CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

[millions of Canadian dollars]	**August 31, 2018**	August 31, 2017
ASSETS		
Current		
Cash	**384**	507
Accounts receivable	**255**	286
Inventories	**101**	109
Other current assets *[note 5]*	**286**	155
Assets held for sale *[note 3]*	**–**	61
	1,026	1,118
Investments and other assets *[notes 15 and 16]*	**660**	937
Property, plant and equipment	**4,672**	4,344
Other long-term assets *[note 15]*	**300**	255
Deferred income tax assets	**4**	4
Intangibles	**7,482**	7,435
Goodwill	**280**	280
	14,424	14,373
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term borrowings *[note 6]*	**40**	–
Accounts payable and accrued liabilities	**971**	913
Provisions *[note 7]*	**245**	76
Income taxes payable	**133**	151
Unearned revenue	**221**	211
Current portion of long-term debt *[notes 10 and 15]*	**1**	2
Liabilities held for sale *[note 3]*	**–**	39
	1,611	1,392
Long-term debt *[notes 10 and 15]*	**4,310**	4,298
Other long-term liabilities *[notes 8 and 17]*	**13**	114
Provisions *[note 7]*	**179**	67
Deferred credits	**460**	490
Deferred income tax liabilities	**1,894**	1,858
	8,467	8,219
Shareholders' equity *[notes 11 and 13]*		
Common and preferred shareholders	**5,956**	6,153
Non-controlling interests in subsidiaries	**1**	1
	5,957	6,154
	14,424	14,373

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(millions of Canadian dollars)	Three months ended August 31, 2018	Three months ended August 31, 2017	Year ended August 31, 2018	Year ended August 31, 2017
Revenue *[note 4]*	**1,336**	1,244	**5,239**	4,882
Operating, general and administrative expenses *[note 9]*	**(776)**	(765)	**(3,150)**	(2,885)
Restructuring costs *[notes 7 and 9]*	**(16)**	–	**(446)**	(54)
Amortization:				
Deferred equipment revenue	**6**	9	**30**	38
Deferred equipment costs	**(25)**	(30)	**(110)**	(122)
Property, plant and equipment, intangibles and other	**(237)**	(226)	**(932)**	(860)
Operating income from continuing operations	**288**	232	**631**	999
Amortization of financing costs – long-term debt	**(2)**	(1)	**(3)**	(2)
Interest expense	**(64)**	(66)	**(248)**	(267)
Equity income (loss) of an associate or joint venture *[note 16]*	**13**	11	**(200)**	73
Other gains (losses)	**26**	26	**29**	(65)
Income from continuing operations before income taxes	**261**	202	**209**	738
Current income tax expense *[note 4]*	**41**	33	**137**	142
Deferred income tax expense	**20**	20	**6**	39
Net income from continuing operations	**200**	149	**66**	557
Income (loss) from discontinued operations, net of tax *[note 3]*	**–**	332	**(6)**	294
Net income	**200**	481	**60**	851
Net income from continuing operations attributable to:				
Equity shareholders	**200**	149	**66**	557
Income (loss) from discontinued operations attributable to:				
Equity shareholders	**–**	332	**(6)**	294
Basic earnings (loss) per share *[note 12]*				
Continuing operations	**0.39**	0.30	**0.11**	1.12
Discontinued operations	**–**	0.67	**(0.01)**	0.60
	0.39	0.97	**0.10**	1.72
Diluted earnings (loss) per share *[note 12]*				
Continuing operations	**0.39**	0.30	**0.11**	1.11
Discontinued operations	**–**	0.66	**(0.01)**	0.60
	0.39	0.96	**0.10**	1.71

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three months ended August 31,		Year ended August 31,	
(millions of Canadian dollars)	**2018**	2017	**2018**	2017
Net income	**200**	481	**60**	851
Other comprehensive income (loss) *[note 13]*				
Items that may subsequently be reclassified to income:				
Continuing operations:				
Change in unrealized fair value of derivatives designated as cash flow hedges	**1**	(9)	**5**	(7)
Adjustment for hedged items recognized in the period	**–**	–	**3**	(2)
Share of other comprehensive income of associates	**3**	6	**10**	13
Discontinued operations:				
Exchange differences on translation of a foreign operation	**–**	(78)	**–**	(50)
Exchange differences on translation of US denominated debt hedging a foreign operation	**–**	36	**–**	24
Reclassification of accumulated exchange differences to income related to the sale of a foreign operation	**–**	(82)		(82)
	4	(127)	**18**	(104)
Items that will not subsequently be reclassified to income:				
Remeasurements on employee benefit plans:				
Continuing operations	**11**	25	**74**	25
	15	(102)	**92**	(79)
Comprehensive income	**215**	379	**152**	772
Comprehensive income attributable to:				
Equity shareholders	**215**	379	**152**	772

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

Year ended August 31, 2018

	Attributable to equity shareholders						
[millions of Canadian dollars]	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
Balance as at September 1, 2017	**4,090**	**30**	**2,164**	**(131)**	**6,153**	**1**	**6,154**
Net income	**–**	**–**	**60**	**–**	**60**	**–**	**60**
Other comprehensive income	**–**	**–**	**–**	**92**	**92**	**–**	**92**
Comprehensive income	**–**	**–**	**60**	**92**	**152**	**–**	**152**
Dividends	**–**	**–**	**(394)**	**–**	**(394)**	**–**	**(394)**
Dividend reinvestment plan	**211**	**–**	**(211)**	**–**	**–**	**–**	**–**
Shares issued under stock option plan	**48**	**(6)**	**–**	**–**	**42**	**–**	**42**
Share-based compensation	**–**	**3**	**–**	**–**	**3**	**–**	**3**
Balance as at August 31, 2018	**4,349**	**27**	**1,619**	**(39)**	**5,956**	**1**	**5,957**

Year ended August 31, 2017

	Attributable to equity shareholders						
[millions of Canadian dollars]	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
Balance as at September 1, 2016	3,799	42	1,908	(52)	5,697	1	5,698
Net income	–	–	851	–	851	–	851
Other comprehensive loss	–	–	–	(79)	(79)	–	(79)
Comprehensive income	–	–	851	(79)	772	–	772
Dividends	–	–	(397)	–	(397)	–	(397)
Dividend reinvestment plan	198	–	(198)	–	–	–	–
Shares issued under stock option plan	93	(15)	–	–	78	–	78
Share-based compensation	–	3	–	–	3	–	3
Balance as at August 31, 2017	4,090	30	2,164	(131)	6,153	1	6,154

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended August 31,		Year ended August 31,	
(millions of Canadian dollars)	**2018**	2017	**2018**	2017
OPERATING ACTIVITIES				
Funds flow from continuing operations *[note 14]*	**441**	382	**1,259**	1,530
Net change in non-cash balances related to continuing operations	**(6)**	(39)	**94**	(110)
Operating activities of discontinued operations	**–**	13	**(2)**	82
	435	356	**1,351**	1,502
INVESTING ACTIVITIES				
Additions to property, plant and equipment *[note 4]*	**(294)**	(263)	**(1,127)**	(999)
Additions to equipment costs (net) *[note 4]*	**(12)**	(15)	**(49)**	(73)
Additions to other intangibles *[note 4]*	**(46)**	(39)	**(131)**	(111)
Net additions (reductions) to inventories	**22**	(19)	**8**	(48)
Proceeds on sale of discontinued operations, net of cash sold *[note 3]*	**–**	1,905	**18**	1,905
Proceeds on spectrum licenses	**35**	–	**35**	–
Purchase of spectrum licenses	**(25)**	(430)	**(25)**	(430)
Net additions to investments and other assets	**23**	(42)	**88**	(92)
Distributions received and proceeds from sale of investments	**–**	6	**–**	6
Proceeds on disposal of property, plant and equipment	**–**	–	**9**	–
Investing activities of discontinued operations	**–**	(14)	**–**	(109)
	(297)	1,089	**(1,174)**	49
FINANCING ACTIVITIES				
Increase in short-term borrowings *[note 6]*	**40**	–	**40**	–
Increase in long-term debt	**–**	933	**10**	1,233
Debt repayments *[note 10]*	**–**	(1,408)	**(1)**	(1,810)
Bank facility arrangement costs	**–**	–	**–**	(4)
Issue of Class B Non-Voting Shares *[note 11]*	**12**	40	**43**	77
Dividends paid on Class A Shares and Class B Non-Voting Shares	**(98)**	(98)	**(384)**	(385)
Dividends paid on Preferred Shares	**(2)**	(2)	**(8)**	(8)
Financing activities of discontinued operations	**–**	(578)	**–**	(551)
	(48)	(1,113)	**(300)**	(1,448)
Effect of currency translation on cash balances	**–**	–	**–**	(1)
Increase (decrease) in cash	**90**	332	**(123)**	102
Cash, beginning of the period	**294**	175	**507**	405
Cash of continuing operations, end of the period	**384**	507	**384**	507

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

August 31, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian connectivity company whose core operating business is providing: Cable telecommunications, Satellite video services and data networking to residential customers, businesses and public-sector entities ("Wireline"); and wireless services for voice and data communications ("Wireless"). The Company's shares are listed on the Toronto Stock Exchange ("TSX"), TSX Venture Exchange and New York Stock Exchange ("NYSE") (Symbol: TSX - SJR.B, SJR.PR.A, SJR.PR.B, NYSE - SJR, and TSXV - SJR.A).

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in compliance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

The condensed interim consolidated financial statements of the Company for the three and twelve months ended August 31, 2018 were authorized for issue by the Board of Directors on October 24, 2018.

Basis of presentation

These condensed interim consolidated financial statements have been prepared primarily under the historical cost convention except as detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2017 and are expressed in millions of Canadian dollars unless otherwise indicated. The condensed interim consolidated statements of income are presented using the nature classification for expenses.

Certain comparative figures have been reclassified to conform to the current period's presentation.

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year end and are not fully inclusive of all matters required to be disclosed by IFRS in the Company's annual consolidated financial statements. As a result, these condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended August 31, 2017.

The condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements except as noted below.

Standards and amendments to standards issued but not yet effective

The Company has not yet adopted certain standards and amendments that have been issued but are not yet effective. The following pronouncements are being assessed to determine their impact on the Company's results and financial position.

- IFRS 15 *Revenue from Contracts with Customers,* was issued in May 2014 and replaces IAS 11 *Construction Contracts,* IAS 18 *Revenue,* IFRIC 13 *Customer Loyalty Programs,* IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue—Barter Transactions Involving Advertising Services*. The new standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The application of IFRS 15 will impact the Company's reported results, including the classification and timing of revenue recognition and the treatment of costs incurred to obtain contracts with customers.

Revenue – timing and classification
The application of this standard will most significantly affect our Wireless arrangements that bundle equipment and service together, specifically with regards to the timing of recognition and classification of revenue. The timing of recognition and classification of revenue is affected because at contract inception, IFRS 15 requires the estimation of total consideration to be received over the contract term, and the allocation of that consideration to performance obligations in the contract, typically based on the relative stand-alone selling price of each obligation. This will result in a decrease to equipment revenue recognized at contract inception, as the discount previously recognized over 24 months will now be recognized at contract inception, and a decrease to service revenue recognized over the course of the contract, as a portion of the discount previously allocated solely to equipment revenue will be allocated to service revenue. The measurement of total revenue recognized over the life of a contract will be largely unaffected by the new standard. We do not expect the application of IFRS 15 to affect our cash flows from operations or the methods and underlying economics through which we transact with our customers.

Costs of contract acquisition – timing of recognition
IFRS 15 also requires that incremental costs to obtain a contract with a customer (for example, commissions) be capitalized and amortized into operating expenses over the life of a contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates. The Company currently expenses such costs as incurred.

Contract assets and liabilities
The Company's financial position will also be impacted by the adoption of IFRS 15, with new contract asset and contract liability categories recognized to reflect differences between the timing of revenue recognition and the actual billing of those goods and services to customers. While similar differences are recognized currently, IFRS 15 introduces additional requirements and disclosures specific to contracts with customers.

For purposes of applying the new standard on an ongoing basis, we must make judgments in respect of the new standard. We must make judgments in determining whether a promise to deliver goods or services is considered distinct, how to determine the transaction prices and how to allocate those amounts amongst the associated performance obligations. We must also exercise judgment as to whether sales-based compensation amounts are costs incurred to obtain contracts with customers that should be capitalized and subsequently amortized on a systematic basis over time.

The new standard is effective for annual periods beginning on or after January 1, 2018, which for the Company will be the annual period commencing September 1, 2018 and must be applied either retrospectively or on a modified retrospective basis for all contracts that are not complete as at that date. We have made a policy choice to restate each period presented and recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at the beginning of the earliest period presented, subject to certain adopted practical expedients.

Impacts of IFRS 15, Revenue from Contracts with Customers

IFRS 15, *Revenue from Contracts with Customers,* will affect the fiscal 2018 comparative amounts to be reported in our fiscal 2019 Consolidated Statements of Income as follows:

i) Allocation of transaction price
Revenue recognized at point of sale requires the estimation of total consideration over the contract term and allocation of that consideration to all performance obligations in the contract based on their relative stand-alone selling prices. For Wireless term contracts, equipment revenue recognized at contract inception, as well as service revenue recognized over the course of the contract will be lower than previously recognized as noted above.

ii) Deferred commission costs
Costs incurred to obtain or fulfill a contract with a customer were previously expensed as incurred. Under IFRS 15, these costs are capitalized and subsequently amortized as an expense over the life of the contract on a rational, systematic basis consistent with the pattern of the transfer of goods and services to which the asset relates. As a result, commission costs are reduced in the period, with an offsetting increase in amortization of capitalized costs over the average life of a customer contract.

IFRS 15, *Revenue from Contracts with Customers,* will affect the fiscal 2018 comparative amounts to be reported in our fiscal 2019 Consolidated Statements of Financial Position as follows:

i) Contract assets and liabilities
Contract assets and liabilities are the result of the difference in timing related to revenue recognized at the beginning of a contract and cash collected. Contract assets arise primarily as a result of the difference between revenue recognized on the sale of wireless device at the onset of a term contract and the cash collected at the point of sale.

Contract liabilities are the result of receiving payment related to a customer contract before providing the related goods or services. We will account for contract assets and liabilities on a contract-by-contract basis, with each contract being presented as a single net contract asset or net contract liability accordingly.

ii) Deferred commission cost asset
Under IFRS 15, we will defer commission costs paid to internal and external representatives as a result of obtaining contracts with customers as deferred commission cost assets and amortize them over the pattern of the transfer of goods and services to the customer, which is typically evenly over 24 to 36 months.

The application of IFRS 15 will not affect our cash flows from operating, investing, or financing activities.

- IFRS 16 *Leases* was issued on January 2016 and replaces IAS 17 Leases. The new standard requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value are exempt from the requirements and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded.

  As the Company has significant contractual obligations currently being recognized as operating leases, we anticipate that the application of IFRS 16 will result in a material increase to both assets and liabilities and material changes to the timing of the recognition of expenses associated with the lease arrangements although at this stage in the Company's IFRS 16 implementation process, it is not possible to make reasonable quantitative estimates of the effects of the new standard.

We have a team engaged to ensuring our compliance with IFRS 16. This team has been responsible for determining information technology requirements, ensuring scoping and data collection is appropriate, and communicating the upcoming changes with various stakeholders. In 2019, we will be implementing a process that will enable us to comply with the requirements of IFRS 16 on a lease-by-lease basis. As a result, we are continuing to assess the effect of this standard on our consolidated financial statements and it is not yet possible to make a reliable estimate of its effect. We expect to disclose the estimated financial effects of the adoption of IFRS 16 in our 2019 consolidated financial statements.

The standard may be applied retroactively or using a modified retrospective approach for annual periods commencing January 1, 2019, which for the Company will be the annual period commencing September 1, 2019. The Company will evaluate the adoption approach in conjunction with its assessment of the expected impacts of adoption.

Discontinued operations

The Company reports financial results for discontinued operations separately from continuing operations to distinguish the financial impact of disposal transactions from ongoing operations. Discontinued operations reporting occurs when the disposal of a component or a group of components of the Company represents a strategic shift that will have a major impact on the Company's operations and financial results, and where the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

The results of discontinued operations are excluded from both continuing operations and business segment information in the condensed interim consolidated financial statements and the notes to the condensed interim consolidated financial statements, unless otherwise noted, and are presented net of tax in the statement of income for the current and comparative periods. Refer to Note 3 Discontinued Operations for further information regarding the Company's discontinued operations.

Change in accounting policy

In September 2017, the IFRS Interpretations Committee ("the Committee") published a summary of its agenda decision regarding accounting for interest and penalties related to income taxes, which is not specifically addressed by IFRS Standards. Although the Committee decided not to add this issue to its standard-setting agenda, the Committee noted if an entity considers a particular amount payable or receivable for interest and penalties to be an income tax, then the entity applies IAS 12 *Income Taxes* to that amount. If an entity does not apply IAS 12 to a particular amount payable or receivable for interest and penalties, it applies IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. As such, the Company retrospectively changed its accounting policy for the accounting of interest and penalties related to income taxes to be in line with the Committee decision. The change of accounting policy did not have a significant impact on the previously reported consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

August 31, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

3. DISCONTINUED OPERATIONS

Shaw Tracking

In the third quarter of fiscal 2017, the Company entered into an agreement to sell a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation reported within the Company's Wireline segment, for proceeds of approximately USD $20, net of working capital adjustments. Accordingly, the operating results and operating cash flows of the Tracking business are presented as discontinued operations separate from the Company's continuing operations.

The transaction closed on September 15, 2017 and the Company recognized a loss on the divestiture within income from discontinued operations as follows:

	August 31, 2018
Proceeds on disposal, net of transaction costs of $nil	**18**
Net assets disposed	**(22)**
	(4)
Income taxes	**2**
Loss on divestiture, net of tax	**(6)**

The assets and liabilities disposed of were as follows:

	$
Accounts receivable	**6**
Inventories	**5**
Other current assets	**1**
Other long-term assets	**25**
Goodwill	**24**
	61
Accounts payable and accrued liabilities	**8**
Deferred credits	**33**
Deferred income tax liabilities	**(2)**
	22

A reconciliation of the major classes of line items related to Shaw Tracking constituting income from discontinued operations, net of tax, as presented in the consolidated statements of income is as follows:

	Three months ended August 31,		Year ended August 31,	
	2018	2017	**2018**	2017
Revenue	**–**	8	**1**	33
Operating, general and administrative expenses				
Employee salaries and benefits	**–**	2	**–**	7
Purchases of goods and services	**–**	4	**1**	18
	–	6	**1**	25
Restructuring	**–**	3	**–**	3
Amortization	**–**	(1)	**–**	(2)
Impairment of goodwill/disposal group	**–**	–	**–**	32
Loss from discontinued operations before tax	**–**	–	**–**	(25)
Income taxes	**–**	–	**–**	2
Loss from discontinued operations, net of tax, before divestiture	**–**	–	**–**	(27)
Loss on divestiture, net of tax	**–**	–	**(6)**	–
Loss from discontinued operations, net of tax	**–**	–	**(6)**	(27)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

August 31, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

ViaWest

In the fourth quarter of fiscal 2017, the Company entered into an agreement to sell 100% of its wholly owned subsidiary ViaWest, Inc. ("ViaWest") for proceeds of approximately USD $1.68 billion. Accordingly, the operating results and operating cash flows for the previously reported Business Infrastructure Services segment are presented as discontinued operations separate from the Company's continuing operations. Prior period financial information has been reclassified to present the Business Infrastructure Services division of the Company as a discontinued operation.

A reconciliation of the major classes of line items related to ViaWest constituting income from discontinued operations, net of tax, as presented in the consolidated statements of income is as follows:

	Three months ended August 31,		Year ended August 31,	
(millions of Canadian dollars)	**2018**	2017	**2018**	2017
Revenue	–	61	–	336
Eliminations[(1)]	–	–	–	(2)
	–	61	–	334
Operating, general and administrative expenses				
Employee salaries and benefits	–	13	–	80
Purchases of goods and services	–	22	–	124
	–	35	–	204
Eliminations[(1)]	–	–	–	(2)
	–	35	–	202
Amortization[(2)]	–	5	–	103
Interest on long-term debt	–	6	–	32
Amortization of transaction costs	–	11	–	12
Income (loss) from discontinued operations before tax and gain on divestiture	–	4	–	(15)
Income taxes	–	2	–	(6)
Income (loss) from discontinue operations, net of tax, before gain on divestiture	–	2	–	(9)
Gain on Divestiture, net of tax	–	330	–	330
Income from discontinued operations, net of tax	–	332	–	321

(1) Eliminations relate to intercompany transactions between continuing and discontinued operations. The costs are included in continuing operations as they continue to be incurred subsequent to the disposition.

(2) As of the date ViaWest met the criteria to be classified as held for sale, the Company ceased amortization of non-current assets of the division, including property, plant and equipment, intangibles and other. Amortization that would otherwise have been taken in the three and twelve month periods ended August 31, 2017 amounted to $16.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

August 31, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

4. BUSINESS SEGMENT INFORMATION

The Company's chief operating decision makers are the CEO, President and CFO and they review the operating performance of the Company by segments which comprise of Wireline and Wireless. The chief operating decision makers utilize operating income before restructuring costs and amortization for each segment as a key measure in making operating decisions and assessing performance. As a result of the restructuring undertaken in 2017, the Company reorganized and integrated its management structure, previously separated in the Consumer and Business Network Services segments, into a combined Wireline segment, as costs were becoming increasingly inseparable between these segments. There was no change to the Wireless operating segment.

The Wireline segment provides Cable telecommunications services including Video, Internet, Wi-Fi, Phone, Satellite Video and data networking through a national fibre-optic backbone network to Canadian consumers, North American businesses and public-sector entities. The Wireless segment provides wireless services for voice and data communications serving customers in Ontario, British Columbia and Alberta.

The previously reported Business Infrastructure Services segment was comprised primarily of the ViaWest operations and as a result, the majority of this segment is now reported in discontinued operations. The remaining operations and their results are now included within the Wireline segment.

Both of the Company's reportable segments are substantially located in Canada. Information on operations by segment is as follows:

Operating information

	Three months ended August 31,		Year ended August 31,	
	2018	2017	**2018**	2017
Revenue				
Wireline	**1,087**	1,073	**4,292**	4,280
Wireless				
Service	**167**	127	**595**	482
Equipment and other	**83**	45	**356**	123
	250	172	**951**	605
	1,337	1,245	**5,243**	4,885
Intersegment eliminations	**(1)**	(1)	**(4)**	(3)
	1,336	1,244	**5,239**	4,882
Operating income before restructuring costs and amortization				
Wireline	**516**	446	**1,913**	1,864
Wireless	**44**	33	**176**	133
	560	479	**2,089**	1,997
Restructuring costs	**(16)**	–	**(446)**	(54)
Amortization	**(256)**	(247)	**(1,012)**	(944)
Operating income	**288**	232	**631**	999
Current taxes				
Operating	**50**	41	**166**	174
Other/non-operating	**(9)**	(8)	**(29)**	(32)
	41	33	**137**	142

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

August 31, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

Capital expenditures

	Three months ended August 31,		Year ended August 31,	
	2018	2017	**2018**	2017
Capital expenditures accrual basis				
Wireline	**318**	302	**970**	890
Wireless	**103**	79	**343**	255
	421	381	**1,313**	1,145
Equipment costs (net of revenue)				
Wireline	**13**	17	**54**	80
Capital expenditures and equipment costs (net)				
Wireline	**331**	319	**1,024**	970
Wireless	**103**	79	**343**	255
	434	398	**1,367**	1,225
Reconciliation to Consolidated Statements of Cash Flows				
Additions to property, plant and equipment	**294**	263	**1,127**	999
Additions to equipment costs (net)	**12**	15	**49**	73
Additions to other intangibles	**46**	39	**131**	111
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	**352**	317	**1,307**	1,183
Increase/decrease in working capital and other liabilities related to capital expenditures	**81**	79	**65**	35
Decrease in customer equipment financing receivables	**1**	2	**4**	7
Less: Proceeds on disposal of property, plant and equipment	**–**	–	**(9)**	–
Total capital expenditures and equipment costs (net) reported by segments	**434**	398	**1,367**	1,225

5. OTHER CURRENT ASSETS

	August 31, 2018	August 31, 2017
	$	$
Prepaid expenses	**103**	99
Wireless handset receivables[(1)]	**183**	56
	286	155

(1) As described in the revenue and expenses accounting policy detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2017, these amounts relate to the current portion of wireless handset discounts receivable.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

August 31, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

6. SHORT-TERM BORROWINGS

On June 19, 2018 the Company established an accounts receivable securitization program with a Canadian financial institution which will allow it to sell certain trade receivables into the program up to a maximum of $100. The Company will continue to service and retain substantially all of the risks and rewards relating to the trade receivables sold, and therefore, the trade receivables will remain recognized on the Company's Consolidated Statement of Financial Position and the funding received will be recorded as a current liability (revolving floating rate loans) secured by the trade receivables. The buyer's interest in the accounts receivable ranks ahead of the Company's interest and the program restricts it from using the trade receivables as collateral for any other purpose. The buyer of the trade receivables has no claim on any of the Company's other assets. Sale proceeds in respect of the new securitization program of approximately $40 were received on June 19, 2018. The term of this revolving-period agreement ends on June 19, 2019.

A summary of our accounts receivable securitization program is as follows:

	August 31, 2018	August 31, 2017
	$	$
Trade accounts receivable sold to buyer as security	**429**	–
Short-term borrowings from buyer	**(40)**	–
Over-collateralization	**389**	–

	Three months ended August 31,		Year ended August 31,	
	2018	2017	**2018**	2017
Accounts receivable securitization program, beginning of period	**–**	**–**	**–**	**–**
Proceeds received from accounts receivable securitization	**40**	–	**40**	–
Repayment of accounts receivable securitization	**–**	–	**–**	**–**
Accounts receivable securitization program, end of period	**40**	**–**	**40**	**–**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

August 31, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

7. PROVISIONS

	Asset retirement obligations	Restructuring (1)(2)	Other	Total
	$	$	$	$
Balance as at September 1, 2017	60	7 (1)	76	143
Additions	**6**	**446 (2)**	**25**	**477**
Accretion	**1**	**–**	**–**	**1**
Reversal	**–**	**–**	**(13)**	**(13)**
Payments	**–**	**(177)**	**(7)**	**(184)**
Balance as at August 31, 2018	**67**	**276**	**81**	**424**
Current	–	7	69	76
Long-term	60	–	7	67
Balance as at September 1, 2017	60	7	76	143
Current	**–**	**166**	**79**	**245**
Long-term	**67**	**110**	**2**	**179**
Balance as at August 31, 2018	**67**	**276**	**81**	**424**

(1) During fiscal 2017, the Company restructured certain operations within the Wireline segment and announced a realignment to integrate certain Consumer/Business operations and Freedom Mobile. A total of $5 has been paid in fiscal 2018. The majority of the remaining costs are expected to be paid within the next six months.

(2) During the second quarter of fiscal 2018, the Company offered a voluntary departure program to a group of eligible employees and in the third and fourth quarters made additional changes to its organizational structure as part of a total business transformation initiative. In connection with the restructuring, the Company recorded $446 primarily related to severance and employee related costs in respect of the approximate 3,300 affected employees. A total of $172 has been paid in fiscal 2018. The remaining costs are expected to be paid out within the next 29 months.

8. OTHER LONG-TERM LIABILITIES

	August 31, 2018	August 31, 2017
	$	$
Pension liabilities *[note 17]*	**10**	99
Post retirement liabilities	**3**	5
Other	**–**	10
	13	114

9. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	Three months ended August 31,		Year ended August 31,	
	2018	2017	**2018**	2017
Employee salaries and benefits(1)	**184**	202	**1,176**	859
Purchase of goods and services	**608**	563	**2,420**	2,080
	792	765	**3,596**	2,939

(1) For the three and twelve months ended August 31, 2018, employee salaries and benefits include $15 (2017 - $nil) and $423 (2017 - $54) in restructuring costs, respectively.

[all amounts in millions of Canadian dollars, except share and per share amounts]

10. LONG-TERM DEBT

		August 31, 2018			August 31, 2017		
	Effective interest rates	Long-term debt at amortized cost (1)	Adjustment for finance costs (1)	Long-term debt repayable at maturity	Long-term debt at amortized cost (1)	Adjustment for finance costs (1)	Long-term debt repayable at maturity
	%	$	$	$	$	$	$
Corporate							
Cdn fixed rate senior notes-							
5.65% due October 1, 2019	5.69	**1,248**	**2**	**1,250**	1,247	3	1,250
5.50% due December 7, 2020	5.55	**499**	**1**	**500**	498	2	500
3.15% due February 19, 2021	3.17	**299**	**1**	**300**	298	2	300
4.35% due January 31, 2024	4.35	**498**	**2**	**500**	498	2	500
3.80% due March 1, 2027	3.84	**298**	**2**	**300**	298	2	300
6.75% due November 9, 2039	6.89	**1,419**	**31**	**1,450**	1,419	31	1,450
		4,261	**39**	**4,300**	4,258	42	4,300
Other							
Freedom Mobile – other	Various	**–**	**–**	**–**	2	–	2
Burrard Landing Lot 2 Holdings Partnership(1)	Various	**50**	**–**	**50**	40	–	40
Total consolidated debt		**4,311**	**39**	**4,350**	4,300	42	4,342
Less current portion(2)		**1**	**–**	**1**	2	–	2
		4,310	**39**	**4,349**	4,298	42	4,340

(1) In February 2018, the Partnership refinanced its debt. The Partnership received an additional mortgage loan of $30 and used the proceeds to loan excess funds to each of its partners, of which the Company received $10. The additional loan matures on November 1, 2024 and bears interest at 4.14% compounded semi-annually.

(2) Current portion of long-term debt includes amounts due within one year in respect of Freedom Mobile's finance lease obligations and the Burrard Landing loans.

11. SHARE CAPITAL

Changes in share capital during the year ended August 31, 2018 are as follows:

	Class A Shares		Class B Non-Voting Shares		Series A Preferred Shares		Series B Preferred Shares	
	Number	$	Number	$	Number	$	Number	$
August 31, 2017	22,420,064	2	474,350,861	3,795	10,012,393	245	1,987,607	48
Issued upon stock option plan exercises	–	–	1,854,594	48	–	–	–	–
Issued pursuant to dividend reinvestment	–	–	7,988,889	211	–	–	–	–
August 31, 2018	**22,420,064**	**2**	**484,194,344**	**4,054**	**10,012,393**	**245**	**1,987,607**	**48**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

August 31, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

12. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share calculations are as follows:

	Three months ended August 31,		Year ended August 31,	
	2018	2017	**2018**	2017
Numerator for basic and diluted earnings per share ($)				
Net income (loss) from continuing operations	**200**	149	**66**	557
Deduct: dividends on Preferred Shares	**(2)**	(2)	**(8)**	(8)
Net income (loss) attributable to common shareholders from continuing operations	**198**	147	**58**	549
Net income (loss) from discontinued operations	**–**	332	**(6)**	294
Net loss from discontinued operations attributable to common shareholders	**–**	332	**(6)**	294
Net income (loss) attributable to common shareholders	**198**	479	**52**	843
Denominator (millions of shares)				
Weighted average number of Class A Shares and Class B Non-Voting Shares for basic earnings per share	**505**	495	**502**	491
Effect of dilutive securities [(1)]	**1**	1	**1**	1
Weighted average number of Class A Shares and Class B Non-Voting Shares for diluted earnings per share	**506**	496	**503**	492
Basic earnings (loss) per share ($)				
Continuing operations	**0.39**	0.30	**0.11**	1.12
Discontinued operations	**–**	0.67	**(0.01)**	0.60
Attributable to common shareholders	**0.39**	0.97	**0.10**	1.72
Diluted earnings (loss) per share ($)				
Continuing operations	**0.39**	0.30	**0.11**	1.11
Discontinued operations	**–**	0.66	**(0.01)**	0.60
Attributable to common shareholders	**0.39**	0.96	**0.10**	1.71

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the three and twelve months ended August 31, 2018, 5,798,864 (2017 – 1,338,170) and 5,907,682 (2017 – 2,138,047) options were excluded from the diluted earnings per share calculation, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

August 31, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

13. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income and the related income tax effects for the year ended August 31, 2018 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Continuing operations:			
Change in unrealized fair value of derivatives designated as cash flow hedges	**7**	**(2)**	**5**
Adjustment for hedged items recognized in the period	**4**	**(1)**	**3**
Share of other comprehensive income of associates	**10**	**–**	**10**
	21	**(3)**	**18**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans:			
Continuing operations	**101**	**(27)**	**74**
	122	**(30)**	**92**

Components of other comprehensive income and the related income tax effects for the three months ended August 31, 2018 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Continuing operations:			
Change in unrealized fair value of derivatives designated as cash flow hedges	**1**	**–**	**1**
Adjustment for hedged items recognized in the period	**–**	**–**	
Share of other comprehensive income of associates	**3**	**–**	**3**
	4	**–**	**4**
Items that will not be subsequently be reclassified to income			**–**
Remeasurements on employee benefit plans:			**–**
Continuing operations	**15**	**(4)**	**11**
	19	**(4)**	**15**

Components of other comprehensive income and the related income tax effects for the year ended August 31, 2017 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Continuing operations:			
Change in unrealized fair value of derivatives designated as cash flow hedges	(9)	2	(7)
Adjustment for hedged items recognized in the period	(3)	1	(2)
Share of other comprehensive income of associates	13	–	13
Discontinued operations:			
Exchange differences on translation of a foreign operation	(50)	–	(50)
Exchange differences on translation of US denominated debt hedging a foreign operation	24	–	24
Reclassification of accumulated exchange differences to income related to the sale of a foreign operation	(82)	–	(82)
	(107)	3	(104)
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans:			
Continuing operations	34	(9)	25
	(73)	(6)	(79)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

August 31, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

Components of other comprehensive loss and the related income tax effects for the three months ended August 31, 2017 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Continuing operations:			
Change in unrealized fair value of derivatives designated as cash flow hedges	(12)	3	(9)
Adjustment for hedged items recognized in the period	–	–	–
Share of other comprehensive income of associates	6	–	6
Discontinued operations:			
Exchange differences on translation of a foreign operation	(78)	–	(78)
Exchange differences on translation of US denominated debt hedging a foreign operation	36	–	36
Reclassification of accumulated exchange differences to income related to the sale of a foreign operation	(82)	–	(82)
	(130)	3	(127)
Items that will not be subsequently be reclassified to income			
Remeasurements on employee benefit plans:			
Continuing operations	34	(9)	25
	(96)	(6)	(102)

Accumulated other comprehensive loss is comprised of the following:

	August 31, 2018 $	August 31, 2017 $
Items that may subsequently be reclassified to income		
Continuing operations:		
Change in unrealized fair value of derivatives designated as cash flow hedges	**–**	(8)
Share of other comprehensive income of associates	**18**	8
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans:		
Continuing operations	**(57)**	(131)
	(39)	(131)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

August 31, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

14. STATEMENTS OF CASH FLOWS

Disclosures with respect to the Consolidated Statements of Cash Flows are as follows:

(i) Funds flow from continuing operations

	Three months ended August 31,		Year ended August 31,	
	2018	2017	**2018**	2017
Net income (loss) from continuing operations	**200**	149	**66**	557
Adjustments to reconcile net income (loss) to funds flow from operations:				
Amortization	**258**	248	**1,015**	946
Deferred income tax expense	**20**	20	**6**	39
Share-based compensation	**1**	1	**3**	3
Defined benefit pension plans	**(1)**	–	**11**	8
Accretion of long-term liabilities and provisions	**(3)**	–	**(5)**	(1)
Equity (income) loss of an associate or joint venture	**(13)**	(11)	**200**	(73)
Provision for investment loss	**–**	(10)	**–**	82
Other	**(21)**	(15)	**(37)**	(31)
Funds flow from continuing operations	**441**	382	**1,259**	1,530

(ii) Interest and income taxes paid and interest received and classified as operating activities are as follows:

	Three months ended August 31,		Year ended August 31,	
	2018	2017	**2018**	2017
Interest paid	**29**	47	**239**	271
Income taxes paid (net of refunds)	**19**	16	**155**	220
Interest received	**1**	1	**4**	3

(iii) Non-cash transactions:

The Consolidated Statements of Cash Flows exclude the following non-cash transactions:

	Three months ended August 31,		Year ended August 31,	
	2018	2017	**2018**	2017
Issuance of Class B Non-Voting Shares:				
Dividend reinvestment plan	**52**	58	**211**	198

15. FAIR VALUE

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

August 31, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

Financial instruments

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

The fair value of financial instruments included in current assets and current liabilities approximates their carrying value due to their short-term nature.

(ii) Investments and other assets and other long-term assets

The fair value of publicly traded investments is determined by quoted market prices. Investments in private entities which do not have quoted market prices in an active market and whose fair value cannot be readily measured are carried at cost. No published market exists for such investments. These equity investments have been made as they are considered to have the potential to provide future benefit to the Company and accordingly, the Company has no current intention to dispose of these investments in the near term. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

(iii) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance or at the time of a business acquisition. The fair value of publicly traded notes is based upon current trading values. The fair value of finance lease obligations is determined by discounting future cash flows using a rate for loans with similar terms, conditions and maturity dates. The carrying value of bank credit facilities approximates fair value as the debt bears interest at rates that fluctuate with market values. Other notes and debentures are valued based upon current trading values for similar instruments.

(iv) Other long-term liabilities

The fair value of contingent consideration arising from a business acquisition is determined by calculating the present value of the probability weighted assessment of the likelihood that revenue targets will be met and the estimated timing of such payments.

(v) Derivative financial instruments

The fair value of US currency forward purchase contracts is determined by an estimated credit-adjusted mark-to-market valuation using observable forward exchange rates at the end of reporting periods and contract forward rates.

The carrying values and estimated fair values of long-term debt and a contingent liability are as follows:

	August 31, 2018		August 31, 2017	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
	$	**$**	$	$
Liabilities				
Long-term debt (including current portion)[(1)]	**4,311**	**4,788**	4,300	4,901

(1) Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

August 31, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

16. INVESTMENTS AND OTHER ASSETS

Corus Entertainment Inc.

In connection with the sale of the Media division to Corus in 2016, the Company received 71,364,853 Corus Class B non-voting participating shares (the "Corus B Consideration Shares") representing approximately 37% of Corus' total issued equity of Class A and Class B shares. The Company agreed to retain approximately one third of its Corus B Consideration Shares for 12 months post-closing, a second one third for 18 months post-closing and the final one third for 24 months post-closing. The Company also agreed to have its Corus B Consideration Shares participate in Corus' dividend reinvestment plan while subject to these retention periods until September 1, 2017. For the three and twelve months ended August 31, 2018, the Company received dividends of $23 (2017 - $23) and $92 (2017 - $88) from Corus, of which $nil (2017 - $21) and $nil (2017 - $81) were reinvested in additional Corus Class B shares, respectively. At August 31, 2018, the Company owned 80,630,383 (2017 – 80,630,383) Corus Class B shares having a market value of $298 (2017 - $1,109) and representing 38% (2017 – 39%) of Corus' total issued equity of Class A and Class B shares. The Company's weighted average ownership of Corus for the three months ended August 31, 2018 was 38% (2017 – 39%). As of September 1, 2017, the Company's Corus B Consideration Shares no longer participate in Corus' dividend reinvestment plan.

	August 31, 2018	August 31, 2017
Current assets	**508**	525
Non-current assets	**4,375**	5,543
Current liabilities	**(523)**	(604)
Non-current liabilities	**(2,683)**	(2,864)
Net assets	**1,677**	2,600
Less: non-controlling interests	**(154)**	(159)
	1,523	2,441
Carrying amount of the investment less accumulated impairment losses	**615**	897

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

August 31, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

Summary financial information for Corus and reconciliation with the carrying amount of the investment in the unaudited interim condensed consolidated balance sheets is as follows:

Summarized statement of earnings of Corus:

	Three months ended August 31,		Year ended August 31,	
	2018	2017	**2018**	2017
Revenue	**379**	381	**1,647**	1,679
Net income (loss) attributable to:				
Shareholders	**34**	29	**(784)**	192
Non-controlling interest	**6**	7	**26**	32
	40	36	**(758)**	224
Other comprehensive income (loss), attributable to shareholders	**7**	14	**25**	33
Comprehensive income (loss)	**47**	50	**(733)**	257
Equity income from associates, excluding goodwill impairment	**13**	11	**84**	73
Impairment of investment in associate(1)	**–**	–	**(284)**	–
Equity income from associates(2)	**13**	11	**(200)**	73
Other comprehensive income (loss) from equity accounted associates(2)	**3**	6	**10**	13
	16	17	**(190)**	86

(1) The Company assessed its investment in Corus for indicators of impairment, which included a significant and sustained decrease in the share price as well as the recording by Corus of an impairment charge against their goodwill and broadcast license intangibles, and found that there was evidence that impairment had occurred. The Company compared the recoverable amount to the carrying value and determined that an impairment charge of $284 was required. The recoverable amount was determined based on the value in use of the investment.

(2) The Company's share of income and other comprehensive income reflect the weighted average proportion of Corus net income and other comprehensive income attributable to shareholders for the three and twelve months periods ended August 31, 2018 and 2017, excluding the impact of any impairment charges against their goodwill and broadcast license intangibles which are evaluated separately as noted above.

17. EMPLOYEE BENEFIT PLANS

Defined benefit pension plans

The Company has two non-registered retirement plans for designated executives and senior executives. The following is a summary of the accrued benefit liabilities recognized in the statement of financial position.

	August 31, 2018	August 31, 2017
	$	**$**
Non-registered plans		
Accrued benefit obligation	**446**	532
Fair value of plan assets	**436**	433
Accrued benefit liabilities and deficit	**10**	99

The plans expose the Company to a number of risks, of which the most significant are as follows:

(i) Volatility in market conditions: The accrued benefit obligations are calculated using discount rates with reference to bond yields closely matching the term of the estimated cash flows while many of the assets are invested in other types of assets. If plan assets underperform these yields, this will result in a deficit. Changing market conditions in conjunction with discount rate volatility will result in volatility of the accrued benefit liabilities. To minimize some of the investment risk, the Company has established long-term funding targets where the time horizon and risk tolerance are specified.

(ii) Selection of accounting assumptions: The calculation of the accrued benefit obligations involves projecting future cash flows of the plans over a long-time frame. This means that assumptions used can have a material impact on the statements of financial position and comprehensive income because in practice, future experience of the plans may not be in line with the selected assumptions.

Non-registered pension plans

The Company provides a supplemental executive retirement plan (“SERP”) for certain of its senior executives. Benefits under this plan are based on the employees’ length of service and their highest three-year average rate of eligible pensionable earnings during their years of service. In 2012, the Company closed the plan to new participants and amended the plan to freeze base salary levels at August 31, 2012 for purposes of determining eligible pensionable earnings. Employees are not required to contribute to this plan.

The Company provides an executive retirement plan (“ERP”) for certain executives not covered by the SERP. Benefits under this plan are comprised of defined contribution and defined benefit components and are based on the employees’ length of service as well as final average earnings during their years of service. Employees are not required to contribute to this plan.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

August 31, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

The table below shows the change in benefit obligation and funding status and the fair value of plan assets.

	SERP $	ERP $	Total $
Accrued benefit obligation, as at September 1, 2017	518	14	532
Current service cost	**6**	**8**	**14**
Interest cost	**17**	**1**	**18**
Payment of benefits to employees	**(18)**	**(7)**	**(25)**
Transfer from DC Plan	**–**	**3**	**3**
Remeasurements:			
Effect of changes in demographic assumptions	**(5)**		**(5)**
Effect of experience adjustments[1]	**(89)**	**(2)**	**(91)**
Accrued benefit obligation, as at August 31, 2018	**429**	**17**	**446**
Fair value of plan assets, as at September 1, 2017	420	13	433
Employer contributions	**–**	**5**	**5**
Interest income	**15**	**1**	**16**
Transfer from DC Plan	**–**	**3**	**3**
Payment of benefits to employees	**(18)**	**(7)**	**(25)**
Return on plan assets, excluding interest income	**4**	**–**	**4**
Fair value of plan assets, as at August 31, 2018	**421**	**15**	**436**
Accrued benefit liability and plan deficit, as at August 31, 2018	**8**	**2**	**10**

(1) In the second quarter of the fiscal year, a remeasurement related to the effect of experience adjustments of $85 was recognized to reflect the decrease in the accrued benefit obligation due to demographic experience in the quarter.

The cost and related accrued benefit obligation of the Company's non-registered pension plans are determined using actuarial valuations. The actuarial valuations involve estimates and actuarial assumptions including discount rates and rate of compensation increase (financial assumptions) as well as mortality rates and retirement rates (demographic assumptions). Due to the long-term nature of the non-registered pension plans, such estimates are subject to significant uncertainty. Remeasurements related to the effect of experience adjustments arise when the non-registered pension plans' experience differs from the experience expected using the actuarial assumptions.