Boat Rocker Media Inc.

Interim Condensed Consolidated Financial Statements
(Unaudited)

For the three months ended March 31, 2023 and 2022

(expressed in thousands of Canadian dollars)

Boat Rocker Media Inc.

Interim Consolidated Statements of Financial Position
(Unaudited)

(expressed in thousands of Canadian dollars)

	March 31, 2023	December 31, 2022
Assets	**$**	**$**
Current assets		
Cash	70,499	85,794
Restricted cash (note 22)	2,079	2,083
Accounts receivable	82,425	107,277
Income taxes receivable	—	153
Production tax credits receivable	116,241	68,851
Prepaid expenses and deposits	8,387	6,427
Total current assets	279,631	270,585
Long-term accounts receivable	9,998	11,655
Long-term production tax credits receivable	87,466	129,052
Investment in content (note 4)	248,574	214,914
Intangible assets	29,927	31,566
Property and equipment	6,890	7,337
Right-of-use assets	16,360	17,753
Investment in equity accounted investees	1,366	1,424
Financial assets	9,240	9,085
Deferred income tax assets	7,712	5,799
Goodwill	97,254	97,377
Total assets	794,418	796,547
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	67,558	73,944
Income taxes payable	821	—
Interim production financing (note 5)	180,354	210,354
Current portion of lease liabilities	6,777	7,064
Other current financial liabilities (note 7)	5,141	5,141
Fair value of unsettled forward exchange contracts	98	371
Current portion of deferred revenue (note 8)	185,475	154,092
Total current liabilities	446,224	450,966
Long-term lease liabilities	14,289	15,480
Other long-term financial liabilities (note 7)	48,758	47,295
Long-term deferred revenue (note 8)	35,651	21,154
Total liabilities	544,922	534,895
Shareholders' Equity		
Equity attributable to owners of Boat Rocker Media Inc.	220,318	231,752
Non-controlling interests	29,178	29,900
Total shareholders' equity	249,496	261,652
Total shareholders' equity and liabilities	794,418	796,547

Commitments and contingencies (note 21)

On Behalf of the Board of Directors

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

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

Boat Rocker Media Inc.

Interim Consolidated Statement of Changes in Equity
(Unaudited)

(expressed in thousands of Canadian dollars)

	Number of shares	Share capital $	Contributed surplus $	Accumulated other comprehensive loss $	Retained earnings (deficit) $	Other equity $	Equity attributable to owners of Boat Rocker Media Inc. $	Non-controlling interests $	Total equity $
Balance – December 31, 2021	56,168,415	315,296	14,421	(2,008)	(64,811)	(27,829)	235,069	28,710	263,779
Net (loss) income	–	–	–	–	(13,078)	–	(13,078)	746	(12,332)
Issuance of shares	33,723	236	(236)	–	–	–	–	–	–
Share-based compensation (note 10)	–	–	637	–	–	–	637	–	637
Movement in the fair value of financial assets through OCI	–	–	–	(53)	–	–	(53)	–	(53)
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	(1,489)	(1,489)
Translation reserves	–	–	–	(1,785)	–	–	(1,785)	–	(1,785)
Balance – March 31, 2022	56,202,138	315,532	14,822	(3,846)	(77,889)	(27,829)	220,790	27,967	248,757

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

Boat Rocker Media Inc.

Interim Consolidated Statement of Changes in Equity
(Unaudited)

(expressed in thousands of Canadian dollars)

	Number of 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, 2022	56,255,575	315,959	14,812	1,127	(72,317)	(27,829)	231,752	29,900	261,652
Net (loss) income	—	—	—	—	(11,209)	—	(11,209)	1,735	(9,474)
Issuance of shares (notes 9 and 10)	71,909	495	(495)	—	—	—	—	—	—
Share-based compensation (note 10)	—	—	274	—	—	—	274	—	274
Movement in the fair value of financial assets through OCI	—	—	—	(6)	—	—	(6)	—	(6)
Distributions declared to non-controlling interests	—	—	—	—	—	—	—	(2,457)	(2,457)
Translation reserves	—	—	—	(493)	—	—	(493)	—	(493)
Balance – March 31, 2023	56,327,484	316,454	14,591	628	(83,526)	(27,829)	220,318	29,178	249,496

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

Boat Rocker Media Inc.

Interim Consolidated Statements of Income (Loss)
(Unaudited)

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

	Three months ended March 31, 2023 $	2022 $
Revenue (note 12)	79,760	46,849
Expenses		
Production, distribution and service costs (note 13)	59,421	31,232
General and administrative costs (note 13)	22,882	22,784
Amortization of property and equipment, right-of-use assets and other intangible assets (note 13)	3,761	4,359
Finance costs, net (note 14)	1,556	1,236
Foreign exchange loss	449	584
Other (gains) and losses (note 15)	1,326	(262)
Income (loss) before income taxes	(9,635)	(13,084)
Current income tax expense (note 16)	1,754	1,741
Deferred income tax recovery (note 16)	(1,915)	(2,493)
Net income (loss) for the period	(9,474)	(12,332)
Net income (loss) attributable to		
Owners of Boat Rocker Media Inc.	(11,209)	(13,078)
Non-controlling interests	1,735	746
	(9,474)	(12,332)
Income (loss) per share attributable to owners of Boat Rocker Media Inc. (note 11)		
Basic and diluted income (loss) per share (note 11)	(0.20)	(0.23)

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

Boat Rocker Media Inc.
Interim Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended March 31,	
	2023	2022
	$	$
Net income (loss) for the period	(9,474)	(12,332)
Other comprehensive income (loss)		
Items that may be reclassified to income (loss)		
Cumulative translation adjustments on foreign operations	(493)	(1,785)
Items that will not be reclassified to income (loss)		
Movement in fair value of financial assets (note 20)	(6)	(53)
Other comprehensive income (loss) for the period	(499)	(1,838)
Comprehensive income (loss) for the period	(9,973)	(14,170)
Comprehensive income (loss) attributable to		
Owners of Boat Rocker Media Inc.	(11,708)	(14,916)
Non-controlling interests	1,735	746
	(9,973)	(14,170)

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

Boat Rocker Media Inc.

Interim Consolidated Statements of Cash Flows
(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended March 31, 2023 $	2022 $
Cash provided by (used in)		
Operating activities		
Net income (loss)	(9,474)	(12,332)
Adjustments for non-cash items:		
Amortization of property and equipment (note 13)	629	822
Amortization of right-of-use assets (note 13)	1,548	1,449
Amortization of investment in content (notes 4, 13)	37,537	9,408
Amortization of other intangible assets (note 13)	1,584	2,088
Share-based compensation expense (note 10)	274	637
Finance costs, net (note 14)	1,556	1,236
Foreign exchange loss	449	584
Other (gains) and losses (note 15)	1,326	(262)
Current income tax expense (note 16)	1,754	1,741
Deferred income tax recovery (note 16)	(1,915)	(2,493)
Additions to investment in content (note 4)	(70,753)	(33,299)
Cash interest paid	(1,112)	(555)
Cash income taxes paid	(1,916)	(304)
Change in non-cash balances related to operations (note 17)	58,021	(1,245)
Cash provided by (used in) operating activities	19,508	(32,525)
Financing activities		
Proceeds from interim production financing (note 17)	38,479	36,257
Repayments of interim production financing (note 17)	(68,444)	(11,080)
Repayment of lease liabilities (note 17)	(1,979)	(1,801)
Distributions paid to non-controlling interest shareholders	(2,457)	(1,489)
Increase in restricted cash	—	(1,923)
Cash (used in) provided by financing activities	(34,401)	19,964
Investing activities		
Purchase of financial assets	(170)	(158)
Acquisition of property and equipment	(355)	(488)
Payment of contingent consideration	—	(29)
Cash used in investing activities	(525)	(675)
Foreign exchange gain on cash held in foreign currency	123	692
Decrease in cash	(15,295)	(12,544)
Cash – Beginning of period	85,794	96,950
Cash – End of period	70,499	84,406

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

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

1 Corporate information

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 March 31, 2023 and December 31, 2022, the Company's ultimate controlling shareholder is Fairfax Financial Holdings Ltd. (Fairfax).

2 Basis of preparation and statement of compliance

Basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS), applicable to the preparation of condensed interim financial statements, including International Accounting Standard (IAS) 34, *Interim Financial Reporting,* and do not include all of the information required for annual financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the years ended December 31, 2022 and 2021, which have been prepared in accordance with IFRS. Changes to the Company's accounting policies from those disclosed in its consolidated financial statements for the years ended December 31, 2022 and 2021 are described in Note 3.

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency and dollar amounts have been rounded to the nearest thousand, except per share amounts.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 8, 2023.

3 Summary of significant accounting policies

Use of estimates and judgments

The preparation of unaudited interim condensed 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 and the reported amounts of revenue and expenses. 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.

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.

The significant estimates and judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty are the same as those described in the Company's consolidated financial statements for the years ended December 31, 2022 and 2021.

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

New accounting pronouncements issued but not yet effective

The IASB issued the following amendments: Non-current liabilities with covenants (Amendments to IAS 1), Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28), and Lease liability in a sale and leaseback (Amendments to IFRS 16). These amendments will be effective January 1, 2024 but can be adopted earlier. The Company does not expect these pronouncements to have a significant impact on its consolidated financial statements.

4 Investment in content

	Development	In production	Delivered	Acquired content	Total
	$	$	$	$	$
Cost					
December 31, 2022	11,514	170,701	566,681	29,934	778,830
Additions	3,297	67,456	—	—	70,753
Disposals	(4)	—	—	—	(4)
Reclassification	(169)	(39,966)	40,135	—	—
Impact of foreign exchange	(2)	(2)	(133)	(14)	(151)
March 31, 2023	14,636	198,189	606,683	29,920	849,428
Accumulated amortization					
December 31, 2022			538,308	25,608	563,916
Amortization			36,835	702	37,537
Impact of foreign exchange			(594)	(5)	(599)
March 31, 2023			574,549	26,305	600,854
Net book value					
December 31, 2022	11,514	170,701	28,373	4,326	214,914
March 31, 2023	14,636	198,189	32,134	3,615	248,574

The amount of interest capitalized during the three months ended March 31, 2023 and included in delivered content is $263 (year ended December 31, 2022 – $1,233). The interest capitalized during the three months ended March 31, 2023 and included in content in production is $1,736 (year ended December 31, 2022 – $2,432).

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

5 Interim production financing

	March 31, 2023	December 31, 2022
	$	$
Interim production financing from Bank of Montreal, with interest at prime plus 0.50%, secured by production tax credits, specified production financing contracts and a general security agreement	55,967	58,452
Interim production financing from Bank of Montreal, with interest at prime plus 0.50%, secured by production services tax credits, terms governed by Fifth Amended and Restated Offer of Financing (note 6).	18,542	13,804
Interim production financing from Bank of Montreal, with interest at Sterling Overnight Index Average (SONIA) plus 3.0%, secured by production tax credits, specified production financing contracts and a general security agreement	1,640	2,029
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	28,465	34,182
Interim production financing from JP Morgan Chase Bank, with interest at Secured Overnight Financing Rate (SOFR) plus 2.75%, secured by production tax credits, specified production financing contracts and a general security agreement	75,740	101,887
	180,354	210,354

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, typically within a 30-day period.

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 three years.

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

6 Loans and borrowings

On February 1, 2022, the Company entered into a Fourth Amended and Restated Offer of Financing with a Canadian chartered bank (Fourth Offer). Under the amended financing agreement the Company's facilities consisted of a $10,000 demand revolving facility, a cash backed letter of credit revolving facility for US$5,000, a $3,500 treasury risk management facility and a $500 credit card facility.

On June 30, 2022, the Company entered into a Fifth Amended and Restated Offer of Financing. The $10,000 demand revolving facility from the Fourth Offer was modified to a $20,000 borrowing base revolving credit facility (the Borrowing Base Facility), secured by receivables such as production service tax credits. The Borrowing Base Facility is repayable on demand but it is anticipated that it will be repayable on collection of the specified borrowing base amounts. Interest on amounts drawn is calculated at prime plus 0.50%, payable monthly in arrears. The other facilities in the Fourth Offer were not modified.

At March 31, 2023, $18,542 was drawn on the Borrowing Base Facility and included in interim production financing (note 5) on the interim consolidated statement of financial position.

7 Other financial liabilities

	March 31, 2023 $	December 31, 2022 $
Put Option for 49% of non-controlling interest of Untitled	47,234	45,744
Provision for cash payment on performance targets related to Untitled	1,524	1,551
Put Option for 30% of non-controlling interest of Insight	5,141	5,141
Total	53,899	52,436
Less: Current portion	(5,141)	(5,141)
Other long-term financial liabilities	48,758	47,295

The movement in the three months ended March 31, 2023 is attributable to changes in the fair value and the impact of foreign exchange. During the three months ended March 31, 2023, the Company recorded a net loss of $1,537 (2022 - net loss of $1,315) related to the change in fair value of the financial liabilities associated with acquisitions on the interim consolidated statement of income (loss).

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

8 Deferred revenue

	March 31, 2023	December 31, 2022
	$	$
Production contract revenue	210,110	166,331
Service contract revenue	8,944	7,603
Consumer product revenue	2,072	1,312
Total	221,126	175,246
Less: Current portion	(185,475)	(154,092)
Long-term deferred revenue	35,651	21,154

During the three months ended March 31, 2023, the Company entered into several new production contracts for the creation of program content for which payments were received and production services were not complete as at March 31, 2023. Programs that are expected to be complete and deliver later than March 31, 2024 are classified as non-current.

	March 31, 2023	December 31, 2022
	$	$
Opening balance	175,246	53,983
Cash collections	118,354	370,011
Revenue recognized	(72,474)	(248,748)
Closing balance	221,126	175,246

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

9 Share capital

	Authorized	**Outstanding March 31, 2023**	**Share capital $**
Multiple Voting Shares	Unlimited	23,553,050	26,791
Subordinate Voting Shares	Unlimited	32,774,434	289,663
Total	Unlimited	56,327,484	316,454

	Authorized	**Outstanding December 31, 2022**	**Share capital $**
Multiple Voting Shares	Unlimited	23,553,050	26,791
Subordinate Voting Shares	Unlimited	32,702,525	289,168
Total	Unlimited	56,255,575	315,959

On August 30, 2022, the Company announced the TSX approved the Company's intention to proceed with a Normal Course Issuer Bid (NCIB) for its subordinate voting shares as appropriate opportunities arise from time to time. The NCIB commenced on September 1, 2022 and will expire August 31, 2023. Under the NCIB, and subject to the market price of its subordinate voting shares and other considerations, over the term of the NCIB Boat Rocker may purchase up to 1,000,000 subordinate voting shares. During the three months ended March 31, 2023, no shares were repurchased under the NCIB. As at March 31, 2023, 12,562 shares have been repurchased and cancelled under the NCIB (December 31, 2022 - 12,562).

The share capital balances include the impact of share issuance costs net of deferred tax.

During the three months ended March 31, 2023, 71,909 restricted share units (RSUs) were exercised and converted to Subordinate Voting Shares (note 10).

10 Share-based payments

Legacy stock option plan

In January 2016, the Company authorized a share-based payment arrangement (Legacy Plan) that allowed the Company to grant stock options to certain employees, officers and directors. 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.

No further grants from the Legacy Plan will be made as the Company instituted a new equity incentive plan on March 24, 2021, the closing date of the Company's initial public offering (IPO). Also on this date, all stock options issued under the Legacy Plan became fully vested and exercisable into the Company's Subordinate Voting Shares and will expire in accordance with their original term of 10 years from the date of grant.

During the three months ended March 31, 2023, 60,060 options under the Legacy Plan were forfeited and 656,656 options were cancelled (2022 - nil options forfeited and nil options cancelled).

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

Legacy restricted share unit plan

In January 2018, the Company authorized a restricted share unit plan (Legacy RSU Plan) that allowed the Company to grant RSUs to certain employees, officers and directors. During 2018, the Company awarded 502,582 units under the Legacy RSU plan with a fair value of $5.93 per share which were vested on the grant date.

Equity incentive plan

During 2021, the Company approved a new equity incentive plan (Equity Incentive Plan) for the administration of future grants of stock options, RSU, and performance share units (PSU) to employees and deferred share units (DSU) to independent directors.

During the three months ended March 31, 2023, nil stock options were granted under the Equity Incentive Plan, (2022 - 45,432). The stock options granted vest over three years from the grant date. The stock options expire 10 years after the grant date. During the three months ended March 31, 2023, 31,870 options were forfeited (2022 - nil).

During the three months ended March 31, 2023, 318,513 RSUs were granted under the Equity Incentive Plan (2022 - 97,245). The RSUs granted generally vest over three years from the grant date. The RSUs expire 10 years after the grant date. During the three months ended March 31, 2023, 71,909 RSUs were exercised and converted to Subordinate Voting Shares (2022 - 33,723). During the three months ended March 31, 2023, 21,749 RSUs were forfeited (2022 - nil).

During the three months ended March 31, 2023, 17,021 DSUs were granted under the Equity Incentive Plan (2022 - 4,584). The DSUs vest on the date of grant and expire in the year following the date at which the holder ceases to be a director of the Company. No DSUs were forfeited during the three months ended March 31, 2023 and 2022.

Legacy Plan and Equity Incentive Plan stock option transactions for the three months ended March 31, 2023 and 2022 were as follows:

	Number of shares under option	**Weighted average exercise price per option**
		$
Balance – December 31, 2022	2,338,239	7.79
Granted	—	—
Cancelled	(656,656)	10.17
Forfeited	(91,930)	8.24
Balance – March 31, 2023	1,589,653	6.78

As at March 31, 2023, 2,036,079 options were vested and exercisable (December 31, 2022 – 1,900,251).

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

As at March 31, 2023, the weighted average number of options outstanding under the Legacy Plan and Equity Incentive Plan and the remaining contractual life is as follows:

Exercise price $	Number outstanding on March 31, 2023	Weighted average remaining contractual life (years)
3.08	348,116	2.87
3.25	9,403	9.22
5.76	220,220	3.75
5.93	160,160	4.50
6.85	35,817	8.81
7.49	176,176	5.20
9.00	552,475	7.76
9.99	32,032	5.50
10.06	4,004	6.75
10.61	4,004	5.75
11.01	47,246	5.84
	1,589,653	

Legacy RSU Plan and Equity Incentive Plan RSU transactions for the three months ended March 31, 2023 and 2022 were as follows:

	Number of RSUs	Weighted average grant date fair value $
Balance – December 31, 2022	1,652,768	4.37
Granted	318,513	2.04
Exercised	(71,909)	6.88
Forfeited	(21,749)	6.59
Balance – March 31, 2023	1,877,623	3.86

The Equity Incentive Plan DSU transactions for the three months ended March 31, 2023 were as follows:

	Number of DSUs	Weighted average grant date fair value $
Balance – December 31, 2022	52,436	4.22
Granted	17,021	2.62
Balance – March 31, 2023	69,457	4.09

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

There were no Equity Incentive Plan PSU transactions during the three months ended March 31, 2023 and 2022. As at March 31, 2023 and December 31, 2022, there were 1,291,872 PSUs outstanding with a weighted average grant date fair value of $1.56.

Share-based compensation expense

The following table summarizes the share-based compensation expense that is recognized in general and administrative expenses:

	Three months ended March 31,	
	2023	**2022**
	$	**$**
Legacy Plan	(278)	—
Equity Incentive Plan		
Options	(82)	139
RSUs	372	252
PSUs	220	220
DSUs	42	26
	274	637

The fair value of the stock options is recognized as share-based compensation expense on a graded vesting basis over the vesting periods of the options. There were no stock options granted in the three months ended March 31, 2023. In the three months ended March 31, 2022, the Company used the Black-Scholes option pricing model with the following weighted average assumptions to determine the calculation of share-based compensation expense:

	Options granted
	2022
Fair value of options at grant date	$2.60
Share price at grant date	$6.80
Exercise price	$6.85
Risk-free interest rate	1.55%
Volatility factor of the expected market price of the Company's shares	38%
Expected option life	6 years

The fair value of the RSUs is determined to be the share price on the grant date. It is recognized as share-based compensation expense on a graded vesting basis over the vesting periods of the units.

The fair value of the DSUs is determined to be the share price on the grant date. It is recognized as share-based compensation expense on the grant date, as the awards are fully vested on this date.

The fair value of the PSUs is recognized as share-based compensation expense on a straight-line basis over the vesting periods of the PSUs.

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

11 Income (loss) per share

The following table reconciles the numerators and denominators of the basic and diluted income (loss) per share computation. Basic income (loss) per share calculation is as follows:

	Three months ended March 31,	
	2023	**2022**
Numerator for basic income (loss) per share – net income (loss) attributable to owners	$ (11,209)	$ (13,078)
Denominator for basic income (loss) per share – weighted average shares	56,269,530	56,178,906
Basic income (loss) per share	$ (0.20)	$ (0.23)

For the three months ended March 31, 2023 and 2022, as a result of the consolidated net losses recognized, dilutive earnings (loss) 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, RSUs, DSUs and PSUs would have been calculated as an additional nil shares, 668,525 shares, 69,637 shares and 1,291,872 shares (2022 - 123,362 shares, 847,926 shares, 13,123 shares and 1,291,872 shares), respectively.

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

12 Revenue

Disaggregation of revenue from contracts with customers

	Three months ended March 31, 2023			
	Television	Kids and Family	Representation	Total
	$	$	$	$
Production revenue	42,283	1,500	—	43,783
Service revenue	8,641	13,430	—	22,071
Distribution revenue	3,536	741	—	4,277
Representation revenue	—	—	9,629	9,629
	54,460	15,671	9,629	79,760
Timing of revenue recognition				
At a point in time	45,819	2,241	78	48,138
Over time	8,641	13,430	9,551	31,622
	54,460	15,671	9,629	79,760

	Three months ended March 31, 2022			
	Television	Kids and Family	Representation	Total
	$	$	$	$
Production revenue	4,708	6,824	—	11,532
Service revenue	11,874	11,552	—	23,426
Distribution revenue	2,171	1,127	—	3,298
Representation revenue	—	—	8,593	8,593
	18,753	19,503	8,593	46,849
Timing of revenue recognition				
At a point in time	6,879	7,951	540	15,370
Over time	11,874	11,552	8,053	31,479
	18,753	19,503	8,593	46,849

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

13 Expenses by nature

	Three months ended March 31, 2023	Three months ended March 31, 2022
	$	$
Amortization of investment in content	37,172	8,778
Amortization of acquired program intangibles	365	630
Distribution costs	273	513
Participation costs	1,396	482
Service costs	18,967	19,341
Development costs	1,248	1,488
Production, distribution and service costs	59,421	31,232
Salaries and employee benefits	18,496	17,514
Share-based compensation (note 10)	274	637
Overhead costs	4,112	4,633
General and administrative costs	22,882	22,784
Amortization of property and equipment	629	822
Amortization of right-of-use assets	1,548	1,449
Amortization of other intangible assets	1,584	2,088
Amortization of property and equipment, right-of-use assets and other intangible assets	3,761	4,359

14 Finance costs, net

	Three months ended March 31, 2023	Three months ended March 31, 2022
	$	$
Interest income	(377)	(53)
Interest expense	1,601	902
Accretion expense – leases	332	387
	1,556	1,236

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

15 Other (gains) and losses

	Three months ended March 31,	
	2023	**2022**
	$	**$**
Share of equity investee loss (income)	58	(261)
Change in fair value of financial assets	4	33
Change in fair value of unsettled forward exchange contracts (note 20)	(273)	(1,349)
Change in fair value of other financial liabilities - put options (note 7)	1,561	1,568
Change in fair value of other financial liabilities - other (note 7)	(24)	(253)
	1,326	(262)

16 Income taxes

	Three months ended March 31,	
	2023	**2022**
	$	**$**
Current income tax expense	1,754	1,741
Deferred income tax recovery	(1,915)	(2,493)
Income tax recovery	(161)	(752)

The provision for income tax differs from the amount that would have resulted by applying the combined Canadian federal and Ontario statutory income tax rate of 26.5%. The income tax in each period reflects the mix of taxing jurisdictions in which pre-tax income and losses were recognized. For the three months ended March 31, 2023, the effective tax rate was 1.67% (three months ended March 31, 2022 - 5.75%).

Items impacting the effective rate include non-deductible items such as share-based compensation expense, the different statutory rates in the taxing jurisdictions, and the continued derecognition of certain deferred tax assets as discussed below.

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 evidence 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 March 31, 2023, the Company has determined that the realization of certain deferred tax assets related to its US operations is uncertain and as a result has not recognized deferred tax assets of $30,513 (December 31, 2022 - $28,448).

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 will not be distributed in the foreseeable future.

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

17 Supplementary cash flow information

The following table summarizes the Company's change in non-cash balances related to operations:

	Three months ended March 31,	
	2023	**2022**
	$	**$**
Decrease in accounts receivable	24,739	17,415
Decrease (increase) in long-term accounts receivable	1,657	(2,074)
Increase in tax credit receivables	(5,957)	(10,139)
Decrease in income taxes receivable	152	378
Increase in prepaid expenses and deposits	(1,964)	(1,413)
Decrease in accounts payable and accrued liabilities, excluding participation accruals	(7,787)	(11,869)
Increase (decrease) in participation accruals	1,100	(1,837)
Decrease in due to/from related party payable	—	(621)
Increase in deferred revenue	46,081	8,915
	58,021	(1,245)

The following table summarizes the movements in the Company's liabilities arising from financing activities:

	Lease liabilities	**Interim production financing**
	$	**$**
December 31, 2022	22,544	210,354
Additions	166	—
Payments	(1,979)	(68,444)
Proceeds	—	38,479
Accretion	332	—
Foreign exchange loss (gain)	3	(35)
March 31, 2023	21,066	180,354

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

18 Government assistance

Additions to investment in content during the three months ended March 31, 2023 have been reduced by $26,448 (December 31, 2022 –$91,564) in respect of production tax credits.

19 Related party transactions

Controlling shareholder

On March 31, 2023 and December 31, 2022, Fairfax was the Company's ultimate controlling shareholder. Fairfax's holdings are held by several intermediary entities, none of which holds a controlling position.

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 March 31, 2023, the Company has 137 (December 31, 2022 – 145) 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.

Payables and payments to related parties

During the three months ended March 31, 2023, the Company made rental payments of $212 to The Old Telegram Building Inc. (OTBI), a related party with which the Company has a building lease agreement (2022 - $206). As at March 31, 2022, payables to OTBI of $1,378 are included in lease liabilities (December 31, 2022 - $1,572).

During the three months ended March 31, 2023, the Company made payments of $146 to Industrial Brothers Canada Ltd. (IB) for animation services which were capitalized to investment in content (2022 - $310). As at March 31, 2022, accounts payable and accrued liabilities include $41 payable to IB for animation and development services (December 31, 2022 - $132).

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

20 Financial instruments

Categories of financial instruments

As at March 31, 2023 and December 31, 2022, the Company's financial instruments consisted of the following:

	March 31, 2023	December 31, 2022
	$	$
Financial assets		
Measured at amortized cost		
Trade and other receivables	92,423	118,932
Measured at FVTPL		
Cash	70,499	85,794
Restricted cash	2,079	2,083
Financial assets – investments	5,971	5,811
Measured at FVOCI		
Financial assets – investments	3,269	3,274
Financial liabilities		
Measured at amortized cost		
Trade and other payables	67,558	73,944
Interim production financing (note 5)	180,354	210,354
Measured at FVTPL		
Other financial liabilities (note 7)	53,899	52,436
Fair value of unsettled forward exchange contracts	98	371

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

Fair values

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

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

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

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

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

		March 31, 2023	
	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Financial assets			
Cash, including restricted cash	72,578	—	—
Other financial assets	—	—	9,240
	72,578	—	9,240
Financial liabilities			
Fair value of unsettled forward exchange contracts	—	98	—
Other financial liabilities	—	1,524	52,375
	—	1,622	52,375

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

The following table summarizes the changes in Level 3 financial instruments for the three months ended March 31, 2023:

	Other financial assets	Other financial liabilities
	$	$
Opening balance - January 1, 2023	9,085	(50,885)
Additions	170	—
Change in fair value through net income (loss)	(9)	(1,567)
Change in fair value through OCI	(6)	—
Cumulative translation through OCI	—	77
Closing balance - March 31, 2023	9,240	(52,375)

The Company's accounts receivable, accounts payable and accrued liabilities, interim production financing, loans and borrowings and 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.	785	Private raise share price	1.80 per share	A 10% change in share price would increase/ decrease fair value by $79
Investment in Marco Polo Learning, Inc.	2,078	Private raise share price	9.66 per share	A 10% change in share price would increase/ decrease fair value by $210
Investment in Realm (formerly Serial Box Publishing LLC)	2,313	Private raise share price	2.53 per share	A 10% change in share price would increase/ decrease fair value by $232
Investment in Caravan (formerly Creative Labs LP)	724	Private raise share price	1.93 per share	A 10% change in share price would increase/ decrease fair value by $72
Other financial liabilities				
Insight put option	5,141	Expected future EBITDA	5,539	A 10% change in EBITDA would increase/decrease fair value by $514
Untitled put option	47,234	Growth rate	2.5 %	A change in growth rate by 100 basis points would increase/decrease fair value by $447

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

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:

	March 31, 2023		**December 31, 2022**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	$	**$**	**$**	**$**
Interim production financing (note 5)	180,354	180,354	210,354	210,354

Fair values for the above are determined using level two fair value hierarchy inputs.

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:

				March 31, 2023
	Less than 1 year	**1 to 3 years**	**4 to 5 years**	**Total**
	$	$	$	$
Accounts payable and accrued liabilities	61,264	6,293	—	67,557
Interim production financing (note 5)	85,796	94,706	—	180,502
Lease liabilities	6,765	13,010	4,276	24,051
Other financial liabilities (note 7)	5,141	48,758	—	53,899
	158,966	162,767	4,276	326,009

The Company periodically enters into forward exchange contracts to manage its currency risk on cash flows denominated in currencies other than Canadian dollars. At the reporting date, the Company revalues its financial instruments denominated in a foreign currency at the prevailing exchange rates. For the three months ended March 31, 2023, the Company recognized an unrealized loss of $273 (2022 - a loss of $1,349) in the consolidated statement of income (loss).

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

Summary of balance sheet position of forward exchange contracts at March 31, 2023:

Currency contracts	Quantity contracted in foreign currency	Quantity outstanding in foreign currency	Contract price			Ending rate	Liability	Contract ending date		
United States Dollar	1,384	1,384	$1.280	to	$1.310	$1.355	$(98)	July 5, 2023	to	August 31, 2023
Total							(98)			

21 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 course of production and delivery, contingent on completion of certain milestones. In the normal course of business, the Company also enters into first-look agreements with third-party producers whereby the Company commits to make payments to the producer over a period of time in exchange for preferential rights to option television projects developed by the producer. In addition to the above, the Company is committed to make certain cash payments to one of its investees, as well as committed payments for software use.

Future payments related to these commitments as at March 31, 2023 are as follows:

	$
Remainder of 2023	3,482
2024	756
2025	482
2026	240
2027	240
	5,200

The Company and its subsidiaries may from time to time be a party to certain legal disputes and claims arising from commercial issues in the normal course of business. There are currently no legal disputes or claims that will have a material adverse effect on the financial position or results of operations of the Company.

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

22 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 March 31, 2023, cash includes $45,977 (December 31, 2022 - $54,270) 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 license fees, production services agreements, film and television tax credits and other forms of support. The Company has not declared or paid dividends to controlling shareholders during the three months ended March 31, 2023. The balance of the Company's cash is being used to maximize ongoing development and growth effort. The Company excludes restricted cash from its capital. Restricted cash as at March 31, 2023 is $2,079 and consists of letters of credit of US$1,535 issued to certain US third parties for security on leased premises (December 31, 2022 - $2,083).

	March 31, 2023	December 31, 2022
	$	$
Cash	70,499	85,794
Net capital	70,499	85,794
Total capital and reserves attributable to owners	220,318	231,752

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

23 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 Co-Executive Chairmen, Chief Executive Officer and the President.

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

The Television segment operates under the following brands: Boat Rocker Studios, Scripted (formerly Temple Street and Platform One), Proper Productions, Insight Productions, and Matador Content. 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 Jam Filled Entertainment animation studio, and the consumer products business. 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.

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

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

					Three months ended March 31, 2023
	Television	**Kids and Family**	**Representation**	**Corporate**	**Total**
	$	**$**	**$**	**$**	**$**
Revenue	54,460	15,671	9,629	—	79,760
Expenses					
Production, distribution and service costs	46,226	13,169	26	—	59,421
General and administrative costs	9,081	1,389	6,058	6,354	22,882
	(847)	1,113	3,545	(6,354)	(2,543)
Amortization of property and equipment, right-of-use assets and intangible assets (note 13)					3,761
Finance costs, net (note 14)					1,556
Foreign exchange loss					449
Other (gains) and losses (note 15)					1,326
Income (loss) before income taxes					(9,635)
Current income tax expense (note 16)					1,754
Deferred income tax expense (note 16)					(1,915)
Net income (loss) for the year					(9,474)

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

	Three months ended March 31, 2022				
	Television	**Kids and Family**	**Representation**	**Corporate**	**Total**
	$	**$**	**$**	**$**	**$**
Revenue	18,753	19,503	8,593	—	46,849
Expenses					
Production, distribution and service costs	15,788	15,208	236	—	31,232
General and administrative costs	8,539	1,775	5,528	6,942	22,784
	(5,574)	2,520	2,829	(6,942)	(7,167)
Amortization of property and equipment, right-of-use assets and intangible assets (note 13)					4,359
Finance costs, net (note 14)					1,236
Foreign exchange loss					584
Other (gains) and losses (note 15)					(262)
Income (loss) before income taxes					(13,084)
Current income tax expense (note 16)					1,741
Deferred income tax expense (note 16)					(2,493)
Net income (loss) for the year					(12,332)

Revenue by geographic region

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

	Three months ended March 31,	
	2023	**2022**
	$	**$**
Revenue by geographic region:		
Canada	26,056	5,262
United States	49,604	39,504
Other	4,100	2,083
	79,760	**46,849**

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 three months ended March 31, 2023, two customers accounted for 47% of total revenue (2022 - three customers accounted for 40% of total revenue).

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

Non-current assets by geographic region are as follows:

	March 31, 2023	December 31, 2022
	$	$
Non-current assets by geographic region:		
Canada	505,241	515,522
United States	9,333	10,180
Other	213	260
	514,787	525,962