to be issued shares, Matador acquisition	14,802	24,842
Total	60,715	68,380
Less: Current portion	19,546	14,412
Non-current portion	41,169	53,968

The movement in the year ended December 31, 2020 is attributable to changes in the fair value, foreign exchange impacts, and the settlement of liabilities. During the year, the Company recorded a loss of $8,743 (2019-$8,710) related to the change of fair value on the consolidated statement of loss. In addition, on January 1, 2020, the Company issued non-voting common shares to settle $3,256 and $10,234 of liabilities related to the Platform One and Matador Content acquisitions, respectively (note 12). Subsequent to the year end, the provision for the right to be issued shares relating the Matador acquisition was settled by the issuance of shares to the sellers (note 34).

18 Convertible debentures

	December 31, 2020	December 31, 2019
	$	$
Opening balance	18,618	—
Proceeds	25,000	19,716
Allocation to conversion feature	—	(1,380)
Change in fair value of embedded derivative	1,380	—
Accrued interest	2,708	458
Foreign exchange gain	(443)	(176)
Ending balance	47,263	18,618

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Convertible debentures issued in 2019

On September 3, 2019, the Company issued a secured, subordinated convertible debenture for $9,858 ($7,500 USD) to the United States Fire Insurance Company, an entity owned and controlled by the Company's controlling shareholder, Fairfax. An additional $9,858 ($7,500 USD) relating to this this subordinated convertible debenture was issued to Fairfax shortly after, resulting in a principal balance of $19,716 ($15,000 USD) after issuance. The debenture bears interest at 8% per annum from issuance date until December 31, 2019 and 12% per annum thereafter. No interest has been paid by December 31, 2020, and $2,919 ($2,284 USD) of accrued interest is reflected on the consolidated statement of financial position. The debenture originally matured on April 30, 2020 but was extended by Fairfax to July 31, 2020 at its discretion. On November 16, 2020, the debenture was extended by Fairfax to the earlier of January 1, 2021 or an initial public offering. On the maturity date, the conversion rate to be applied is based on $10.33 per share for each $1 USD of unpaid principal balance and accrued interest outstanding as of the maturity date or date of conversion.

The conversion feature has been recognized as a derivative liability carried at FVTPL. The derivative liability has been valued at $1,380 ($986 USD) at issuance date using a binomial partial differential equation valuation method, volatility of 43.37% and a credit spread of 20.59%. The derivative liability at December 31, 2020 and December 31, 2019 has been valued at $nil using a binomial partial differential equation valuation method, a volatility of 39.28 % and a credit spread of 20%. Key inputs for both calculations include the Company's stock prices at inception, December 31, 2019 and 2020, the Company's historical volatility and the Company's credit spread risk-free discount curve at inception, December 31, 2019 and 2020. The amount of the liability as at December 31, 2020 has been allocated to the principal component of the debenture at December 31, 2020, which is being recognized at amortized cost and carried using the effective interest rate, resulting in a total liability at December 31 of $22,016 (December 31, 2019-$18,618).

Subsequent to the year end, Fairfax exercised the convertible option and the total outstanding debenture balance was converted into shares (note 34).

Convertible debentures issued in 2020

On December 1, 2020, the Company issued another secured, subordinated convertible debenture for $25,000 to United State Fire Insurance Company. The debenture bears interest at 8% per annum. Fairfax may elect to convert the debenture into common shares at its discretion at any time, and must convert on the closing of an initial public offering of the Company (note 34). The debenture matures on March 31, 2022. The applicable number of shares the amount outstanding would be converted into is based on a conversion ratio of $16.39 per common share, as agreed to by the Company and Fairfax. The convertible debenture was designated at FVTPL. As of December 31, 2020, the carrying value of the debenture was $25,247, including accrued interest of $247. Subsequent to the year end, Fairfax exercised the convertible option and the total outstanding debenture balance was converted into shares (note 34).

19 Revenue

Disaggregation of revenue from contracts with customers

	Year ended December 31, 2020			
	Television	Kids and Family	Representation	Total
	$	$	$	$
Production revenue	50,631	11,486	—	62,117
Distribution revenue	10,641	11,509	—	22,150
Service revenue	73,026	40,856	—	113,882
Representation revenue	—	—	28,654	28,654
	134,298	63,851	28,654	226,803
Timing of revenue recognition				
At a point in time	61,272	22,995	3,015	87,282
Over time	73,026	40,856	25,639	139,521
	134,298	63,851	28,654	226,803

	Year ended December 31, 2019			
	Television	Kids and Family	Representation	Total
	$	$	$	$
Production revenue	69,697	2,915	—	72,612
Distribution revenue	26,959	12,510	—	39,469
Service revenue	53,537	42,630	—	96,167
Representation revenue	—	—	35,917	35,917
	150,193	58,055	35,917	244,165
Timing of revenue recognition				
At a point in time	96,656	15,425	3,006	115,087
Over time	53,537	42,630	32,911	129,078
	150,193	58,055	35,917	244,165

Movement in unbilled trade receivable, contract assets and deferred revenue

	Year ended December 31, 2020		
	Unbilled trade receivables	Contract assets	Deferred revenue (Contract liabilities)
	$	$	$
Opening balance	16,052	4,426	41,362
Additions	20,501	9,304	153,939
Amounts received or recognized in revenue	(16,052)	(4,426)	(30,987)
Closing balance	20,501	9,304	164,314

	Year ended December 31, 2019		
	Unbilled trade receivables	Contract assets	Deferred revenue (Contract liabilities)
	$	$	$
Opening balance	25,534	329	54,034
Acquisitions through business combinations (note 4)	76	—	7,053
Additions	15,976	4,426	28,748
Amounts received or recognized in revenue	(25,534)	(329)	(48,473)
Closing balance	16,052	4,426	41,362

Contract assets represents the Company's right to consideration for revenue earned over time under contracts that have remaining performance obligations. These obligations include additional episodes or seasons of television content. Unbilled trade receivables arise as revenue recognition criteria have been met, however, contractual payments have not yet been invoiced.

20 Leases

Right-of-use assets

The Company's significant lease arrangements are for office premises and equipment used in content and service production.

	December 31, 2020	December 31, 2019
	$	$
Opening balance	26,734	25,458
Acquisitions through business combinations	—	2,325
Additions	8,555	5,889
Less: Amortization	(6,937)	(6,938)
Net book value at closing balance	28,352	26,734
Office premises	26,906	25,054
Equipment	1,446	1,680
	28,352	26,734

Lease liabilities

Minimum lease payments in respect of lease liabilities and the effect of discounting are as follows:

	December 31, 2020	December 31, 2019
	$	$
Undiscounted minimum lease payments		
Less than 1 year	7,818	7,260
2 to 3 years	12,980	10,973
4 to 5 years	8,692	8,141
Thereafter	8,293	10,921
Total	37,783	37,295
Effect of discounting	(6,240)	(7,669)
Total present value of lease liabilities	31,543	29,626
Less: Current portion	9,551	7,260
Long-term lease liabilities	21,992	22,366

	December 31, 2020	December 31, 2019
	$	$
Opening balance	29,626	27,583
Acquisitions through business combinations (note 4)	—	2,325
Additions	7,881	5,431
Cash payments	(7,860)	(7,415)
Accretion	1,896	1,702
Lease liabilities	31,543	29,626
Less: Current portion	9,551	7,260
Long-term lease liabilities	21,992	22,366

During the year ended December 31, 2020, the Company entered into four office leases, with one in Canada and three in the United States. The term of these leases range from 3 to 6 years with no renewal option. The total right-of-use assets recorded from these leases totaled $7,993. In addition, the Company entered into an equipment lease with a right-of-use asset for $562.

21 Related party transactions

Controlling shareholder

On December 31, 2020 and 2019, Fairfax was the Company's controlling shareholder. Fairfax's holdings are held by three intermediary entities, none of which holds a controlling position.

The Company's principal subsidiaries include the following:

Name of company	Jurisdiction	Function	% Owned by Company
Boat Rocker Rights Inc.	Ontario	Television and media distribution	100.0 %
Boat Rocker Rights (US) Inc.	Ontario	Television and media distribution	100.0 %
Boat Rocker Rights (UK) LTD.	United Kingdom	Television and media distribution	100.0 %
Boat Rocker Rights (HK) LTD.	Hong Kong	Television and media distribution	100.0 %
Boat Rocker Digital Inc.	Ontario	Intellectual property exploitation	100.0 %
Boat Rocker Ventures Inc.	Ontario	Holding company	100.0 %
Boat Rocker Sports Inc.	Ontario	Holding company	100.0 %
Boat Rocker Media Inc. (US) Inc.	Delaware	Holding company	100.0 %
Boat Rocker Media Inc. (US) LLC	Delaware	Holding company	100.0 %
Temple Street Productions (US) Inc.	California	Intellectual property development and exploitation	100.0 %
Untitled Entertainment LLC	Delaware	Talent management	51.0 %
Proper Productions Inc.	Ontario	Holding company	100.0 %
2594931 Ontario Inc.	Ontario	Intellectual property development and exploitation	100.0 %
Temple Street Development Corporation	Ontario	Intellectual property exploitation	100.0 %
Jam Filled Entertainment Inc.	Ontario	Animation studio	100.0 %
Insight Productions Ltd.	Ontario	Intellectual property development and exploitation	70.0 %
Matador Content LLC	New York	Production service exploitation	100.0 %
Hydronus Media Inc.	Ontario	Intellectual property development and exploitation	100.0 %
Bootjet Games Inc.	Ontario	Intellectual property development and exploitation	100.0 %
Untitled Newco Inc.	Delaware	Holding company	51.0 %
Ecosystem Pictures Inc.	California	Holding company	51.0 %
Platform One Media LLC	Delaware	Television and media production	100.0 %
Platform One Media Productions LLC	Delaware	Holding company	100.0 %
5 Pebbles LLC	Delaware	Intellectual property development and exploitation	100.0 %
Salvos LLC	Delaware	Television and media production	100.0 %
Rubigo LLC	Delaware	Television and media production	100.0 %
Magister LLC	Delaware	Television and media production	100.0 %
Ceteri Productions LLC	Delaware	Television and media production	100.0 %
Fidelis Productions LLC	Delaware	Television and media production	100.0 %
Iluminare Productions LLC	Delaware	Television and media production	100.0 %
Pharus LLC	New York	Television and media production	100.0 %

For all of the above listed subsidiaries, the Company exercises its control through voting shares.

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Production company subsidiaries

In the normal course of business, the Company incorporates a single purpose entity for each season of each series of content through which it manages the costs of production and financing for that project. Once the production managed in each production company is completed and all of the related financing and production tax credits have been fully collected, the production company is amalgamated. As at December 31, 2020, the Company has 148 (December 31, 2019 – 124) production companies that have been included in the Company's consolidated results.

Two production companies, Ollie's Edible Adventures Canada Inc. and Ollie's Edible Adventures II Canada Inc., are 50% owned by the Company. As the Company exerts control over these entities, they are consolidated, and the non-controlling interest is disclosed in note 22.

Key management personnel

Key management includes directors and officers of the Company who are considered to be responsible for the strategic, operational and financial direction of the Company. The compensation earned by key management is as follows:

	Year ended December 31	
	2020	**2019**
	$	**$**
Salaries and employee benefits	4,287	2,780
Share-based compensation	4,685	311
	8,972	3,091

Receivables from related parties

On November 17, 2020, the Company sold its investment in The Old Telegram Building Inc. (OTBI), an equity accounted investee, to certain shareholders, directors, and officers in exchange for notes receivable of $1,358. The notes receivable are non-interest bearing and are due on the earlier of an initial public offering and January 1, 2021. During the year ended December 31, 2020 and prior to the sale, the Company expensed $785 (2019 – $753) under a rental contract to OTBI.

On November 17, 2020, the Company issued $7,088 of notes receivable to certain shareholders, directors, and officers. The notes receivable are non-interest bearing and are due on the earlier of an initial public offering and January 1, 2021.

As at December 31, 2020, receivables from related parties include $8,446 (December 31, 2019 – $212) in respect of amounts owed by shareholders, directors, and officers. Subsequent to the year end, on January 1, 2021, the receivable of $8,446 was extinguished by returning the amount as paid-up capital to the shareholders.

On November 18, the Company issued 686,091 or $7,088 of series A non-voting common shares to the same shareholders, directors, and officers in exchange for cash.

Convertible debentures issued to a related party

During the year ended December 31, 2019, the Company issued secured, subordinated convertible debentures for $19,716 ($15,000 USD) to the United States Fire Insurance Company, an entity owned and controlled by the Company's controlling shareholder, Fairfax. No interest has been paid as at December 31, 2020 and $2,909 ($2,284 USD) (December 31, 2019 - $458 or $352 USD) of accrued interest is reflected on the consolidated statement of financial position. Refer to note 34, Subsequent events.

On December 1, 2020, the Company issued another secured, subordinated convertible debenture for $25,000 to United State Fire Insurance Company. The debenture bears interest at 8% per annum.Fairfax may elect to convert the debenture into common shares at its discretion at any time, and must convert on the closing of an initial public offering of the Company (note 34). The debenture matures on March 31, 2022. The applicable number of shares the amount outstanding would be converted into is based on a conversion ratio of $16.39 per common share, as agreed to by the Company and Fairfax. As of December 31, 2020, the carrying value of the debenture was $25,247, including accrued interest of $247. Refer to note 34, Subsequent events.

22 Non-controlling interests

The following table presents the summarized financial information for each subsidiary that has non-controlling interests that are material to the Company. The amounts disclosed for each subsidiary are before intercompany eliminations.

	Insight Productions Ltd.		Untitled Entertainment LLC		Other	
	2020	2019	2020	2019	2020	2019
Non-controlling interest ownership	30 %	30 %	49 %	49 %	50 %	50 %
Current assets	$29,068	$36,849	$ 2,658	$ 2,969	$ 390	$ 154
Current liabilities	29,270	45,671	(2,391)	2,735	313	10
Current net assets (liabilities)	(202)	(8,822)	5,049	234	77	144
Non-current assets	7,024	11,697	95	59,474	1,242	1,362
Non-current liabilities	200	400	—	—	—	—
Non-current net assets (liabilities)	6,824	11,297	95	59,474	1,242	1,362
Net assets	6,622	2,475	5,144	59,708	1,319	1,506
Non-controlling interests share of net income (loss)	582	(92)	4,266	4,551	(94)	(235)
Accumulated non-controlling interests	3,714	3,132	24,325	24,429	358	451

During the year ended December 31, 2020, $4,369 of distributions were paid from certain subsidiaries to the non-controlling interest owners (2019 - $5,330).

Summarized statement of cash flows:

	Insight Productions Ltd.		Untitled Entertainment LLC		Other	
	2020	2019	2020	2019	2020	2019
	$	$	$	$	$	$
Operating activities	590	(834)	7,620	14,201	(49)	(3)
Investing activities	—	—	(8,882)	(10,878)	—	—
Financing activities	(337)	(391)	(4)	(60)	—	(43)
Net increase (decrease) in cash and cash equivalents	253	(1,225)	(1,266)	3,263	(49)	(46)

23 Government assistance

Additions to investment in content during the year ended December 31, 2020 have been reduced by $48,699 (2019 – $42,827) in respect of production tax credits and by $63 (2019 – $642) in respect of non-recoupable contributions from the Canada Media Fund licence fee program.

In response to COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy (CEWS) program in April 2020. CEWS provides a wage subsidy on eligible remuneration, subject to limits per employee, and based on certain eligibility criteria. The Company determined that it qualified for the program and accordingly has applied for the CEWS retroactively to March 15, 2020.

For the year ended December 31, 2020, the Company has recognized $12,675 of subsidies (2019 - $nil) as a reduction to related expenses recognized in production, distribution and service costs and general and administrative costs in the consolidated statement of loss. The Company intends to continue its participation in the CEWS program, subject to continuing to meet the eligibility requirements.

24 Finance costs, net

	Year ended December 31,	
	2020	2019
	$	$
Interest income	(474)	(483)
Interest expense	9,212	7,196
Accretion expense – leases	1,896	1,702
	10,634	8,415

25 Deferred revenue

	December 31, 2020	December 31, 2019
	$	$
Production contracts revenue	149,344	33,364
Service contracts revenue	13,509	7,622
Merchandising contracts revenue	1,461	376
Total	164,314	41,362
Less: Current portion	(162,359)	(41,362)
Non-current portion	1,955	—

During the year ended December 31, 2020, the Company entered into several new production and service contracts for the creation of new program content for which payments were received and production services were not complete as at December 31, 2020. One of these programs is expected to deliver in 2022 and has therefore been classified as non-current. All other programs are expected to be complete and delivered by December 31, 2021.

26 Contingent consideration

The Company has liabilities relating to contingent consideration that arose as part of its business combinations. The following table summarizes the movements in contingent consideration for the years ended December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
	$	$
Opening balance	23,100	18,294
Change in fair value of contingent consideration:		
Reversal of unearned contingent consideration	(3,520)	(700)
Fair value adjustment	1,220	1,068
Total change in fair value of contingent consideration:	(2,300)	368
Additions from business combinations	—	20,341
Cash payments	(1,564)	(6,296)
Settlement in shares	(6,499)	—
Movement from contingent consideration to financial liabilities	—	(9,550)
Foreign exchange (gain) loss	(45)	(57)
Ending balance	12,692	23,100
Less: Current portion	1,012	5,106
Non-current portion	11,680	17,994

During 2020, the Company issued non-voting common shares to settle $6,499 of liabilities related to the Platform One acquisition (note 4 b). In addition, the Company has determined that the milestones attached to the first earnout were not met and a gain of $3,352 was recorded on the consolidated statement of loss as the contingent consideration associated with this earnout was reversed.

Further, during 2020 contingent consideration associated with the Matador Content acquisition was settled in cash for $231 and a gain of $168 was recorded on the consolidated statement of loss. In addition, cash settlement of $1,333 was made to partially settle the contingent consideration associated with the prior acquisitions.

On February 1, 2019, the Company recognized contingent consideration relating to phantom shares granted as a result of the Untitled LLC acquisition (note 4). Although the 2019 and 2020 EBITDA thresholds were not met, management believes that the catch-up provision will be met and as such has not reversed the contingent consideration relating to these shares as of December 31, 2020.

Contingent consideration is initially recognized at fair value, which may be different from the settlement amount. The difference between the carrying values at initial recognition and the amounts to be paid at settlement dates is recognized in the consolidated statement of loss over the term of the liability as change in fair value using the effective interest rate method.

27 Financial instruments

Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposure to customers, including outstanding trade receivables. The Company manages credit risk on cash and cash equivalents by ensuring the counterparties are banks, governments and government agencies with high credit ratings.

The maximum exposure to credit risk for cash and trade receivables approximates the amount recorded on the consolidated statement of financial position of $110,164 as at December 31, 2020 (2019 – $90,410).

Trade receivables are mainly with Canadian and American broadcasters as well as large international distribution companies. Management manages credit risk by regularly reviewing aged accounts receivable and performing an appropriate credit analysis.

Interest rate risk

The Company is exposed to interest rate risk arising from fluctuations in interest rates as its interim production financing and certain loans and borrowings bear interest at floating rates. Any changes in interest rates would increase or decrease production costs as interest owing on interim production financing is capitalized to investment in content.

With respect to interest rate risk on loans and borrowings, a 1% increase in the variable interest rate would have resulted in a $1,073 increase to the Company's net loss before tax during the year ended December 31, 2020 (2019 – increase to net loss before tax of $667) and a decrease of 1% would have resulted in a decrease of $1,073 in the Company's net loss before tax (2019 – decrease to net loss before tax of $667).

Liquidity risk

The Company manages liquidity by forecasting and monitoring operating cash flows and through the use of interim production financing (note 15). As at December 31, 2020, the Company had cash of $71,754 (December 31, 2019 – $59,268). The Company maintains appropriate cash balances and has access to financial facilities to manage fluctuating cash flows.

The Company was in breach of the quarterly target EBITDA covenant at September 30, 2020, but was in compliance at December 31, 2020. Subsequent to the year end on February 8, 2021, the Company entered into an amended and restated offer of financing in which the quarterly target EBITDA covenant noted above was waived for all quarters (see note 16). As at December 31, 2020, the Company has sufficient funds from operations as well as committed financing from its controlling shareholder, Fairfax (note 18), to fulfill its ongoing financial obligations. Subsequent to December 31, 2020, the Company completed its IPO, raising gross proceeds of $170.1 million (see note 34).

Results of operations for any period are dependent on the amount and timing of content delivered, which cannot be predicted with certainty. Consequently, the Company's results from operations may fluctuate materially from period to period and the results of any one period are not necessarily indicative of results for future periods. Cash flows may also fluctuate and are not necessarily closely correlated with revenue recognition.

Interim financing and loans and borrowings are classified by the Company as current in nature as they are due on demand; however, the Company does not expect that the full amounts will be repaid within twelve months.

Currency risk

The Company's activities involve holding foreign currencies, incurring production costs and earning revenue denominated in foreign currencies. These activities result in exposure to fluctuations in foreign currency exchange rates. The Company periodically enters into foreign exchange contracts to manage its foreign

exchange risk on non-Canadian dollar denominated contracts. At the reporting date, the Company revalues its financial instruments denominated in a foreign currency at the prevailing exchange rates.

Categories of financial instruments

As at December 31, 2020 and 2019, the Company's financial instruments consisted of the following:

	December 31, 2020	December 31, 2019
	$	$
Financial assets		
Measured at amortized cost		
Trade and other receivables (note 10)	38,410	31,142
Measured at FVTPL		
Cash	71,754	59,268
Financial assets – investments (note 6)	3,282	2,734
Measured at FVOCI		
Financial assets – investments (note 6)	4,843	4,953
Financial liabilities		
Measured at amortized cost		
Trade and other payables	51,139	53,761
Interim production financing (note 15)	139,844	110,177
Loans and borrowings (note 16)	93,595	87,869
Convertible debt (note 18)	22,016	18,618
Measured at FVTPL		
Other financial liabilities (note 17)	60,715	68,380
Convertible debt (note 18)	25,247	—
Contingent consideration (note 26)	12,692	23,100

Fair values

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

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

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

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

The following table summarizes financial assets and liabilities measured at fair value and included in the consolidated statements of financial position and the level of inputs used to determine those fair values in the context of the hierarchy as defined above:

	December 31, 2020			December 31, 2019		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**	**$**	**$**	**$**
Financial assets						
Cash	71,754	—	—	59,268	—	—
Fair value of unsettled forward exchange contracts	—	384	—	—	135	—
Other financial assets	—	—	7,741	—	—	7,552
	71,754	384	7,741	59,268	135	7,552
Financial liabilities						
Contingent consideration	—	—	12,692	—	—	23,100
Convertible debt (note 18)	—	—	25,247	—	—	—
Other financial liabilities	—	—	60,715	—	—	68,380
	—	—	98,654	—	—	91,480

The following table summarizes the changes in Level 2 and Level 3 financial instruments for the year ended December 31, 2020:

	Other financial assets	**Other financial liabilities**
	$	**$**
Opening balance - January 1, 2020	7,687	(68,380)
Settlement through share issuance	—	13,483
Change in fair value through net income/loss	548	(7,313)
Change in fair value through OCI	(110)	—
Cumulative translation through OCI	—	1,495
Closing balance - December 31, 2020	8,125	(60,715)

The Company's accounts receivable, accounts payable and accrued liabilities, interim production financing, current portion of loans and borrowings and current portion of lease liabilities are carried at amortized cost, which approximates fair value.

The following table summarizes the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements:

Financial instruments	**Fair value**	**Unobservable inputs**	**Range of inputs**	**Impacts of inputs**
	$		**$**	
Other financial assets				
Investment in Bustle Digital Group.	2,507	Private raise share price	5.76 per share	A 10% change in share price would increase/ decrease fair value by $251
Investment in Marco Polo Learning, Inc.	1,954	Private raise share price	9.07 per share	A 10% change in share price would increase/ decrease fair value by $195
Investment in Serial Box Publishing LLC	2,175	Private raise share price	2.38 per share	A 10% change in share price would increase/ decrease fair value by $217
Investment in Creative Lab LP	723	Private raise share price	1.93 per share	A 10% change in share price would increase/ decrease fair value by $724
Other financial liabilities				
Insight's put option	4,744	Expected future EBITDA	3,427	A 10% change in EBITDA would increase/decrease fair value by $465
		Discount rates	13 %	A change in discount rate by 100 basis points would increase/decrease fair value by $53
Untitled put option	34,204	Growth rate	13.8 %	A change in growth rate by 100 basis points would increase/decrease fair value by $1,498

The following table summarizes the fair value and carrying value of other financial assets and financial liabilities that are not recognized at fair value on a recurring basis in the consolidated statement of financial position:

	December 31, 2020		December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Interim production financing (note 15)	139,844	139,844	110,177	110,177
Loans and borrowings (note 16)	93,595	91,408	87,869	83,551
Convertible debentures (note 18)	47,263	47,263	18,618	19,287

Maturity analysis for financial liabilities

The following table summarizes the expected timing of the undiscounted future cash flows required to settle the Company's financial liabilities:

	December 31, 2020				
	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years	Total
	$	$	$	$	$
Accounts payable and accrued liabilities	49,105	2,034	—	—	51,139
Interim production financing (note 15)	69,787	70,057	—	—	139,844
Contingent consideration (note 26)	1,012	6,369	6,154	—	13,535
Loans and borrowings (note 16)	9,577	23,168	58,557	—	91,302
Convertible debentures (note 18)	47,263	—	—	—	47,263
Lease liabilities (note 20)	7,818	12,980	8,692	8,294	37,784
Other financial liabilities (note 17)	4,743	7,324	34,204	—	46,271
	189,305	121,932	107,607	8,294	427,138

	December 31, 2019				
	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years	Total
	$	$	$	$	$
Accounts payable and accrued liabilities	51,564	2,197	—	—	53,761
Interim production financing (note 15)	36,539	48,444	12,597	12,597	110,177
Contingent consideration (note 26)	5,318	14,027	6,133	—	25,478
Loans and borrowings (note 16)	7,592	16,543	60,722	—	84,857
Convertible debentures (note 18)	19,998	—	—	—	19,998
Lease liabilities (note 20)	7,260	10,973	8,141	10,921	37,295
Other financial liabilities (note 17)	14,414	12,631	106,261	—	133,306
	142,685	104,815	193,854	23,518	464,872

Interim financing and loans and borrowings are classified by the Company as current in nature as they are due on demand.

28 Income taxes

	Year ended December 31,	
	2020	2019
	$	$
Current income tax expense	1,793	8,984
Deferred income tax expense	91	(7,917)
Income tax expense	1,884	1,067

The provision for income tax differs from the amount that would have resulted by applying the combined federal and Ontario statutory income tax rate of 26.5%. The reconciliation of income tax expense computed at the statutory rate to income tax expense recognized in the period is:

	Year ended December 31,	
	2020	**2019**
	$	**$**
Tax expense (recovery) calculated using statutory rates	(11,158)	(4,893)
Income taxes increased (decreased) by		
Non-deductible expenses	666	2,019
Stock-based compensation	1,444	191
Differences on foreign operations	(1,082)	(1,003)
Losses and other deductions for which no benefit is recognized	12,142	4,516
Prior year true ups / other	(128)	237
	1,884	1,067

The movement in the net deferred income tax assets (liabilities) was as follows:

	December 31, 2019	**(Charged) credited to consolidated statement of income**	**December 31, 2020**
	$	**$**	**$**
Property and equipment	1,420	(1,344)	76
Investment in content	(6,878)	1,706	(5,172)
Investment in equity accounted investees	(166)	(33)	(199)
Other financial assets	2,042	(896)	1,146
Deferred revenue	1,142	(3,812)	(2,670)
Loss carry-forwards	11,299	5,481	16,780
Other intangible assets	4,558	5,058	9,616
Reserves	(2,069)	2,069	—
Deferred interest expense	—	3,209	3,209
Unrecognized deferred tax assets	(4,516)	(12,142)	(16,658)
Other	(556)	385	(171)
	6,276	(319)	5,957
Deferred income tax assets	6,276		5,957
Deferred income tax liabilities	—		—

	December 31, 2018	**(Charged) credited to consolidated statement of income**	**December 31, 2019**
	$	**$**	**$**
Property and equipment	671	749	1,420
Investment in content	(4,507)	(2,371)	(6,878)
Investment in equity accounted investees	(123)	(43)	(166)
Other financial assets	(103)	2,145	2,042
Deferred revenue	—	1,142	1,142
Loss carry-forwards	3,020	8,279	11,299
Other intangible assets	1,272	3,286	4,558
Reserves	(2,069)	—	(2,069)
Unrecognized deferred tax assets	—	(4,516)	(4,516)
Other	27	(583)	(556)
	(1,812)	8,088	6,276
Deferred income tax assets	996		6,276
Deferred income tax liabilities	(2,808)		—

In assessing the value of deferred tax assets, the Company's management considers if it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. Available evidences considered by the Company includes, but is not limited to, the Company's historic operating results and projected future operating results which take into account changing business and market circumstances. As at December 31, 2020, the Company has determined that the realization of certain deferred tax assets related to its U.S. operations is uncertain and as a result has not recognized deferred tax assets of $16,658 (2019 - $4,516). In the year ended December 31, 2019, the Company recorded $4,516 as an income tax expense in the consolidated statement of loss relating to the derecognition of these deferred tax assets.

Deferred income tax liabilities have not been recognized for the withholding tax and other taxes on the unremitted earnings of certain subsidiaries as these amounts, if any, will not be distributed in the foreseeable future.

As at December 31, 2020, the Company had the following income tax attributes to carry forward:

	Amount	**Expiry date**
	$	
Canadian non-capital losses	17,866	2027 to 2040
American non-capital losses	41,112	No expiry

29 Expenses by nature

	Year ended December 31,	
	2020	**2019**
	$	**$**
Amortization of investment in content	54,694	59,823
Amortization of acquired program intangibles	2,926	7,196
Distribution costs	6,349	4,754
Participation costs	6,317	14,763
Service costs	81,550	71,040
Production, distribution and service costs	151,836	157,576
Salaries and employee benefits	57,519	49,945
Overhead costs	13,254	19,875
General and administrative costs	70,773	69,820
Amortization of property and equipment	2,987	3,784
Amortization of right-of-use assets	6,937	6,938
Amortization of other intangible assets	8,642	8,267
Amortization of property and equipment, right-of-use assets and other intangible assets	18,566	18,989

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30 Supplementary cash flow information

	Year ended December 31,	
	2020	**2019**
	$	**$**
Increase (decrease) in accounts receivable	(3,434)	14,624
Increase in long-term accounts receivable	(3,857)	(460)
Increase (decrease) in tax credit receivables	(12,343)	300
Increase (decrease) in related party receivable	209	46
Increase in prepaid expenses and deposits	(5,354)	(1,231)
Increase (decrease) in accounts payable and accrued liabilities, excluding participation accruals	2,055	(20,575)
(Decrease) increase in participation accruals	(236)	14,571
Decrease in other financial liabilities	(3,779)	(2,003)
(Decrease) increase in income taxes payable	(34)	974
Increase (decrease) in deferred revenue	122,952	(19,451)
	96,179	(13,205)

The following table summarizes the change in the Company's liabilities arising from financing activities for the years ended December 31, 2020 and 2019:

	Lease liabilities	Loans and borrowings	Convertible debt	Interim production financing
	$	$	$	$
December 31, 2018	27,583	47,432	—	61,312
Acquisitions through business combinations (note 4)	2,325	—	—	—
Additions	5,431	—	—	—
Payments	(7,415)	(19,506)	—	(34,280)
Proceeds	—	55,626	19,998	83,145
Change in fair value	—	—	(1,380)	—
Loss on modification of long-term debt	—	4,317	—	—
Accretion	1,702	—	—	—
December 31, 2019	29,626	87,869	18,618	110,177
Acquisitions through business combinations (note 4)	—	—	—	—
Additions	7,881	—	—	—
Payments	(7,860)	(5,244)	—	(118,161)
Proceeds	—	13,006	25,000	147,828
Change in fair value	—	—	1,380	—
Loss on modification of long-term debt	—	342	—	—
Accretion	1,896	—	2,708	—
Foreign exchange gain	—	(2,378)	(443)	—
December 31, 2020	31,543	93,595	47,263	139,844

31 Commitments and contingencies

The Company enters into contracts with third-party producers whereby it commits to funding the production of content through a distribution advance that may be payable in instalments over the production term contingent on completion of certain milestones.

Future payments related to these commitments as at December 31, 2020 are as follows:

	$
2021	5,191
2022	2,124
	7,315

A subsidiary of the Company, Insight Productions Ltd., has been served with a class action lawsuit regarding allegations of non-compliance with Ontario's Employment Standard Act. The suit is seeking $35,000 in damages. The Company believes that the suit is without merit and it has valid defenses. As a result, and given that the plaintiff has not filed any certification materials, the Company cannot estimate any potential liability in regard to this action. As such, no provision relating to this matter has been recorded at December 31, 2020.

From time to time, the Company may be subject to contingencies. Management believes that the level of insurance purchased adequately covers such contingencies that may arise and as such they are not expected to have any impact on financial results.

32 Capital disclosures

The Company's objectives when managing capital are to provide an adequate return to shareholders, safeguard its assets, maintain a competitive cost structure and continue as a going concern in order to pursue the development, production, distribution and licensing of its content. As at December 31, 2020, cash includes $39,592 (December 31, 2019 - $29,602) of cash that is required for the funding of productions in progress and is not available for other uses. The Company does not consider interim production financing to be part of its capital management programs as these loans are specific to individual productions and are repaid by funds earmarked to the individual productions such as production tax credits and other forms of support. The Company has not declared or paid dividends during the year ended December 31, 2020. The balance of the Company's cash is being used to maximize ongoing development and growth effort.

	December 31, 2020	December 31, 2019
	$	$
Cash	71,754	59,268
Total loans and borrowings	(93,595)	(87,869)
Net capital	(21,841)	(28,601)
Total capital and reserves attributable to owners	31,267	48,394

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

33 Segment information

The Company determined its reportable segments based on the nature of their operations and the way in which information is reported and used by the Company's chief operating decision makers (CODM), being the Chief Executive Officer and the President, Boat Rocker Studios.

The Company has three reportable segments: i) Television, ii) Kids and Family, and iii) Representation.

The Television segment operates under the following brands: Temple Street, Proper Productions (Proper), Insight Productions, Matador Content and Platform One. This segment earns revenue from the creation and distribution of scripted and unscripted television content.

The Kids and Family segment includes the Company's Kids and Family studio, the catalog of content acquired from Fremantle Media's Kids and Family business unit, and the Jam Filled Entertainment animation studio. This segment earns revenue from the creation and distribution of primarily scripted television content aimed at the kids and family demographic.

The Representation segment includes brand and management services provided to talent and IP representation and licensing sales services to IP owners for which it earns a pre-negotiated commission from its clients. These activities are driven by Untitled Entertainment's management group.

Corporate and Shared Services is a cost center that recognizes direct and indirect expenses, including Toronto head office charges such as rent and facilities, and costs associated with shared departments and corporate functions.

The Company measures segment performance based on revenues reported in accordance with IFRS and segment profit and loss. Segment profit is defined as segment gross revenues less segment direct and indirect expenses. Segment profit excludes corporate shared services direct and indirect expenses, share-based compensation, and purchase accounting and related adjustments.

Boat Rocker Media Inc.
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019

(expressed in thousands of Canadian dollars)

	Year ended December 31, 2020				
	Television	**Kids and Family**	**Representation**	**Corporate**	**Total**
	$	**$**	**$**	**$**	**$**
Revenue	134,298	63,851	28,654	—	226,803
Expenses					
Production, distribution and service costs	119,484	30,508	1,844	—	151,836
General and administrative costs	23,876	8,306	17,249	21,342	70,773
	(9,062)	25,037	9,561	(21,342)	4,194
Amortization of property and equipment, right-of-use assets and intangible assets (note 29)					18,566
Gain on sale of asset (note 5)					(1,356)
Impairment expense (note 11)					12,959
Finance costs, net (note 24)					10,634
Foreign exchange gain					(513)
Loss on loan modification (note 16)					342
Share of income loss of equity accounted investees (note 5)					(227)
Change in fair value of financial assets (note 6)					(548)
Change in fair value of other financial liabilities (note 17)					8,743
Change in fair value of contingent consideration (note 26)					(2,300)
Loss before income taxes					(42,106)
Current income tax expense (note 28)					1,793
Deferred income tax expense (note 28)					91
Net loss for the year					(43,990)

	Year ended December 31, 2019				
	Television	**Kids and Family**	**Representation**	**Corporate**	**Total**
	$	**$**	**$**	**$**	**$**
Revenue	150,193	58,055	35,917	—	244,165
Expenses					
Production, distribution and service costs	120,679	34,712	2,185	—	157,576
General and administrative costs	21,220	4,868	20,067	23,665	69,820
	8,294	18,475	13,665	(23,665)	16,769
Amortization of property and equipment, right-of-use assets and intangible assets					18,989
Gain on sale of property and equipment					(3,079)
Finance costs, net (note 24)					8,415
Foreign exchange gain					(307)
Loss on loan modification (note 16)					4,317
Share of loss of equity accounted investees (note 5)					(360)
Change in fair value of financial assets (note 6)					(1,868)
Change in fair value of other financial liabilities (note 17)					8,710
Change in fair value of contingent consideration (note 26)					368
Loss before income taxes					(18,416)
Current income tax expense (note 28)					8,984
Deferred income tax recoveries (note 28)					(7,917)
Net loss for the year					(19,483)

Revenue by geographic region

Revenue by geographic region, based on the location of customers is as follows:

	Year Ended December 31,	
	2020	**2019**
	$	**$**
Revenue by geographic region:		
Canada	45,442	93,537
United States	160,356	121,187
United Kingdom	14,869	23,315
Other	6,136	6,126
	226,803	**244,165**

No other foreign country individually comprises greater than 10% of total revenue.

Based on the nature of the company's production, distribution and service revenue and the large dollar value of certain transactions, it is not unusual that one or more customers in any reporting period may represent greater than 10% of the company's total revenue for that period. During the year ended December 31, 2020, one customer accounted for 17% of total revenue (2019 - no single customer accounted for more than 10% of total revenue).

Non-current assets by geographic region are as follows:

	December 31, 2020	**December 31, 2019**
	$	**$**
Non-current assets by geographic region:		
Canada	509,381	334,193
United States	13,686	13,727
Other	645	929
	523,712	348,849

34 Subsequent events

On January 1, 2021, Fairfax exercised the convertible option on the 2019 convertible debentures and converted the total debenture balance of $22,016 into 2,130,309 of Series A non-voting common shares. The shares were converted at $10.33 per share.

On January 1, 2021, related party receivables of $8,446 were extinguished by returning paid-up capital to the shareholders.

On February 1, 2021, the Company issued a further secured, subordinated convertible debenture for $15,000 to the United States Fire Insurance Company, an entity owned and controlled by the Company's controlling shareholder, Fairfax.

On February 26, 2021, the Company's authorized share capital was amended to create an unlimited number of Multiple Voting Shares, Subordinate Voting Shares and preferred shares.

On March 19, 2021, the Company filed a final prospectus and on March 24, 2021, the Company completed its IPO, raising gross proceeds of $170.1 million with the issuance of 18.9 million Subordinate Voting Shares from treasury at $9.00 per share.

In connection with, and immediately prior to, the closing of the IPO on March 24, 2021, the following pre-closing capital changes were implemented:

- the issued and outstanding share capital was split on a 1.6016:1.0000 basis;
- all of the issued and outstanding voting common shares were exchanged into Multiple Voting Shares based on an exchange ratio of 1:1. Multiple Voting Shares have voting rights on a 10:1 basis; and
- all of the issued and outstanding non-voting common shares and preferred shares were exchanged into voting common shares based on an exchange ratio of 1:1 and then such voting common shares were exchanged into Subordinate Voting Shares based on an exchange ratio of 1:1. Subordinate Voting Shares have voting rights on a 1:1 basis;
- an aggregate of 1,373,535 Subordinate Voting Shares were issued to certain of the former owners of Matador Content and to certain other Matador Content employees, in settlement of the provision for the right to be issued shares included in other financial liabilities; and
- the stock options to acquire up to 2,052,220 Subordinate Voting Shares (on a pre-share capital split basis of 1,281,355 stock options) issued while the Company was private (Legacy Options) became fully vested and exercisable and will expire in accordance with their original terms.
- The Company approved a new equity incentive plan (Equity Incentive Plan) to cover future grants of options, restricted stock units, and performance stock units (PSU) to key employees and deferred stock units (DSU) to independent directors.

In addition to and in conjunction with the above, the secured, subordinated convertible debenture issued to the United States Fire Insurance Company on December 1, 2020 for $25,000 and on February 1, 2021, for $15,000, including any accrued but unpaid interest thereon, was converted into 3,984,936 Subordinated Voting Shares immediately prior to the closing of the IPO.

The principal balance outstanding on the Company's loan Facilities 2, 5, 7 and 8 was repaid in full on March 24, 2021 using proceeds from the IPO, amounting to $90.5 million.

Corporate Profile

Boat Rocker is an independent, integrated global entertainment company that harnesses the power of creativity and commerce to tell stories and build iconic brands for audiences around the world. Boat Rocker Studios (the "Studio"), the Company's creative engine, creates, produces and distributes award-winning content and franchises across all major genres via its Scripted, Unscripted, and Kids & Family divisions. The Studio distributes and licenses thousands of hours of its own and third-party content worldwide. Boat Rocker owns or invests in companies in the entertainment industry that bolster the company's strategic and operational goals, including Insight Productions (Unscripted), Jam Filled Entertainment (2D and 3D Animation), Industrial Brothers (Kids & Family Animation) and Untitled Entertainment, a leading global talent management company that represents leading on-screen talent and celebrities. A selection of Boat Rocker's projects include: Orphan Black (BBC AMERICA, CTV Sci-Fi Channel), Dear...(Apple TV+), Lip Sync Battle (Paramount Network), The Amazing Race Canada (CTV), MasterChef Canada (CTV), The Next Step (Family Channel, CBC), The Loud House (Nickelodeon), Remy & Boo (Universal Kids, CBC), and Dino Ranch (CBC, Disney Junior). Boat Rocker's subordinate voting shares are listed on the Toronto Stock Exchange under the ticker BRMI.