

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

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 <i>Refer to note 3 – Summary of significant accounting policies and note 11 – Goodwill to the consolidated financial statements.</i> 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



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.

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.

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.

Boat Rocker Media Inc.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(expressed in thousands of Canadian dollars)

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

Boat Rocker Media Inc.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(expressed in thousands of Canadian dollars)

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.

Boat Rocker Media Inc.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(expressed in thousands of Canadian dollars)

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.

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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.

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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

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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

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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

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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.

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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

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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.

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- 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.

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- 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 judgments, 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.

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- **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

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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).

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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.

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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.

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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
	<u>921</u>	<u>1,798</u>

- 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

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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	—

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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
	<u>4,843</u>	<u>4,953</u>
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
	<u>3,282</u>	<u>2,734</u>
Closing balance	<u>8,125</u>	<u>7,687</u>

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	<u>8,125</u>	<u>7,687</u>

- 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

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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

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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	

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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	

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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.

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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.

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9 Intangible assets

	Trademarks	Non-compete	Talent	
	\$	agreements	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.

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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.

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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.

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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

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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

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12 Share capital

		Outstanding December 31, 2020	December 31, 2019
	Authorized		
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.

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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
	<u>1,281,355</u>	

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

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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	<u>\$ (3.09)</u>	<u>\$ (1.60)</u>

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.

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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
	<u>139,844</u>	<u>110,177</u>

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.

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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

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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.

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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).

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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	<u>47,263</u>	<u>18,618</u>

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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 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).

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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

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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.

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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

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	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.

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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 %
Illuminare 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
	<u>8,972</u>	<u>3,091</u>

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.

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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).

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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

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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.

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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.

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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

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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.

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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

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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

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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

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	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
	<u>142,685</u>	<u>104,815</u>	<u>193,854</u>	<u>23,518</u>	<u>464,872</u>

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	<u>1,884</u>	<u>1,067</u>

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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
	<u>1,884</u>	<u>1,067</u>

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

	December 31,	(Charged) credited to consolidated statement of income	December 31,
	2019		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)
	<u>6,276</u>	<u>(319)</u>	<u>5,957</u>
Deferred income tax assets	6,276		5,957
Deferred income tax liabilities	—		—

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	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

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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)
	<u>96,179</u>	<u>(13,205)</u>

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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

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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
	<u>7,315</u>

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	<u>(21,841)</u>	<u>(28,601)</u>
Total capital and reserves attributable to owners	<u>31,267</u>	<u>48,394</u>

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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.

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	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)

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(expressed in thousands of Canadian dollars)

	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)

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Revenue by geographic region

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

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

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
	\$	\$
<u>Non-current assets by geographic region:</u>		
Canada	509,381	334,193
United States	13,686	13,727
Other	645	929
	<u>523,712</u>	<u>348,849</u>

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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.