

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

Management's responsibility.....	63	Consolidated statements of changes in shareholders' equity.....	67
Independent auditor's report.....	64	Consolidated statements of financial position.....	68
Consolidated statements of profit or loss.....	65	Consolidated statements of cash flows.....	69
Consolidated statements of comprehensive income (loss).....	66	Notes to the consolidated financial statements.....	70

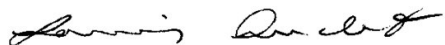
MANAGEMENT'S RESPONSIBILITY

RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Cogeco Communications Inc. (the "Corporation") and the financial information contained in this annual report are the responsibility of management. The consolidated financial statements include amounts determined by management based on estimates, which in their opinion are reasonable and fair. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and have been approved by the Board of Directors. Operating and financial information used elsewhere in the annual report is consistent with that of the consolidated financial statements.

In fulfilling its responsibilities, management of Cogeco Communications Inc. and its subsidiaries has developed, and continues to improve administrative and accounting systems in order to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and maintains internal accounting controls to ensure that financial records are reliable for preparing the financial statements. The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee, which reviews the annual consolidated financial statements of the Corporation and recommends their approval to the Board of Directors. The Committee periodically meets with management and the external auditor to discuss the results of the external and internal examinations and matters having an impact on financial information.

The independent auditor appointed by the shareholders, Deloitte LLP, Chartered Professional Accountants, is responsible for making an independent examination of the consolidated financial statements in accordance with Canadian auditing standards and to issue an opinion on the statements. The independent auditor has free access to the Audit Committee, with or without the presence of management. Their report follows.



Louis Audet
President and Chief Executive Officer



Patrice Ouimet
Senior Vice President and Chief Financial Officer

Montréal, November 2, 2016

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cogeco Communications Inc.

We have audited the accompanying consolidated financial statements of Cogeco Communications Inc., which comprise the consolidated statements of financial position as at August 31, 2016 and August 31, 2015, and the consolidated statements of profit or loss, consolidated statements of comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ended August 31, 2016 and August 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

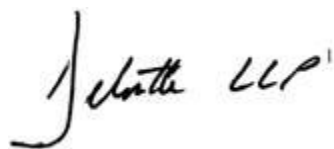
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cogeco Communications Inc. as at August 31, 2016 and August 31, 2015, and its financial performance and its cash flows for the years ended August 31, 2016 and August 31, 2015 in accordance with International Financial Reporting Standards.



November 2, 2016
Montréal, Québec

¹ CPA auditor, CA, public accountancy permit No. A109522

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Years ended August 31,	Notes	2016	2015
<i>(In thousands of Canadian dollars, except per share data)</i>		\$	\$
Revenue		2,176,149	2,043,316
Operating expenses	6	1,174,232	1,102,960
Management fees – Cogeco Inc.	22 A)	18,468	9,877
Integration, restructuring and acquisition costs	4	8,802	13,950
Claims and litigations	4	10,791	(27,431)
Depreciation and amortization	7	497,963	466,715
Impairment of goodwill and intangible assets	8	450,000	—
Financial expense	9	136,378	142,062
Income taxes	10	69,143	77,433
Profit (loss) for the year		(189,628)	257,750
Earnings (loss) per share			
Basic	11	(3.87)	5.27
Diluted	11	(3.87)	5.22

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended August 31,	Note	2016	2015
(In thousands of Canadian dollars)		\$	\$
Profit (loss) for the year		(189,628)	257,750
Other comprehensive income (loss)			
Items to be subsequently reclassified to profit or loss			
<i>Cash flow hedging adjustments</i>			
Net change in fair value of hedging derivative financial instruments		(49,999)	43,702
Net change in fair value of hedging derivative financial instruments reclassified to financial expense		48,108	(43,396)
Related income taxes		440	(272)
		(1,451)	34
<i>Foreign currency translation adjustments</i>			
Net foreign currency translation differences on net investments in foreign operations		957	150,274
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations		2,664	(94,813)
Related income taxes		(1,363)	—
		2,258	55,461
		807	55,495
Items not to be subsequently reclassified to profit or loss			
<i>Defined benefit plans actuarial adjustments</i>			
Remeasurement of net defined benefit liability	20	(6,021)	181
Related income taxes		1,619	(49)
		(4,402)	132
Other comprehensive income (loss) for the year		(3,595)	55,627
Comprehensive income (loss) for the year		(193,223)	313,377

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended August 31, 2016 and 2015 (In thousands of Canadian dollars)	Share capital \$	Share-based payment reserve \$	Accumulated other comprehensive income \$	Retained earnings \$	Total shareholders' equity \$
	(Note 17)		(Note 18)		
Balance at August 31, 2014	997,144	11,280	28,325	471,507	1,508,256
Profit for the year	—	—	—	257,750	257,750
Other comprehensive income for the year	—	—	55,495	132	55,627
Comprehensive income for the year	—	—	55,495	257,882	313,377
Issuance of subordinate voting shares under the Stock Option Plan	5,596	—	—	—	5,596
Share-based payment	—	6,614	—	—	6,614
Share-based payment previously recorded in share-based payment reserve for options exercised	1,394	(1,394)	—	—	—
Dividends on multiple voting shares (Note 17 C))	—	—	—	(21,968)	(21,968)
Dividends on subordinate voting shares (Note 17 C))	—	—	—	(46,478)	(46,478)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(6,425)	—	—	—	(6,425)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	3,909	(3,965)	—	56	—
Total contributions by (distributions to) shareholders	4,474	1,255	—	(68,390)	(62,661)
Balance at August 31, 2015	1,001,618	12,535	83,820	660,999	1,758,972
Loss for the year	—	—	—	(189,628)	(189,628)
Other comprehensive income (loss) for the year	—	—	807	(4,402)	(3,595)
Comprehensive income (loss) for the year	—	—	807	(194,030)	(193,223)
Issuance of subordinate voting shares under the Stock Option Plan	5,282	—	—	—	5,282
Share-based payment	—	6,184	—	—	6,184
Share-based payment previously recorded in share-based payment reserve for options exercised	1,261	(1,261)	—	—	—
Dividends on multiple voting shares (Note 17 C))	—	—	—	(24,478)	(24,478)
Dividends on subordinate voting shares (Note 17 C))	—	—	—	(52,020)	(52,020)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(4,575)	—	—	—	(4,575)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	4,881	(4,130)	—	(751)	—
Total contributions by (distributions to) shareholders	6,849	793	—	(77,249)	(69,607)
Balance at August 31, 2016	1,008,467	13,328	84,627	389,720	1,496,142

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At August 31, (In thousands of Canadian dollars)	Notes	2016 \$	2015 \$ (restated, Note 5)
Assets			
Current			
Cash and cash equivalents	19 B)	62,286	163,166
Trade and other receivables	21 A)	115,435	123,880
Income taxes receivable		12,701	10,747
Prepaid expenses and other		16,208	16,416
Derivative financial instruments		1,040	49,834
		207,670	364,043
Non-current			
Other assets	12	7,944	23,205
Property, plant and equipment	13	1,989,720	1,985,421
Intangible assets	14 A)	2,059,548	2,131,483
Goodwill	14 B)	1,060,780	1,497,800
Deferred tax assets	10	11,680	12,086
		5,337,342	6,014,038
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness	16 a)	4,115	—
Trade and other payables		289,668	287,632
Provisions	15	30,688	23,780
Income tax liabilities		26,680	53,790
Deferred and prepaid revenue		61,316	62,094
Intercompany note payable - Cogeco Inc.	22 B)	40,000	—
Current portion of long-term debt	16	22,516	297,629
		474,983	724,925
Non-current			
Long-term debt	16	2,838,130	2,982,395
Derivative financial instruments		165	—
Deferred and prepaid revenue and other liabilities		30,120	29,609
Pension plan liabilities and accrued employee benefits	20	8,809	3,943
Deferred tax liabilities	10	488,993	514,194
		3,841,200	4,255,066
Shareholders' equity			
Share capital	17 B)	1,008,467	1,001,618
Share-based payment reserve		13,328	12,535
Accumulated other comprehensive income	18	84,627	83,820
Retained earnings		389,720	660,999
		1,496,142	1,758,972
		5,337,342	6,014,038

Commitments, contingencies and guarantees (Note 23)

On behalf of the Board of Directors,



Jan Peeters
Director



L. G. Serge Gadbois
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31, (In thousands of Canadian dollars)	Notes	2016 \$	2015 \$
Cash flow from operating activities			
Profit (loss) for the year		(189,628)	257,750
Adjustments for:			
Depreciation and amortization	7	497,963	466,715
Impairment of goodwill and intangible assets	8	450,000	—
Financial expense	9	136,378	142,062
Income taxes	10	69,143	77,433
Share-based payment	17 D)	6,398	6,524
Loss on disposals and write-offs of property, plant and equipment		952	1,815
Defined benefit plans contributions, net of expense		(1,435)	(2,203)
		969,771	950,096
Changes in non-cash operating activities	19 A)	32,301	(58,484)
Financial expense paid		(133,903)	(130,739)
Income taxes paid		(123,001)	(71,949)
		745,168	688,924
Cash flow from investing activities			
Acquisition of property, plant and equipment	13	(444,741)	(422,950)
Acquisition of intangible and other assets		(22,769)	(16,270)
Business combination, net of cash and cash equivalents acquired	5	—	(263,240)
Other		2,791	1,266
		(464,719)	(701,194)
Cash flow from financing activities			
Increase in bank indebtedness		4,115	—
Proceeds on intercompany note payable - Cogeco inc.		40,000	—
Net increase (decrease) under the revolving facilities		(107,755)	83,071
Issuance of long-term debt, net of discounts and transaction costs		—	128,634
Repayment of long-term debt and settlement of derivative financial instruments		(240,629)	(35,684)
Transaction costs on long-term debt conversion and increase in deferred transaction costs		(1,195)	(480)
Issuance of subordinate voting shares	17 B)	5,282	5,596
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	17 B)	(4,575)	(6,425)
Dividends paid on multiple voting shares	17 C)	(24,478)	(21,968)
Dividends paid on subordinate voting shares	17 C)	(52,020)	(46,478)
		(381,255)	106,266
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		(74)	5,339
Net change in cash and cash equivalents		(100,880)	99,335
Cash and cash equivalents, beginning of the year		163,166	63,831
Cash and cash equivalents, end of the year		62,286	163,166

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended August 31, 2016 and 2015

NATURE OF OPERATIONS

Cogeco Communications Inc. ("Cogeco Communications" or the "Corporation" or the "Parent Corporation") (formerly Cogeco Cable Inc.) is a Canadian public communications corporation whose subordinate voting shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "CCA". On January 13, 2016 at the Annual Shareholders' Meeting, the shareholders approved a special resolution to rename the Corporation from Cogeco Cable Inc. to Cogeco Communications Inc.

Operating in Canada under Cogeco Cable Canada GP Inc. ("Cogeco Connexion") in Québec and Ontario, and in the United States under Atlantic Broadband LLC ("Atlantic Broadband") in western Pennsylvania, southern Florida, Maryland/Delaware, South Carolina and eastern Connecticut. Cogeco Communications provides residential and business customers with video, Internet and telephony services through its two-way broadband fibre networks. Through its subsidiary Cogeco Peer 1 Inc. ("Cogeco Peer 1"), the Corporation provides its business customers with a suite of information and communications technology services (colocation, network connectivity, hosting, cloud services and managed services), through its 17 data centres, extensive FastFiber Network® and more than 50 points of presence in North America and Europe.

The Corporation is a subsidiary of Cogeco Inc. ("Cogeco"), which holds 31.8% of the Corporation's equity shares, representing 82.3% of the votes attached to the Corporation's voting shares.

The Corporation's registered office is located at 5 Place Ville Marie, Suite 1700, Montréal, Québec, H3B 0B3.

1. BASIS OF PRESENTATION

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

The consolidated financial statements have been prepared on a going concern basis using historical cost, except for financial instruments and derivative financial instruments (see Note 2 M)), cash-settled share-based payment arrangements (see Note 2 J)) and pension plan assets (see Note 2 K)), which are measured at fair value, and for the defined benefit obligation (see Note 2K)) and provisions (see Note 2 I)), which are measured at present value.

Financial information is presented in Canadian dollars, which is the functional currency of Cogeco Communications.

The consolidated financial statements were approved by the Board of Directors of Cogeco Communications at its meeting held on November 2, 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

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

A) BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of the Corporation and its subsidiaries.

Subsidiaries are entities controlled by the Corporation. Control is achieved where the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries' financial statements are included in the consolidated financial statements from the date that control commences until the date that control ceases. Subsidiaries' year-end and accounting policies are aligned with those adopted by the Corporation. Operating segments and percentage of interest in the principal subsidiaries at August 31, 2016 are as follows:

Operating segment	Principal subsidiaries	Percentage of equity interest %	Voting rights %
Canadian broadband services	Cogeco Cable Canada GP Inc. ⁽¹⁾	100	100
American broadband services	Atlantic Broadband LLC	100	100
Business ICT services	Cogeco Peer 1 Inc.	100	100

(1) On September 1, 2016, this subsidiary was renamed Cogeco Connexion Inc.

The Corporation has established special purpose entities ("SPEs") with the objective of mitigating the impact of stock price fluctuations in connection with its Incentive and Performance Share Unit Plans. SPEs are consolidated if, based on an evaluation of the substance of their relationship with the Corporation and the SPEs' risks and rewards, the Corporation concludes that it controls the SPEs. SPEs controlled by the Corporation were established under terms that impose strict limitations on the decision-making powers of the SPEs'

management, resulting in the Corporation receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

All intercompany transactions and balances and any unrealized revenue and expense are eliminated in preparing the consolidated financial statements.

B) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. Goodwill is measured as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree over the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date.

The consideration transferred is measured as the sum of the fair values of assets transferred, liabilities assumed, and equity instruments issued by the Corporation at the acquisition date, including any asset or liability resulting from a contingent consideration arrangement, in exchange for control of the acquiree.

A right to receive or an obligation to pay contingent consideration is classified as an asset or a liability or as equity. Contingent consideration classified as equity is not remeasured until it is finally settled within equity. Contingent consideration classified as an asset or a liability is measured either as a financial instrument or as a provision. Changes in fair values that qualify as measurement period adjustments of preliminary purchase price allocations are adjusted in the current period and such changes are applied on a retroactive basis.

Acquisition costs, other than those associated with the issuance of debt or equity securities, and integration and restructuring costs that the Corporation incurs in connection with a business combination are recognized in profit or loss as incurred.

C) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, net of returns and discounts. The Corporation recognizes revenue from the sale of products or the rendering of services when the following conditions are met:

- The amount of revenue and related costs can be measured reliably;
- The significant risks and rewards of ownership have been transferred to customers and there is no continuing management involvement to the degree usually associated with ownership nor effective control over the goods; and
- The recovery of the consideration is probable.

More specifically, the Corporation's principal sources of revenue are recognized as follows:

- Monthly subscription revenue for video, Internet and telephony services and rental of equipment are recognized as the services are provided;
- Revenue from data services, long-distance and other pay-per-use services are recognized as the services are provided;
- Revenue from colocation, network connectivity, hosting, cloud and managed services are recognized as the services are provided; and
- Revenue generated from the sale of home terminal devices or other equipment are recognized when the customer accepts the delivery of the equipment.

Multiple-element arrangements

The Corporation offers certain products and services as part of multiple deliverable arrangements. The Corporation evaluates each deliverable arrangement to determine if it would represent a separate component. Components are accounted separately when:

- The delivered elements have stand-alone value to the customer; and
- There is an objective and a reliable evidence of fair value of any undelivered elements.

Consideration is measured and allocated between the components based upon their relative fair values while applying the relevant revenue recognition policy.

The Corporation considers that installation and activation fees are not separate components because they have no stand-alone value. Accordingly, they are deferred and amortized as revenue at the same pace as the revenue from the related services are earned, which is the average life of a customer's subscription for Broadband service customers or the term of the agreement for Business ICT service customers.

Unearned revenue, such as payments for goods and services received in advance of delivery, are recorded as deferred and prepaid revenue until the service is provided or the product is delivered to the customer.

D) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

During construction of new assets, direct costs plus overhead costs directly attributable to the asset are capitalized. Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which require a substantial amount of time to get ready for their intended use or sale, are capitalized until such time the assets are substantially ready for their intended use or sale. All other borrowing costs are recorded as financial expense in the period in which they are incurred.

The cost of replacing a part of property, plant and equipment that is ready for its intended use is added to the carrying amount of the property, plant and equipment or recognized as a separate component if applicable, only if it is probable that the economic benefits associated with the cost will flow to the Corporation and the cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other day-to-day maintenance costs are recognized in profit or loss in the period in which they are incurred.

Depreciation is recognized from the date the asset is ready for its intended use so as to write-off the cost of assets, other than freehold land and properties under construction, less their residual values over their useful lives, using the straight-line method. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Depreciation periods are as follows:

Buildings and leasehold improvements ⁽¹⁾	10 to 40 years
Networks and infrastructure ⁽²⁾	5 to 20 years
Home terminal devices	3 to 5 years
Data centre equipment ⁽³⁾	3 to 7 years
Rolling stock and equipment ⁽⁴⁾	3 to 10 years

(1) Leasehold improvements are amortized over the shorter of the term of the lease or economic life.

(2) Networks and infrastructure include cable towers, headends, transmitters, fibre and coaxial networks, customer drops and network equipment.

(3) Data centre equipment includes general infrastructure, mechanical and electrical equipment, security and access control. Servers that are included as part of the hosting product line are amortized on a straight-line basis over their expected useful life, which is three years.

(4) Rolling stock and equipment includes rolling stock, programming equipment, furniture and fixtures, computer and software and other equipments.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The estimated useful lives, residual values and depreciation method are reviewed annually, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or write-off of an item of property, plant and equipment is determined as the difference between the sale proceeds, if any, and the carrying amount of the asset and is recognized as profit or loss.

The Corporation does not record decommissioning obligations in connection with its fibre and coaxial networks. The Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, thus the resulting present value of the obligation is not significant.

E) INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately are measured at cost less accumulated amortization and impairment losses, if they are amortizable, otherwise, only net of accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Identifiable intangible assets acquired in a business combination

Identifiable intangible assets acquired in a business combination are recognized separately from goodwill if they meet the definition of intangible asset and if their fair value can be measured reliably. The cost of these intangible assets equals their acquisition-date fair value. Subsequent to initial recognition, identifiable intangible assets acquired in a business combination are recorded at cost less accumulated amortization and impairment losses, if they are amortizable, otherwise only net of accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives

Intangible assets with finite useful lives are amortized over their useful life. The estimated useful lives are reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with finite useful lives are amortized as follows:

- Customer relationships are amortized on a straight-line basis over the estimated useful life, defined as the average life of a customer's subscription, not exceeding eight years;
- Favorable leases are amortized on a straight-line basis over the remaining non-cancelable term of the lease agreement;
- Reconnect and additional service activation costs are capitalized up to a maximum amount not exceeding the revenue generated by the reconnect activity and are amortized over the average life of a customer's subscription, not exceeding four years; and
- Direct and incremental costs associated with the acquisition of Business ICT service customers are capitalized and amortized over the term of the revenue arrangement.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are those for which there is no foreseeable limit to their useful economic life as they arise from contractual or other legal rights that can be renewed without significant cost. They are comprised of Cable Distribution Undertaking Broadcasting Licenses and Franchises ("Cable Distribution Licenses") and Trade name. Cable Distribution Licenses are comprised of

broadcast authorities licenses and exemptions from licensing that allow access to homes and customers in a specific area. The Corporation has concluded that the Cable Distribution Licenses have indefinite useful lives since there are no legal, regulatory, contractual, economic or other factors that would prevent their renewals or limit the period over which they will contribute to the Corporation's cash flows. The Trade name is considered to have an indefinite economic life because of the institutional nature of the corporate trade name, its proven ability to maintain market recognition and profitable operations over long periods of time and the Corporation's commitment to develop and enhance its value. The Corporation reviews at the end of each reporting period whether events and circumstances continue to support indefinite useful life assessment for these Cable Distribution Licenses and the Trade name. Intangible assets with indefinite useful lives are not amortized, but tested for impairment at least annually or more frequently if there is any indication of impairment.

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. It is not amortized but tested for impairment at least annually or more frequently if there is an indication of impairment.

F) IMPAIRMENT OF NON FINANCIAL ASSETS

At the end of each reporting period, the Corporation reviews the carrying value of its property, plant and equipment and intangible assets with finite useful lives to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually or more frequently if there is an indication of impairment.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

For the purpose of impairment testing, assets that cannot be tested on an individual basis are grouped together into the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets ("cash-generating unit" or "CGU"). When a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to an individual CGU, otherwise they are allocated to the smallest group of CGU for which a reasonable and a consistent basis of allocation can be identified.

The most recent detailed calculation made in a preceding period of the recoverable amount of a CGU to which goodwill has been allocated may be used in the impairment test of that unit in the current period provided all of the following criteria are met:

- The assets and liabilities making up the unit have not changed significantly since the most recent recoverable amount calculation;
- The most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the unit by a substantial margin; and
- Based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the unit is remote.

An impairment loss is recognized when the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any allocated goodwill and then to reduce the carrying amount of other assets on a pro-rata basis. The impairment loss is recognized immediately in profit or loss in the period in which the loss occurs.

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

For the purpose of impairment testing, goodwill is allocated to each of the Corporation's CGUs that are expected to benefit from the synergies of the related business combination. An impairment loss recognized for goodwill cannot be reversed.

G) LEASES

Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Corporation at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between financial expense and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Financial expense and depreciation of the assets are recognized in profit or loss in the period they occur.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Lessor

The Corporation leases certain equipment, primarily home terminal devices, to its customers. These leases are classified as operating leases and rental revenue is recognized over the term of the relevant lease.

H) INCOME TAXES

Income tax expense represents the sum of the taxes currently payable and deferred. Current and deferred taxes are recognized in profit or loss, except when they relate to a business combination or to items that are recognized in other comprehensive income or directly in equity.

Current tax

The tax currently payable is based on taxable profit for the year. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or assets or liabilities in a transaction that is not a business combination and that affects neither the taxable profit nor the accounting profit or is related to investments in subsidiaries to the extent that the Corporation is able to control the reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but the Corporation intends to settle its current tax assets and liabilities on a net basis.

I) PROVISIONS

Provisions represent liabilities of the Corporation for which the amount or timing is uncertain. A provision is recorded when the Corporation has a legal or constructive present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized represents management's best estimate required to settle the obligation at the end of the reporting period, taking into account the obligation's risks and uncertainties. When the effect of the time value of money is material, the amount of the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as financial expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

J) SHARE-BASED PAYMENT

Equity-settled awards

The Corporation measures stock options granted to employees that vest rateably over the service period based on the fair value of each tranche on grant date by using the Black-Scholes pricing model and a compensation expense is recognized on a straight-line basis over the vesting period applicable to the tranche, with a corresponding increase in share-based payment reserve. Granted options vest equally over a period of five years beginning one year after the day such options are granted. At the end of each reporting period, the Corporation revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment in share-based payment reserve. When the stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in share-based payment reserve.

The Corporation measures Incentive Share Units ("ISUs") and Performance Share Units ("PSUs") granted to employees based on the fair value of the Corporation's subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, with a corresponding increase in share-based payment reserve. The total vesting period of each grant is three years less one day.

Cash-settled awards

The fair value of the amount payable to the members of the Board of Directors in respect of share appreciation rights under the Deferred Share Unit ("DSU") Plan of the Corporation, which are settled in cash, is recognized as a compensation expense with a corresponding increase in pension plan liabilities and accrued employee benefits as of the date units are issued to the members of the Board of Directors. The accrued liability is remeasured at the end of each reporting period, until settlement, using the average closing price of the subordinate voting shares on the TSX for the twenty consecutive trading days immediately preceding by one day the closing date of the reporting period. Any changes in the fair value of the liability are recognized in profit or loss.

K) EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits include wages, salaries, compensated absences, profit-sharing and bonuses. They are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an expense in the periods during which services are rendered by employees.

Defined benefit plans

On each annual reporting date, independent actuaries extrapolate the data of the most recent full actuarial valuation to measure, for accounting purposes, the present value of the defined benefit obligation. The Corporation's net defined benefit liability in respect of defined benefit plans is calculated separately for each plan.

The present values of the defined benefit obligation, the current service cost and, if applicable, the past service cost are actuarially determined using the projected unit credit method (sometimes known as the accrued benefit method pro-rated on service) based on management's best-estimate assumptions on the discount rate, the expected rate of compensation increase and the mortality table.

Management determines the discount rate based on a review of the current market interest rates on investment-grade fixed-rate corporate bonds, which are rates adjusted to reflect the duration of the expected future cash outflows of retirement benefit payments.

The net defined benefit liability or asset recognized in the consolidated statement of financial position corresponds to the fair value of plan assets net of the present value of the defined benefit obligation. Any asset resulting from this calculation is limited to the present value of the economic benefits available in the form of refunds from the plans or in the form of reductions in future contributions to the plans.

The net defined benefit cost components of the defined benefit plans are recognized as follows:

- Service cost is recognized in profit or loss;
- Net interest on the net defined benefit liability or asset is recognized in profit or loss;
- Remeasurements of the net defined benefit liability or asset are recognized in other comprehensive income.

The service cost recognized in profit or loss comprises:

- Current service cost provided in exchange for employees services rendered during the period;
- Past service cost recognized in profit or loss in the period in which the plan is amended; and
- Gains or losses resulting from a settlement recognized in profit or loss in the period in which the plan settlement occurs.

Net interest on the net defined benefit liability or asset is calculated by multiplying the net defined benefit liability or asset by the discount rate.

Remeasurements of the net defined benefit liability or asset are recognized immediately in retained earnings and they are not reclassified to profit or loss in a subsequent period. Remeasurements of the net defined benefit liability or asset comprise:

- Actuarial gains and losses arising from experience adjustments, changes in financial assumptions and changes in demographic assumptions;
- The return on plan assets, except amounts included in interest income; and
- Any change in the effect of the asset ceiling, except amounts included in net interest on the net defined benefit liability or asset.

L) FOREIGN CURRENCY TRANSLATION

For the purpose of the consolidated financial statements, the profit or loss and financial position of each group entity are expressed in Canadian dollars, which is the functional and presentation currency of the Corporation.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Corporation's entities at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognized as financial expense in profit or loss, except for those arising on the translation of financial instruments designated as a hedge of a net investment in foreign operations, and financial instruments designated as hedging instruments in a cash flow hedge, which are recognized in other comprehensive income until the hedged items are settled or recognized in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustment arising on acquisition, are translated to Canadian dollars using exchange rates prevailing at the end of the reporting period.

Revenue and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly or significant transactions occurred during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising from the translation process of net investments in foreign operations are recognized as foreign currency translation adjustments in other comprehensive income and accumulated in equity.

The Corporation applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Parent Corporation's functional currency. Foreign currency differences arising on the translation of long-term debt designated as hedges of a net investment in foreign operations are recognized in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the foreign currency translation balance. To the extent that the hedge is ineffective, such differences are recognized in profit or loss. When the hedged portion of a net investment is disposed of, the relevant amount in the cumulative amount of foreign currency translation adjustments is transferred to profit or loss as part of the profit or loss on disposal.

M) FINANCIAL INSTRUMENTS

Classification and measurement

All financial instruments, including derivatives, are included in the statement of financial position initially at fair value when the Corporation becomes a party to the contractual obligations of the instrument.

Subsequent to initial recognition, non-derivative financial instruments are measured in accordance with their classification as described below:

- Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an open market. Cash and cash equivalents and trade and other receivables are classified as loans and receivables. They are measured at amortized cost using the effective interest method, less any impairment loss;
- Transaction costs that are directly attributable to the acquisition or related to the issuance of financial assets or liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as required, upon initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss are recognized immediately in profit or loss; and
- Bank indebtedness, trade and other payables, intercompany note payable and long-term debt are classified as other liabilities. They are measured at amortized cost using the effective interest method. Directly attributable transaction costs are added to the initial fair value of financial instruments except for those incurred with respect to the revolving facilities which are recorded as other assets and amortized over the term of the related financing on a straight-line basis.

Financial assets are derecognized only when the Corporation no longer holds the contractual rights to the cash flows of the asset or when the Corporation transfers substantially all the risks and rewards of ownership of the financial asset to another entity. Financial liabilities are derecognized only when the Corporation's obligations are discharged, cancelled or expired.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments, including hedge accounting

The Corporation uses cross-currency swaps and foreign currency forward contracts as derivative financial instruments to manage foreign exchange risk related to its foreign denominated Senior Secured Notes Series A and forecasted purchase commitments of property, plant and equipment. In addition, the Corporation uses interest rate swaps as derivative financial instruments to manage interest rate risk related to its floating rate long-term debt. The Corporation does not hold or use any derivative financial instruments for speculative trading purposes.

Derivative financial instruments are recognized initially at fair value and related transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for as described below. Net receipts or payments arising from derivative financial instruments are recognized as financial expense.

On initial designation of the hedge, the Corporation formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedging transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship and measure the ineffectiveness. The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated and whether the actual results of each hedging relationship are within a range of 80-125 percent. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Cash flow hedge accounting

When a derivative financial instrument is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative financial instrument is recognized in accumulated other comprehensive income and presented in the cash flow hedge reserve in equity. The amount recognized in accumulated other comprehensive income is removed and included in profit or loss in the same period as the hedged item affects profit or loss and in the same line item as the hedged item. Any ineffective portion of changes in the fair value of the derivative financial instrument is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in accumulated other comprehensive income and presented in cash flow hedge reserve in equity, remains there until the forecasted hedged item affects profit or loss. If the forecasted hedged item is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in profit or loss.

In other cases the amount recognized in accumulated other comprehensive income is transferred to profit or loss in the same period in which, the hedged item affects profit or loss.

Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and if the combined instrument is not measured at fair value through profit or loss.

Impairment of financial assets

Trade and other receivables ("receivables") are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that receivables are impaired can include default or delinquency by a debtor or indications that a debtor will enter into bankruptcy.

The Corporation considers evidence of impairment for receivables at both the specific asset level and on an aggregate basis. All individually significant receivables are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are assessed on an aggregate basis for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of receivables is calculated as the difference between its carrying amount and the present value of the estimated future cash flows. Losses are recognized in profit or loss and reflected in an allowance account presented in reduction of receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

N) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and highly liquid investments that have an original maturity of three months or less.

O) EARNINGS PER SHARE

The Corporation presents basic and diluted earnings per share data for its multiple and subordinate voting shares. Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of the Corporation by the weighted average number of multiple and subordinate voting shares outstanding during the period, adjusted for subordinate voting shares held in trust under the ISU and PSU Plans. Diluted earnings per share is determined by adjusting the weighted average number of multiple and subordinate voting shares outstanding for the effects of all potential dilutive subordinate voting shares, which comprise stock options, ISUs and PSUs granted to executive officers and designated employees.

P) SEGMENT REPORTING

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Corporation's other components. All segments' operating results are reviewed regularly by the Corporation's Chief Operating Decision Maker ("CODM") to decide about resources to be allocated to the operating segment and to assess its performance, and for which discrete financial information is available. Segment operating results that are directly reported to the CODM include items directly attributable to an operating segment as well as those that can be allocated on a reasonable basis.

Q) ACCOUNTING JUDGMENTS AND USE OF ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses.

Significant areas requiring the use of management's judgments and estimates relate to the following items:

- **Allowance for doubtful accounts**

Allowance for doubtful accounts is established based on specific credit risk of the Corporation's customers by examining such factors as the number of overdue days of the customer's balance outstanding as well as the customer's collection history. As a result, conditions causing fluctuations in the aging of customer accounts will directly impact the reported amount of bad debt expenses (see Note 21 A));

- **Business combinations**

Fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at the date of acquisition and involves considerable judgment in determining the fair values assigned to the property, plant and equipment and intangible assets acquired and liabilities assumed on acquisition. Among other things, the determination of these fair values involves the use of discounted cash flow analyses, estimated future margins and estimated future customer counts (see Note 5);

- **Depreciation of property, plant and equipment and amortization of intangible assets**

Measurement of property, plant and equipment and intangible assets with finite useful lives requires estimates for determining the asset expected useful lives and residual values. Management's judgment is also required to determine the components and the depreciation method used (see Note 7);

- **Provisions**

Management's judgment is used to determine the timing, likelihood and the amount of expected cash outflows as well as the discount rate (see Note 15);

- **Fair value measurement of derivative financial instruments**

The fair value of derivative financial instruments is estimated using valuation techniques based on several market data such as interest rates, foreign exchange rates and the Corporation's or counterparties' credit risks;

- **Measurement of defined benefit obligation**

The net defined benefit obligation is determined using actuarial calculations that are based on several assumptions. The actuarial valuation uses the Corporation's assumptions for the discount rate, the expected rate of compensation increase and the mortality table. If the actuarial assumptions are found to be significantly different from the actual data subsequently observed, it could impact the reported amount of defined benefit pension cost recognized in profit or loss, the remeasurement of the net defined benefit asset or liability recognized directly in other comprehensive income and the net assets or net liabilities related to these obligations presented in the consolidated statement of financial position (see Note 20);

- **Measurement of non-financial assets**

The measurement of non-financial assets requires the use of management judgment to identify the existence of impairment indicators and the determination of CGUs. Furthermore, when determining the recoverable amount of a CGU or an asset, the Corporation uses significant estimates such as the estimation of future cash flows and discount rates applicable. Any significant modification of market conditions could translate into an inability to recover the carrying amounts of non-financial assets (Note 14); and

- **Deferred taxes**

Deferred tax assets and liabilities require estimates about the nature and timing of future permanent and temporary differences, the expected timing of reversals of those temporary differences and the future tax rates that will apply to those differences. Judgment is also required in determining the tax basis of indefinite life intangible assets and the resulting tax rate used to measure deferred taxes (see Note 10).

Such judgments and estimates are based on the facts and information available to the management of the Corporation. Changes in facts and circumstances may require the revision of previous estimates, and actual results could differ from these estimates.

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, interpretations and amendments to existing standards were issued by the IASB that are mandatory but not yet effective for the year ended August 31, 2016, and have not been applied in preparing these consolidated financial statements. The following standards may have a material impact on future consolidated financial statements of the Corporation:

	Effective for annual periods	
	starting on or after	
IFRS 9 <i>Financial Instruments</i>	January 1, 2018	Early adoption permitted
IFRS 15 <i>Revenue from Contracts with Customers</i>	January 1, 2018	Early adoption permitted
IFRS 16 <i>Leases</i>	January 1, 2019	Early adoption permitted

IFRS 9 replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. IFRS 9 does not replace the requirement for portfolio fair value hedge accounting for interest risk since this phase of the project was separated from the IFRS 9 project due to the longer term nature of the macro hedging project which is currently at the discussion paper phase of the due process. Consequently, the exception in IAS 39 for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply.

IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model for an entity to recognize revenue in order to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes the following standards: IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, 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*. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a corresponding lease liability, representing its obligation to make the lease payments. IFRS 16 supersedes the current standard IAS 17 *Leases*. The accounting treatment for lessors will remain largely the same as under IAS 17. Early adoption is permitted, but only if the entity is also applying IFRS 15.

The Corporation is in the process of determining the extent of the impact of these changes on its consolidated financial statements.

4. OPERATING SEGMENTS

The Corporation's segment profit (loss) is reported in three operating segments: Canadian broadband services, American broadband services and Business information and communications technology ("Business ICT") services. The reporting structure reflects how the Corporation manages its business activities to make decisions about resources to be allocated to the segments and to assess their performance.

The Canadian and American broadband services segments provide a wide range of video, Internet and telephony services primarily to residential customers and also provide business services to small and medium sized businesses across their coverage areas. The Canadian broadband services activities are carried out by Cogeco Connexion in the Provinces of Québec and Ontario, and the American broadband services activities are carried out by Atlantic Broadband in western Pennsylvania, southern Florida, Maryland/Delaware, South Carolina and eastern Connecticut.

The Business ICT services segment provides colocation, network connectivity, hosting, cloud and a rich portfolio of managed services primarily in Canada, the United States and Europe to small, medium and large enterprises around the globe. Cogeco Peer 1 provides these services in the following key vertical markets: online retail, financial services, technology, public sector, education, health care, business services, manufacturing, media and online gaming. Cogeco Peer 1 provides its services through 17 data centres and more than 50 points of presence in North America and Europe. The activities of the Business ICT services segment are carried out across Canada (British Columbia, Ontario, Québec), the United States (California, Texas, Virginia, Florida and Georgia) and Europe (London and Southampton, United Kingdom ("UK") and France).

The Corporation and its chief operating decision maker assess the performance of each operating segment based on its segment profit (loss), which is equal to revenue less operating expenses. The other expenses, except for management fees, financial expense and income taxes, are reported by segment solely for external reporting purposes. Management fees, financial expense and income taxes are managed on a consolidated basis and, accordingly, are not reflected in segmented results. The Inter-segment eliminations and other, eliminate any intercompany transactions included in each segment's operating results and include head office activities. Transactions between operating segments are measured at the amounts agreed to between the parties.

Year ended August 31, 2016	Canadian broadband services	American broadband services	Business ICT services	Inter-segment eliminations and other	Consolidated
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$
Revenue	1,268,515	609,753	301,523	(3,642)	2,176,149
Operating expenses	608,452	349,497	203,189	13,094	1,174,232
Management fees – Cogeco Inc.	—	—	—	18,468	18,468
Segment profit (loss)	660,063	260,256	98,334	(35,204)	983,449
Integration, restructuring and acquisition costs ⁽¹⁾	2,752	594	5,456	—	8,802
Claims and litigations ⁽²⁾	—	—	10,791	—	10,791
Depreciation and amortization	242,100	129,427	126,135	301	497,963
Impairment of goodwill and intangible assets	—	—	450,000	—	450,000
Financial expense	—	—	—	—	136,378
Income taxes	—	—	—	—	69,143
Loss for the year					(189,628)
Property, plant and equipment	1,106,192	444,666	438,108	754	1,989,720
Intangible assets	988,957	970,790	99,801	—	2,059,548
Goodwill	4,662	784,680	271,438	—	1,060,780
Acquisition of property, plant and equipment	222,333	115,081	107,310	17	444,741
Acquisition of intangible and other assets	11,492	4,072	7,205	—	22,769

(1) Comprised of acquisition and integration costs related to a business combination in the American broadband services segment (see Note 5) and restructuring costs in the Canadian Broadband services and Business ICT services segments.

(2) Comprised of costs related to the settlement of claims and costs related to litigations, some of which are currently unresolved.

Year ended August 31, 2015 (In thousands of Canadian dollars)	Canadian broadband services \$	American broadband services \$ (restated, Note 5)	Business ICT services \$	Inter-segment eliminations and other \$	Consolidated \$ (restated, Note 5)
Revenue	1,262,892	470,259	313,618	(3,453)	2,043,316
Operating expenses	616,339	268,385	204,169	14,067	1,102,960
Management fees – Cogeco Inc.	—	—	—	9,877	9,877
Segment profit (loss)	646,553	201,874	109,449	(27,397)	930,479
Integration, restructuring and acquisition costs ⁽¹⁾	—	1,619	12,331	—	13,950
Claims and litigations ⁽²⁾	(27,431)	—	—	—	(27,431)
Depreciation and amortization	238,772	100,356	127,213	374	466,715
Financial expense					142,062
Income taxes					77,433
Profit for the year					257,750
Property, plant and equipment	1,115,536	434,007	434,840	1,038	1,985,421
Intangible assets	989,428	997,647	144,408	—	2,131,483
Goodwill	4,662	787,133	706,005	—	1,497,800
Acquisition of property, plant and equipment	237,025	75,974	109,951	—	422,950
Acquisition of intangible and other assets	11,009	2,793	2,468	—	16,270

(1) Comprised of acquisition costs related to a business combination in the American broadband services segment (see Note 5) and restructuring costs (severance costs and professional fees) associated to the combination of Cogeco Data Services and Peer 1 Hosting into one business unit, in the Business ICT services segment.

(2) Comprised of the settlement of a claim with a supplier, paid partly in cash and partly in the form of credit notes applicable on future purchases of property, plant and equipment.

The following tables set out certain geographic market information:

Year ended August 31, 2016 (In thousands of Canadian dollars)	Canada \$	United States \$	Europe \$	Total \$
Revenue	1,428,863	708,680	38,606	2,176,149
Property, plant and equipment	1,450,350	502,357	37,013	1,989,720
Intangible assets	1,051,192	1,002,134	6,222	2,059,548
Goodwill	221,867	824,074	14,839	1,060,780

Year ended August 31, 2015 (In thousands of Canadian dollars)	Canada \$	United States \$ (restated, Note 5)	Europe \$	Total \$ (restated, Note 5)
Revenue	1,419,584	583,350	40,382	2,043,316
Property, plant and equipment	1,429,517	504,073	51,831	1,985,421
Intangible assets	1,061,954	1,059,528	10,001	2,131,483
Goodwill	333,710	1,106,494	57,596	1,497,800

5. BUSINESS COMBINATION

BUSINESS COMBINATION IN FISCAL 2015

On August 20, 2015, Atlantic Broadband, a wholly-owned subsidiary of Cogeco Communications, completed the acquisition of substantially all of the net assets of MetroCast Communications of Connecticut, LLC (the "Connecticut system"), which served 27,256 video, 22,673 Internet and 7,817 telephony customers at August 31, 2015. The transaction, valued at US\$200 million, excluding a post-closing net working capital adjustment of US\$1.3 million, was financed through a combination of cash on hand, a draw-down on the existing Revolving Facility of US\$90 million and US\$100 million of borrowings under a new Term Loan A-2 Facility issued under the First Lien Credit Facilities. This acquisition enhances Cogeco Communications' footprint in the American market and provides for further growth potential.

During the first three months of fiscal 2016, the Corporation finalized the purchase price allocation of the Connecticut system. The final purchase price allocation is as follows:

	Preliminary August 31, 2015	Final November 30, 2015
(In thousands of Canadian dollars)	\$	\$
Consideration paid		
Purchase price	261,600	261,600
Working capital adjustments	1,640	1,640
	263,240	263,240
Net assets acquired		
Trade and other receivables	616	616
Prepaid expenses and other	1,696	1,696
Property, plant and equipment	51,368	51,368
Intangible assets	108,564	115,104
Goodwill	101,685	95,145
Trade and other payables assumed	(689)	(689)
	263,240	263,240

The amount of goodwill, which is deductible for tax purposes, is mainly attributable to revenue and adjusted EBITDA growth considering sizeable residential and business growth opportunities, to the tax benefit of amortizing goodwill and intangible assets in an asset purchase, to the expected benefits from the corporate tax structure and to the strength of the Connecticut system's assembled workforce.

In connection with the acquisition, the Corporation incurred acquisition-related costs of \$2.2 million of which \$0.6 million was recognized in the current year, as "Integration, restructuring and acquisition costs" in the Corporation's consolidated statement of profit or loss.

The finalization of the purchase price allocation had no significant impact on the consolidated statement of comprehensive income for the year ended August 31, 2015, while the impact on the consolidated statement of financial position at August 31, 2015 is as follows:

	As previously reported	Adjustments	As currently reported
	\$	\$	\$
Intangible assets	2,124,904	6,579	2,131,483
Goodwill	1,504,379	(6,579)	1,497,800

6. OPERATING EXPENSES

Years ended August 31,	2016	2015
<i>(In thousands of Canadian dollars)</i>	\$	\$
Salaries, employee benefits and outsourced services	350,877	343,850
Service delivery costs ⁽¹⁾	650,834	591,336
Customer related costs ⁽²⁾	64,230	62,304
Other external purchases ⁽³⁾	108,291	105,470
	1,174,232	1,102,960

(1) Include cost of equipment sold, content and programming costs, payments to other carriers, data centre expenses, franchise fees and network costs.

(2) Include advertising and marketing expenses, selling costs, billing expenses, bad debts and collection expenses.

(3) Include office building expenses, professional service fees, Canadian Radio-television and Telecommunications Commission ("CRTC") fees and other administrative expenses.

7. DEPRECIATION AND AMORTIZATION

Years ended August 31,	2016	2015
<i>(In thousands of Canadian dollars)</i>	\$	\$
Depreciation of property, plant and equipment	428,722	403,023
Amortization of intangible assets	69,241	63,692
	497,963	466,715

8. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

The Corporation recognized a non-cash pre-tax impairment loss of \$450 million during the third quarter of fiscal 2016 resulting from changing industry dynamics and related valuations, and lower expectations for future revenue, profitability and cash flow growth.

As part of a process initiated in fiscal 2015, the Corporation performed a thorough review of its Business ICT services segment operations, organizational structure and portfolio of products and services. The review resulted in several initiatives primarily focused on profitable sales generation, the streamlining of the product offering, the simplification of operational processes and the announcement, on May 5, 2015, of the combination of its two business units Cogeco Data Services and Peer 1 Hosting to form Cogeco Peer 1. The teams formerly managing both companies have since then been combined and several executive positions have either been replaced or filled during the ensuing period, with the remaining executive positions filled during the third quarter of fiscal 2016.

Despite continuous efforts to align Cogeco Peer 1's sales structure on its streamlined product offering, the sales performance has not achieved expected growth. Sales of managed hosting services, which are Cogeco Peer 1's main product sold in the United States and Europe, have been substantially lower than expected due to a combination of an accelerated transition out of unprofitable services, slower than planned ramp-up of the sales team, and increased competition in the market from large cloud-based offerings, which now compete with most traditional managed hosting providers. In addition, the fair market value and trading multiples for managed hosting businesses have decreased significantly over the last year due to the entry in the market of these cloud-based offerings. Cogeco Peer 1 is continuing to adapt to the significant capacity and price pressure originating from cloud providers, by continuing to focus on mid-sized customers which require value-added services. Cogeco Peer 1's customer data is primarily hosted on its own infrastructure and to a lower extent on external cloud providers under resell agreements.

In Canada, the sales of colocation services, which typically cater to larger customers, have also been slower than planned. As for connectivity services, ongoing pricing pressures are typically offset by volume growth. Additional net growth in network connectivity is expected to result from growing the number of customers per connected building and from maximizing sales on the existing network.

Although management is confident that it now has in place the management team and the operating structure to succeed, the current situation is expected to persist past fiscal 2016. Consequently, management has reviewed downwards its future financial projections, resulting in a decrease in the value of the Corporation's investment in Cogeco Peer 1.

As a result, the Corporation tested goodwill and all long-lived assets of Cogeco Peer 1 for impairment at May 31, 2016.

Based on lower expectations for future revenue, profitability and cash flow growth, the Corporation recorded a non-cash impairment loss of \$428.5 million on goodwill during the third quarter of fiscal 2016.

Long-lived assets, such as property, plant and equipment and intangible assets with finite useful lives were tested for impairment by comparing the carrying value of the asset or group of assets to the corresponding recoverable amount of the asset or group of assets, in order to determine the extent of the impairment loss, if any. Accordingly, the Corporation completed its impairment testing on the long-lived assets and concluded that the carrying value of the customer relationships exceeded their recoverable amount, calculated as the discounted future cash flows

expected to be generated from the asset. As a result, a non-cash impairment loss of \$21.5 million was recognized during the third quarter of fiscal 2016 regarding the customer relationships.

The impairment of goodwill and intangible assets that affected the Corporation's financial results for the year ended August 31, 2016 is as follows :

	\$
Impairment of goodwill ⁽¹⁾	428,500
Impairment of intangible assets ⁽²⁾	21,500
Impairment of goodwill and intangible assets	450,000
Income taxes	(16,048)
Impairment of goodwill and intangible assets net of income taxes	433,952

(1) Impairment of goodwill by geographic market includes \$111.8 million in Canada, \$278.9 million in the United States and \$37.8 million in Europe.

(2) Intangible assets were impaired only in the United States.

9. FINANCIAL EXPENSE

Years ended August 31,	2016	2015
<i>(In thousands of Canadian dollars)</i>	\$	\$
Interest on long-term debt	131,808	131,740
Net foreign exchange losses (gains)	(273)	893
Amortization of deferred transaction costs	2,432	2,282
Capitalized borrowing costs ⁽¹⁾	(1,877)	(468)
Other	4,288	7,615
	136,378	142,062

(1) For the years ended August 31, 2016 and 2015, the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

10. INCOME TAXES

Years ended August 31,	2016	2015
<i>(In thousands of Canadian dollars)</i>	\$	\$
Current	93,887	91,230
Deferred	(24,744)	(13,797)
	69,143	77,433

The following table provides the reconciliation between income tax expense at the Canadian statutory federal and provincial income tax rates and the consolidated income tax expense:

Years ended August 31,	2016	2015
<i>(in thousands of Canadian dollars)</i>	\$	\$
Profit (loss) before income taxes	(120,485)	335,183
Combined Canadian income tax rate	26.71%	26.58%
Income taxes at combined Canadian income tax rate	(32,182)	89,092
Adjustment for losses or profit subject to lower or higher tax rates	6,902	5,677
Revaluation of deferred tax assets	9,444	—
Impact on deferred taxes as a result of changes in substantively enacted tax rates	1,226	—
Impact on income taxes arising from non-deductible expenses ⁽¹⁾	107,676	2,423
Tax impacts related to foreign operations	(21,346)	(18,287)
Other	(2,577)	(1,472)
Income taxes at effective income tax rate	69,143	77,433

(1) Comprised of \$107.2 million of non-deductible impairment of goodwill and intangible assets.

The following table shows deferred income taxes resulting from temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes, as well as tax losses carryforwards:

At August 31, (In thousands of Canadian dollars)	2016 \$	2015 \$
Property, plant and equipment	(174,237)	(169,710)
Intangible assets and goodwill	(449,530)	(456,822)
Deferred and prepaid revenue	10,973	9,683
Partnerships income	—	(20,710)
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	139,832	139,609
Other	(4,351)	(4,158)
Net deferred tax liabilities	(477,313)	(502,108)
Financial statement presentation:		
Deferred tax assets	11,680	12,086
Deferred tax liabilities	(488,993)	(514,194)
Net deferred tax liabilities	(477,313)	(502,108)

The movements in deferred tax asset and liability balances during fiscal 2016 and 2015 were as follows:

Year ended August 31, 2016 (In thousands of Canadian dollars)	Balance beginning of the year \$	Recognized in profit or loss \$	Recognized in other comprehensive income \$	Foreign currency translation adjustments \$	Balance end of the year \$
Property, plant and equipment	(169,710)	(3,881)	—	(646)	(174,237)
Intangible assets and goodwill	(456,822)	5,887	—	1,405	(449,530)
Deferred and prepaid revenue	9,683	1,311	—	(21)	10,973
Partnerships income	(20,710)	20,710	—	—	—
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	139,609	1,423	—	(1,200)	139,832
Other	(4,158)	(706)	696	(183)	(4,351)
	(502,108)	24,744	696	(645)	(477,313)

Year ended August 31, 2015 (In thousands of Canadian dollars)	Balance beginning of the year \$	Recognized in profit or loss \$	Recognized in other comprehensive income \$	Foreign currency translation adjustments \$	Balance end of the year \$
Property, plant and equipment	(151,343)	(2,327)	—	(16,040)	(169,710)
Intangible assets and goodwill	(399,897)	(5,848)	—	(51,077)	(456,822)
Deferred and prepaid revenue	6,482	2,553	—	648	9,683
Partnerships income	(37,077)	16,367	—	—	(20,710)
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	113,054	4,634	—	21,921	139,609
Other	(2,930)	(1,582)	(321)	675	(4,158)
	(471,711)	13,797	(321)	(43,873)	(502,108)

At August 31, 2016, the Corporation and its subsidiaries had accumulated federal income tax losses, the benefits of which have been recognized in these financial statements, unless indicated otherwise. These losses expire as follows:

(In thousands of Canadian dollars)	2024 \$	2025 \$	2026 \$	Thereafter \$	Total \$
Canada	—	—	—	40,045	40,045
United States	8,361	53,341	72,381	198,796	332,879
United Kingdom ⁽¹⁾	—	—	—	24,604	24,604
	8,361	53,341	72,381	263,445	397,528

(1) Net tax losses in United Kingdom can be carried forward indefinitely to offset against profit of the same enterprise. The benefit of these tax losses have not been recognized in these financial statements.

The Corporation and its subsidiaries also had accumulated capital losses amounting to \$497 million which can be carried forward indefinitely against capital gains, and \$210 million of deductible temporary differences, the benefits of which have not been recognized in these consolidated financial statements.

11. EARNINGS (LOSS) PER SHARE

The following table provides the reconciliation between basic and diluted earnings (loss) per share:

Years ended August 31,	2016	2015
<i>(In thousands of Canadian dollars, except number of shares and per share data)</i>	\$	\$
Profit (loss) for the year	(189,628)	257,750
Weighted average number of multiple and subordinate voting shares outstanding	49,032,367	48,887,765
Effect of dilutive stock options ⁽¹⁾ ⁽²⁾	—	244,313
Effect of dilutive incentive share units ⁽²⁾	—	241,730
Effect of dilutive performance share units ⁽²⁾	—	43,064
Weighted average number of diluted multiple and subordinate voting shares outstanding	49,032,367	49,416,872
Earnings (loss) per share		
Basic	(3.87)	5.27
Diluted	(3.87)	5.22

(1) For the year ended August 31, 2016, 155,900 stock options (3,100 in 2015) were excluded from the calculation of diluted earnings per share as the exercise price of the options was greater than the average share price of the subordinate voting shares.

(2) The weighted average dilutive potential of subordinate voting shares which amounted to 417,337 for the year ended August 31, 2016, is anti-dilutive due to the loss incurred for the year.

12. OTHER ASSETS

At August 31,	2016	2015
<i>(In thousands of Canadian dollars)</i>	\$	\$
Transaction costs	5,167	7,151
Amount receivable related to a claim with a supplier ⁽¹⁾	—	9,000
Prepayment to a supplier	—	4,049
Other	2,777	3,005
	7,944	23,205

(1) In the form of credit notes applicable to future purchases of property, plant and equipment.

13. PROPERTY, PLANT AND EQUIPMENT

During fiscal 2016 and 2015, property, plant and equipment variations were as follows:

Years ended August 31, 2016 and 2015 (In thousands of Canadian dollars)	Land, buildings and leasehold improvements	Networks and infrastructure ⁽¹⁾	Data centre equipment ⁽²⁾	Home terminal devices	Rolling stock and equipment ⁽³⁾	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance at August 31, 2014	195,779	2,545,983	214,034	484,499	257,616	3,697,911
Acquisitions through a business combination	1,334	47,419	—	1,422	1,193	51,368
Other additions	35,500	202,160	48,503	93,893	42,894	422,950
Disposals and write-offs	(141)	(1,687)	(8,026)	(38,098)	(5,278)	(53,230)
Foreign currency translation adjustments	8,561	80,463	18,009	14,128	12,946	134,107
Balance at August 31, 2015	241,033	2,874,338	272,520	555,844	309,371	4,253,106
Other additions	3,449	212,784	71,049	89,297	68,162	444,741
Disposals and write-offs	(393)	(7,527)	(3,162)	(37,181)	(15,038)	(63,301)
Foreign currency translation adjustments	(6,076)	(3,380)	(5,388)	(495)	(2,297)	(17,636)
Balance at August 31, 2016	238,013	3,076,215	335,019	607,465	360,198	4,616,910
Accumulated depreciation and impairment losses						
Balance at August 31, 2014	45,169	1,212,963	72,121	379,814	156,873	1,866,940
Depreciation expense	14,604	234,662	44,313	64,375	45,069	403,023
Disposals and write-offs	(12)	(859)	(7,381)	(36,688)	(5,209)	(50,149)
Foreign currency translation adjustments	1,646	25,782	9,363	6,099	4,981	47,871
Balance at August 31, 2015	61,407	1,472,548	118,416	413,600	201,714	2,267,685
Depreciation expense	16,865	255,337	26,264	70,623	59,633	428,722
Disposals and write-offs	(364)	(5,133)	(3,029)	(36,170)	(15,018)	(59,714)
Foreign currency translation adjustments	(1,712)	(2,020)	(3,932)	(230)	(1,609)	(9,503)
Balance at August 31, 2016	76,196	1,720,732	137,719	447,823	244,720	2,627,190
Carrying amounts						
At August 31, 2015	179,626	1,401,790	154,104	142,244	107,657	1,985,421
At August 31, 2016	161,817	1,355,483	197,300	159,642	115,478	1,989,720

(1) Networks and infrastructure include cable towers, headends, transmitters, fibre and coaxial networks, customer drops, and network equipment.

(2) Data centre equipment includes general infrastructure, mechanical and electrical equipment, security and access control. Servers that are included as part of the hosting product line are amortized on a straight-line basis over their expected useful life, which is three years.

(3) Rolling stock and equipment includes rolling stock, programming equipment, furniture and fixtures, computer and software and other equipments.

14. INTANGIBLE ASSETS AND GOODWILL

A) INTANGIBLE ASSETS

During fiscal 2016 and 2015, intangible assets variations were as follows:

Years ended August 31, 2016 and 2015 (In thousands of Canadian dollars)	Finite useful life		Indefinite useful life		Total
	Customer relationships ⁽¹⁾	Other ⁽²⁾	Cable Distribution Licenses	Trade name	
	\$	\$	\$	\$	\$
	(restated, Note 5)		(restated, Note 5)		
Cost					
Balance at August 31, 2014	356,527	60,094	1,586,760	25,934	2,029,315
Acquisition through a business combination	20,928	—	94,176	—	115,104
Other additions	—	16,498	—	—	16,498
Fully amortized	—	(9,991)	—	—	(9,991)
Foreign currency translation adjustments	50,518	1,752	130,743	—	183,013
Balance at August 31, 2015	427,973	68,353	1,811,679	25,934	2,333,939
Other additions	—	22,960	—	—	22,960
Fully amortized	—	(12,249)	—	—	(12,249)
Foreign currency translation adjustments	(3,328)	(445)	(2,632)	—	(6,405)
Balance at August 31, 2016	424,645	78,619	1,809,047	25,934	2,338,245
Accumulated amortization and impairment losses					
Balance at August 31, 2014	106,557	27,912	—	—	134,469
Amortization expense	47,619	16,073	—	—	63,692
Fully amortized	—	(9,991)	—	—	(9,991)
Foreign currency translation adjustments	13,788	498	—	—	14,286
Balance at August 31, 2015	167,964	34,492	—	—	202,456
Amortization expense	52,018	17,223	—	—	69,241
Impairment (Note 8)	21,500	—	—	—	21,500
Fully amortized	—	(12,249)	—	—	(12,249)
Foreign currency translation adjustments	(2,027)	(224)	—	—	(2,251)
Balance at August 31, 2016	239,455	39,242	—	—	278,697
Carrying amounts					
At August 31, 2015	260,009	33,861	1,811,679	25,934	2,131,483
At August 31, 2016	185,190	39,377	1,809,047	25,934	2,059,548

(1) Customer relationships include long-term contractual agreements with customers.

(2) Includes reconnect and additional service activation costs in the Broadband services segments, direct and incremental costs associated with the acquisition of Business ICT services' customers and favorable leases.

B) GOODWILL

During fiscal 2016 and 2015, goodwill variations were as follows:

Years ended August 31, 2016 and 2015	
<i>(In thousands of Canadian dollars)</i>	
	\$
	<i>(restated, Note 5)</i>
Cost	
Balance at August 31, 2014	1,220,529
Acquisitions through a business combination	95,145
Foreign currency translation adjustments	182,126
Balance at August 31, 2015	1,497,800
Foreign currency translation adjustments	<i>(11,910)</i>
Balance at August 31, 2016	1,485,890
Accumulated impairment losses	
Balance at August 31, 2015	—
Impairment (Note 8)	428,500
Foreign currency translation adjustment	<i>(3,390)</i>
Balance at August 31, 2016	425,110
Carrying amounts	
At August 31, 2015	1,497,800
At August 31, 2016	1,060,780

C) IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

The Corporation tests goodwill and intangible assets with indefinite useful lives for impairment once per year, or more frequently when indicators of impairment are identified.

Goodwill is allocated to cash-generating units ("CGU") based on the level at which management monitors goodwill. The allocation is made to CGUs that are expected to benefit from the synergies of the business combination from which it arose.

Intangible assets with indefinite useful lives who do not generate independent cash inflows from those of other assets or group of assets, are allocated and tested for impairment as part of the CGU to which they belong.

For the purpose of impairment testing, goodwill and intangible assets with indefinite useful lives are allocated to each of the Corporation's CGUs as follows:

		2016			2015	
At August 31,						
Operating segment / CGU	Goodwill	Cable Distribution Licenses	Trade name	Goodwill	Cable Distribution Licenses	Trade name
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$	\$
				<i>(restated, Note 5)</i>	<i>(restated, Note 5)</i>	
Canadian broadband services	4,662			4,662		
Ontario		857,696	—		857,696	—
Québec		109,304	—		109,304	—
American broadband services	784,680			787,133		
Southern Florida		245,269	—		246,036	—
South Carolina		40,660	—		40,787	—
Western Pennsylvania		407,908	—		409,182	—
Maryland/Delaware		53,776	—		53,943	—
Eastern Connecticut		94,434	—		94,731	—
Business ICT services	271,438	—	25,934	706,005	—	25,934
Total	1,060,780	1,809,047	25,934	1,497,800	1,811,679	25,934

Goodwill and intangible assets with indefinite useful lives are considered impaired if the recoverable amount is less than the carrying amount. The recoverable amount of each CGU is calculated based on the higher of value in use and fair value less cost to sell. The value in use is determined using cash flow projections derived from internal financial projections covering a period of five to eight years. They reflect management's expectations of revenue growth, expenses and capital expenditures for each CGU based on past experience and expected growth for the segment. Cash flows beyond that period are extrapolated using an estimated terminal growth rate determined with regard to projected growth rates for the specific markets in which the CGUs participate and are not considered to exceed the long-term average growth rates for those markets. Discount rates applied to the cash flow forecasts are derived from the Corporation's pre-tax weighted average cost of capital, adjusted for the different risk profiles of the individual CGUs.

At May 31, 2016 the Corporation tested goodwill and all long-lived assets of Cogeco Peer 1 for impairment, following the identification of impairment indicators. In accordance with accounting standards, goodwill and intangible assets with indefinite useful lives were tested for impairment at the CGU level, which is the Business ICT services segment. As a result, an impairment loss was recognized on goodwill (see Note 8).

At August 31, 2016 the Corporation performed impairment tests for both its Canadian and American broadband services CGUs. The recoverable amount of each CGU was determined to be higher than its carrying amount and no impairment loss has been recognized at August 31, 2016.

The 2014 calculation of the recoverable amount of the Canadian broadband services, which represents the most recent detailed calculation made in a preceding year, was used in the impairment test of that unit at August 31, 2016.

The following represents the key assumptions that were used to determine the recoverable amounts in the most recent impairment tests performed for each of the Corporation's operating segments:

	2016		2015	
	Pre-tax discount rate	Terminal growth rate	Pre-tax discount rate	Terminal growth rate
Operating segment	%	%	%	%
Canadian broadband services	10.5 to 10.9	2.0	10.5 to 10.9	2.0
American broadband services	10.9 to 11.6	2.5 to 3.0	12.3 to 13.0	2.5 to 2.6
Business ICT services	11.3	3.2	11.4	3.2

The following table presents, for each operating segment, the change in the pre-tax discount rate and in the perpetual growth rate used for the tests performed that would have been required in order for the recoverable amount to equal the carrying value of the CGU at August 31, 2016:

Operating segment	Increase in pre-tax discount rate	Decrease in terminal growth rate
	%	%
Canadian broadband services	4.1 to 5.5	3.9 to 5.8
American broadband services	2.5 to 5.3	4.5 to 12.0
Business ICT services	N/A	N/A

15. PROVISIONS

During fiscal 2016, provisions variations were as follows:

Year ended August 31, 2016	Withholding and stamp taxes	Programming and content costs	Restructuring costs	Claims and litigations	Other	Total
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$	\$
Balance, beginning of the year	7,040	4,647	1,377	—	10,716	23,780
Provisions made during the year	—	4,558	2,845	7,000	2,136	16,539
Provisions used during the year	—	(626)	(3,861)	—	(4,582)	(9,069)
Provisions reversed during the year	—	(479)	—	—	—	(479)
Foreign currency translation adjustments	(64)	4	(21)	—	(2)	(83)
Balance, end of the year	6,976	8,104	340	7,000	8,268	30,688

The provisions for withholding and stamp taxes relate to contingent liabilities for withholding and stamp taxes relating to fiscal years prior to the acquisition of a Portuguese subsidiary by the Corporation. Pursuant to the completion of the sale of the Portuguese subsidiary in 2012, the Corporation remains responsible for these contingent liabilities up to a maximum amount of €5 million under the terms of the sale agreement.

The provisions for programming and content costs include provisions for retroactive rate increases as well as additional royalties or content costs as a result of periodical audits from service providers.

The other provisions include provisions for contractual obligations and other legal obligations.

16. LONG-TERM DEBT

At August 31,	Maturity	Interest rate	2016	2015
(In thousands of Canadian dollars, except percentages)		%	\$	\$
Parent Corporation				
Term Revolving Facility ^{a)}				
Canadian Revolving Facility				
Revolving loan – US\$59.5 million (US\$70.5 million in 2015)	January 2021	1.97 ⁽¹⁾⁽²⁾	78,040	92,757
Revolving loan – £23.6 million (£54 million in 2015)	January 2021	1.72 ⁽¹⁾	40,646	109,021
Senior Secured Notes ^{b)}				
Series A – US\$25 million	September 2024	4.14	32,665	32,755
Series B – US\$150 million	September 2026	4.29	195,961	196,515
Senior Secured Notes ^{c)}				
Series A – US\$190 million	October 2015	—	—	249,953
Series B	October 2018	7.60	54,853	54,789
Senior Secured Notes – US\$215 million ^{d)}	June 2025	4.30	280,787	281,559
Senior Secured Debentures Series 2 ^{e)}	November 2020	5.15	199,174	199,002
Senior Secured Debentures Series 3 ^{f)}	February 2022	4.93	198,878	198,703
Senior Secured Debentures Series 4 ^{g)}	May 2023	4.18	297,788	297,510
Senior Unsecured Debenture ^{h)}	March 2018	5.94	99,939	99,901
Senior Unsecured Notes – US\$400 million ⁱ⁾	May 2020	4.88	520,201	520,759
Subsidiaries				
First Lien Credit Facilities ^{j)}				
Term Loan A Facility – US\$145 million in 2015	November 2017	—	—	188,224
Term Loan A-2 Facility – US\$98.2 million (US\$100 million in 2015)	September 2019	2.40 ⁽¹⁾⁽³⁾	127,146	129,391
Term Loan A-3 Facility – US\$124.6 million	September 2019	2.40 ⁽¹⁾⁽³⁾	161,284	—
Term Loan B Facility – US\$362.6 million (US\$369.4 million in 2015)	November 2019	3.25 ⁽¹⁾	466,024	473,653
Revolving Facility – US\$76 million (US\$111 million in 2015)	September 2019	2.40 ⁽¹⁾	99,682	146,043
Term Revolving Facility ^{a)}				
UK Revolving Facility – £4.4 million (£4.7 million in 2015)	January 2021	1.70 ⁽¹⁾	7,578	9,489
			2,860,646	3,280,024
Less current portion			22,516	297,629
			2,838,130	2,982,395

(1) Interest rate on debt includes applicable margin.

(2) The amount drawn under the Revolving loan facility has been hedged until October 3, 2016, using a cross-currency swap agreement which sets the amount redeemable at maturity at CAD\$77 million and the effective interest rate on the Canadian dollar equivalent at 2.04%.

(3) On October 14, 2015, a US subsidiary of the Corporation entered into two interest rate swap agreements to fix the interest rate on a notional amount of US\$150 million (US\$75 million each agreement) of its LIBOR based loans. These agreements have the effect of converting the floating US Libor base rate at fixed rates of 0.6120% and 0.9870%, under Term Loan A and Term Loan A-2 Facilities, until October 30, 2017 and July 31, 2019, respectively. Pursuant to the May 31, 2016 conversion of Term Loan A into Term Loan A-3, the designation of the US\$75 million notional amount of the Term Loan A Facility has been consequently replaced by the Term Loan A-3 Facility.

a) The Corporation has a Term Revolving Facility of \$800 million with a syndicate of lenders. On December 8, 2015, the facility was amended and the maturity was extended until January 22, 2021 and can be further extended annually. This amended and restated Term Revolving Facility is comprised of two tranches: a first tranche, a Canadian tranche, amounting to \$788 million and the second tranche, a UK tranche, amounting to \$12 million. Cogeco Peer 1 (UK) Ltd. can borrow under the UK tranche. The Canadian tranche is available in Canadian dollars, US dollars, Euros and British Pounds and interest rates are based on banker's acceptance, US dollar base rate loans, LIBOR loans in US dollars, Euros or British Pounds, plus the applicable margin. The UK tranche is available in British Pounds and interest rates are based on British Pounds base rate loans and British Pounds LIBOR loans. The Term Revolving Facility provides access to a swingline with a limit of \$30 million, from which \$12 million are available under a UK swingline. The Term Revolving Facility is indirectly secured by a first priority fixed and floating charges and a security interest on substantially all present and future real and personal properties and undertaking of every nature and kind of the Corporation and certain of its subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under this facility provide for restrictions on the operations and activities of the Corporation. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to EBITDA adjusted for integration, restructuring and acquisition costs, claims and litigations, impairment of goodwill and intangible assets ("adjusted EBITDA"), financial expense and total indebtedness.

b) On August 27, 2014, the Corporation completed, pursuant to a private placement, the issuance of US\$25 million Senior Secured Notes Series A and of US\$150 million Senior Secured Notes Series B. The Senior Secured Notes Series A bear interest at 4.14% per annum payable semi-annually and mature on September 1, 2024, and the Senior Secured Notes Series B bear interest at 4.29% per annum

payable semi-annually and mature on September 1, 2026. The Senior Secured Notes Series A and B are redeemable at any time at Cogeco Communications' option, in whole or in part, at 100% of the principal amount plus a make-whole premium. These Notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries.

- c) On October 1, 2008, the Corporation issued US\$190 million Senior Secured Notes Series A maturing October 1, 2015, and \$55 million Senior Secured Notes Series B maturing October 1, 2018. The Senior Secured Notes Series B bear interest at the coupon rate of 7.60% per annum, payable semi-annually. The Corporation entered into cross-currency swap agreements to fix the liability for interest and principal payments on the Senior Secured Notes Series A in the amount of US\$190 million, which bore interest at the coupon rate of 7.00% per annum, payable semi-annually. Taking into account these agreements, the effective interest rate on the Senior Secured Notes Series A was 7.24% and the exchange rate applicable to the principal portion of the US dollar-denominated debt has been fixed at \$1.0625. The Senior Secured Notes are senior secured obligations and rank equally and rateably with all existing and future senior indebtedness. These Notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries. These Notes are redeemable at the Corporation's option at any time, in whole or in part, prior to maturity, at 100% of the principal amount plus a make-whole premium. On October 1, 2015, the Corporation repaid the matured Senior Secured Notes Series A and settled the related cross-currency swap agreements.
- d) On June 27, 2013, the Corporation completed, pursuant to a private placement, the issuance of US\$215 million Senior Secured Notes. The Senior Secured Notes bear interest at 4.30% payable semi-annually and mature on June 16, 2025. The Senior Secured Notes are redeemable at the Corporation's option at any time, in whole or in part, at 100% of the principal amount plus a make-whole premium. These Notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries.
- e) On November 16, 2010, the Corporation completed pursuant to a public debt offering, the issue of \$200 million Senior Secured Debentures Series 2. These debentures mature on November 16, 2020 and bear interest at 5.15% per annum payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries.
- f) On February 14, 2012, the Corporation completed pursuant to a public debt offering, the issue of \$200 million Senior Secured Debentures Series 3. These debentures mature on February 14, 2022 and bear interest at 4.925% per annum payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries.
- g) On May 27, 2013, the Corporation completed pursuant to a public debt offering, the issue of \$300 million Senior Secured Debentures Series 4. These debentures mature on May 26, 2023 and bear interest at 4.175% per annum payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and its subsidiaries except for the unrestricted subsidiaries. The provisions under these debentures provide for restrictions on the operations and activities of the Corporation and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.
- h) On March 5, 2008, the Corporation issued a \$100 million Senior Unsecured Debenture by way of a private placement. The debenture bears interest at a fixed rate of 5.936% per annum, payable semi-annually. The debenture matures on March 5, 2018 and is redeemable at the Corporation's option at any time, in whole or in part, prior to maturity, at 100% of the principal amount plus a make-whole premium.
- i) On April 23, 2013, the Corporation completed a private placement of US\$400 million aggregate principal amount of Senior Unsecured Notes. These Notes mature on May 1, 2020 and bear interest at 4.875% per annum payable semi-annually. They are guaranteed on a senior unsecured basis, jointly and severally, by its subsidiaries except for the unrestricted subsidiaries. The provisions under these Notes provide for restrictions on the operations and activities of the Corporation and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, investments and distributions.
- j) In connection with the acquisition of Atlantic Broadband on November 30, 2012, the Corporation concluded, through two of its United States subsidiaries, First Lien Credit Facilities totaling US\$710 million in three tranches. The first tranche, a Term Loan A Facility matures on November 30, 2017, the second tranche, a Term Loan B Facility matures on November 30, 2019 and the third tranche, a Revolving Credit Facility matures on November 30, 2017. Interest rates on the First Lien Credit Facilities are based on LIBOR plus the applicable margin, with a LIBOR floor of 0.75% for the Term Loan B Facility. Term Loan A and B Facilities are subject to a quarterly fixed amortization schedule. In addition to the fixed amortization schedule and since the first quarter of fiscal 2015, loans under the Term Loan Facilities shall be prepaid according to a prepayment percentage of excess cash flow generated during the prior fiscal year which may reduce the quarterly fixed amortization schedule. The calculation of the excess cash flow prepayment is defined as follows:
 - (i) 50% if the Consolidated First Lien Leverage Ratio is greater than or equal to 4.00 to 1.00;
 - (ii) 25% if the Consolidated First Lien Leverage Ratio is greater than or equal to 3.00 to 1.00 but less than 4.00 to 1.00; and
 - (iii) 0% if the Consolidated First Lien Leverage Ratio is less than 3.00 to 1.00.

The First Lien Credit Facilities are non-recourse to the Corporation, its Canadian subsidiaries and are indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of Atlantic Broadband and its subsidiaries. The provisions under these facilities provide for restrictions on the operations and activities of Atlantic Broadband and its subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, investments, distributions and maintenance of certain financial ratios.

In connection with the acquisition of MetroCast Connecticut by Cogeco Communications' subsidiary, Atlantic Broadband, on August 20, 2015, the First Lien Credit Facilities were amended on July 17, 2015 and such amendments became effective on the closing date of

the acquisition. Pursuant to the amendment, an incremental Term Loan A-2 Facility in an amount of US\$100 million was issued for net proceeds of US\$98.3 million (\$128.6 million) net of transaction costs of US\$1.7 million (\$2.2 million). The Term Loan A-2 Facility matures on September 3, 2019 and is subject to a quarterly fixed amortization schedule. In addition to the fixed amortization schedule, the Term Loan A-2 Facility is subject to a prepayment percentage of excess cash flow generated during the prior fiscal year which may reduce the quarterly fixed amortization schedule, consistent with that of the Term Loan A. Other terms and conditions related to financial covenants and interest rates remained the same.

On May 31, 2016 the First Lien Credit Facilities were amended. Under the amendment, the Term Loan A Facility was converted into a Term Loan A-3 Facility which resulted in the extension of the maturity from November 2017 to September 2019. The Revolving Facility maturity was also extended from November 2017 to September 2019. Transaction costs of US\$0.5 million were incurred in connection with the amendment. All other terms and conditions remained the same.

17. SHARE CAPITAL

A) AUTHORIZED

Unlimited number of:

Class A Preference shares, without voting rights, redeemable by the Corporation and retractable at the option of the holder at any time at a price of \$1 per share, carrying a cumulative preferential cash dividend at a rate of 11% of the redemption price per year.

Class B Preference shares, without voting rights, could be issued in series.

Multiple voting shares, 10 votes per share.

Subordinate voting shares, 1 vote per share.

B) ISSUED AND PAID

At August 31,	2016	2015
<i>(In thousands of Canadian dollars, except number of shares)</i>	\$	\$
15,691,100 multiple voting shares	98,346	98,346
33,673,541 subordinate voting shares (33,533,342 in 2015)	924,600	918,057
	1,022,946	1,016,403
160,323 subordinate voting shares held in trust under the Incentive Share Unit Plan (223,852 in 2015)	(8,527)	(11,322)
89,632 subordinate voting shares held in trust under the Performance Share Unit Plan (54,133 in 2015)	(5,952)	(3,463)
	1,008,467	1,001,618

During fiscal 2016 and 2015, subordinate voting share transactions were as follows:

Years ended August 31,	2016		2015	
	Number of shares	Amount	Number of shares	Amount
<i>(In thousands of Canadian dollars, except number of shares)</i>		\$		\$
Balance, beginning of the year	33,533,342	918,057	33,394,631	911,067
Shares issued for cash under the Stock Option Plan	140,199	5,282	138,711	5,596
Share-based payment previously recorded in share-based payment reserve for options exercised	—	1,261	—	1,394
Balance, end of the year	33,673,541	924,600	33,533,342	918,057

During fiscal 2016 and 2015, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

Years ended August 31,	2016		2015	
	Number of shares	Amount	Number of shares	Amount
<i>(In thousands of Canadian dollars, except number of shares)</i>		\$		\$
Balance, beginning of the year	223,852	11,322	259,424	12,269
Subordinate voting shares acquired	27,927	1,933	45,645	2,921
Subordinate voting shares distributed to employees	(91,456)	(4,728)	(81,217)	(3,868)
Balance, end of the year	160,323	8,527	223,852	11,322

During fiscal 2016 and 2015, subordinate voting shares held in trust under the Performance Share Unit Plan transactions were as follows:

Years ended August 31,	2016		2015	
	Number of shares	Amount	Number of shares	Amount
<i>(In thousands of Canadian dollars, except number of shares)</i>		\$		\$
Balance, beginning of the year	54,133	3,463	—	—
Subordinate voting shares acquired	38,176	2,642	54,750	3,504
Subordinate voting shares distributed to employees	(2,677)	(153)	(617)	(41)
Balance, end of the year	89,632	5,952	54,133	3,463

C) DIVIDENDS

For the year ended August 31, 2016, quarterly eligible dividends of \$0.39 per share, for a total of \$1.56 per share, were paid to the holders of multiple and subordinate voting shares, totaling \$76.5 million, compared to quarterly eligible dividends of \$0.35 per share, for a total of \$1.40 per share or \$68.4 million for the year ended August 31, 2015.

At its November 2, 2016 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of \$0.43 per share for multiple voting and subordinate voting shares, payable on November 30, 2016 to shareholders of record on November 16, 2016.

D) SHARE-BASED PAYMENT PLANS

The Corporation offers, for the benefit of its employees and those of its subsidiaries, an Employee Stock Purchase Plan and a Stock Option Plan to its executive officers and designated employees. No more than 10% of the outstanding subordinate voting shares are available for issuance under these plans. Furthermore, the Corporation offers an Incentive Share Unit Plan ("ISU Plan") and a Performance Share Unit Plan ("PSU Plan") for executive officers and designated employees, and a Deferred Share Unit Plan ("DSU Plan") for members of the Board of Directors ("Board").

Stock purchase plan

The Corporation offers, for the benefit of its employees and those of its subsidiaries, an Employee Stock Purchase Plan, which is accessible to all employees up to a maximum of 7% of their base annual salary and the Corporation contributes 25% of the employee contributions. The subscriptions are made monthly and employee subordinate voting shares are purchased on the stock market.

Stock option plan

A total of 3,432,500 subordinate voting shares are reserved for the purpose of the Stock Option Plan. The minimum exercise price at which options are granted is equal to the market value of such shares at the time the option is granted. Options vest equally over a period of five years beginning one year after the day such options are granted and are exercisable over ten years.

Under the Stock Option Plan, the following options were granted by the Corporation and are outstanding at August 31:

Years ended August 31,	2016		2015	
	Options	Weighted average exercise price	Options	Weighted average exercise price
		\$		\$
Outstanding, beginning of the year	721,973	47.24	730,702	42.66
Granted ⁽¹⁾	176,225	67.40	185,600	61.83
Exercised ⁽²⁾	(140,199)	37.67	(138,711)	40.34
Cancelled	(112,373)	53.84	(55,618)	52.93
Outstanding, end of the year	645,626	53.67	721,973	47.24
Exercisable, end of the year	221,529	44.70	247,142	38.23

(1) For the year ended August 31, 2016, the Corporation granted 74,750 (61,300 in 2015) stock options to Cogeco's executive officers as executive officers of the Corporation.

(2) The weighted average share price for options exercised during the year was \$63.57 (\$72.31 in 2015).

At August 31, 2016, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of options are as follows:

At August 31, 2016			Options outstanding		Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price	
\$		(years)	\$		\$	
31.82 to 34.46	42,133	2.76	32.86	42,133	32.86	
38.08 to 40.45	97,791	5.69	38.75	57,925	38.63	
44.00 to 49.82	67,187	3.75	48.28	56,401	48.45	
50.10 to 58.12	147,660	7.16	50.13	40,590	50.15	
61.22 to 70.12	290,855	8.73	64.74	24,480	61.77	
	645,626	7.00	53.67	221,529	44.70	

The weighted average fair value of stock options granted for the period ended August 31, 2016 was \$11.32 (\$11.77 in 2015) per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model based on the following weighted-average assumptions:

Years ended August 31,	2016	2015
	%	%
Expected dividend yield	2.09	1.97
Expected volatility ⁽¹⁾	22.33	22.85
Risk-free interest rate	0.96	1.60
Expected life (in years)	6.1	6.2

(1) The expected volatility is based on the historical volatility of the Corporation's subordinate voting shares for a period equivalent to the expected life of the options.

A compensation expense of \$575,000 (\$812,000 in 2015) was recorded for the year ended August 31, 2016 related to this plan.

ISU plan

The Corporation also offers to its executive officers and designated employees an ISU Plan. According to this plan, executive officers and designated employees periodically receive a given number of Incentive Share Units ("ISUs") which entitle the participants to receive subordinate voting shares of the Corporation after three years less one day from the date of grant. The number of ISUs is based on the dollar value of the award and the average closing stock price of the Corporation for the previous twelve month period ending August 31. ISUs are redeemable in case of death, permanent disability, normal retirement or termination of employment not for cause. For the grants made after April 7, 2015 the holder of ISUs is entitled to payment of the ISUs in proportion to the time of employment from the date of the grant to the date of termination versus the three-year vesting period. A trust was created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation and the Corporation instructed the trustee to purchase subordinate voting shares of the Corporation on the stock market. These shares are purchased and are held in trust for the participants until they are fully vested. The trust, considered as a special purpose entity, is consolidated in the Corporation's financial statements with the value of the acquired subordinate voting shares held in trust under the ISU Plan presented in reduction of share capital.

Under the ISU Plan, the following ISUs were granted by the Corporation and are outstanding at August 31:

Years ended August 31,	2016	2015
Outstanding, beginning of the year	217,779	247,279
Granted ⁽¹⁾	38,325	56,656
Distributed	(91,456)	(81,217)
Cancelled	(20,025)	(4,939)
Outstanding, end of the year	144,623	217,779

(1) For the years ended August 31, 2016 and 2015, the Corporation did not grant ISUs to Cogeco's executive officers as executive officers of the Corporation.

A compensation expense of \$3,088,000 (\$4,163,000 in 2015) was recorded for the year ended August 31, 2016 related to this plan.

PSU plan

In October 2014, the Corporation introduced a PSU Plan for executive officers and designated employees. The objectives of the PSU Plan are to retain executive officers and designated employees, to align their interests with those of the shareholders and to sustain positive corporate performance, as measured by the Economic Value Creation formula, a performance measure used by management. The number of Performance Share Units ("PSUs") is based on the dollar value of the award and the average closing stock price of the Corporation for the previous twelve month period ending August 31. The PSUs vest over a three-year less one day period, based on the level of increase in the Economic Value of the Corporation or the relevant subsidiary for the preceding three-year period ending August 31, meaning that no vesting will occur if there is no increase in the Economic Value. The participants are entitled to receive dividend equivalents in the form of additional PSUs but only with respect to vested PSUs. PSUs are redeemable in case of death, permanent disability, normal retirement or termination of employment not for cause, in which cases, the holder of PSUs is entitled to payment of the PSUs in proportion to the time of employment from the date of the grant to the date of termination versus the three-year vesting period. A trust was created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation and the Corporation instructed the trustee to purchase subordinate voting shares of the Corporation on the stock market. These shares are purchased and are held in trust for the participants until they are fully vested. The trust, considered as a special purpose entity, is consolidated in the Corporation's financial statements with the value of the acquired subordinate voting shares held in trust under the PSU Plan presented in reduction of share capital.

Under the PSU Plan, the following PSUs were granted by the Corporation and are outstanding at August 31:

Years ended August 31,	2016	2015
Outstanding, beginning of the year	49,862	—
Granted ⁽¹⁾	44,425	56,000
Distributed	(2,677)	(617)
Cancelled	(12,339)	(6,574)
Dividend equivalents	2,105	1,053
Outstanding, end of the year	81,376	49,862

(1) For the year ended August 31, 2016, the Corporation granted 11,950 (11,050 in 2015) PSUs to Cogeco's executive officers as executive officers of the Corporation.

A compensation expense of \$1,074,000 (\$646,000 in 2015) was recorded for the year ended August 31, 2016 related to this plan.

DSU plan

The Corporation also offers a DSU Plan for members of the Board to assist in the attraction and retention of qualified individuals to serve on the Board of the Corporation. Each existing or new member of the Board may elect to be paid a percentage of the annual retainer in the form of deferred share units ("DSUs") with the balance, if any, being paid in cash. The number of DSUs that a member is entitled to receive is based on the average closing price of the subordinate shares on the TSX for the twenty consecutive trading days immediately preceding by one day the date of issue. Dividend equivalents are awarded with respect to DSUs in a member's account on the same basis as if the member was a shareholder of record of subordinate shares on the relevant record date, and the dividend equivalents are credited to the individual's account as additional DSUs. DSUs are redeemable upon an individual ceasing to be a member of the Board or in the event of the death of the member.

Under the DSU Plan, the following DSUs were issued by the Corporation and are outstanding at August 31:

Years ended August 31,	2016	2015
Outstanding, beginning of the year	26,579	31,609
Issued	5,155	3,412
Redeemed	—	(9,002)
Dividend equivalents	749	560
Outstanding, end of the year	32,483	26,579

A compensation expense of \$214,000 (\$548,000 in 2015) was recorded for the year ended August 31, 2016 related to this plan.

18. ACCUMULATED OTHER COMPREHENSIVE INCOME

During fiscal 2016 and 2015, accumulated other comprehensive income variations were as follows:

Years ended August 31, 2016 and 2015 (In thousands of Canadian dollars)	Cash flow hedge reserve	Foreign currency translation	Total
	\$	\$	\$
Balance at August 31, 2014	1,296	27,029	28,325
Other comprehensive income for the year	34	55,461	55,495
Balance at August 31, 2015	1,330	82,490	83,820
Other comprehensive income (loss) for the year	(1,451)	2,258	807
Balance at August 31, 2016	(121)	84,748	84,627

19. STATEMENTS OF CASH FLOWS

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

Years ended August 31, (In thousands of Canadian dollars)	2016	2015
	\$	\$
Trade and other receivables	11,116	(25,863)
Prepaid expenses and other	12,763	(10,674)
Trade and other payables	397	(33,207)
Provisions	8,104	2,736
Deferred and prepaid revenue and other liabilities	(79)	8,524
	32,301	(58,484)

B) CASH AND CASH EQUIVALENTS

At August 31, (In thousands of Canadian dollars)	2016	2015
	\$	\$
Cash	62,286	95,770
Cash equivalents ⁽¹⁾	—	67,396
	62,286	163,166

(1) At August 31, 2015, comprised of Banker's acceptances for a total of \$67.4 million, bearing interest within a range of 0.53 % to 0.60 % and with maturity dates ranging from September 1, 2015 to September 8, 2015.

20. EMPLOYEE BENEFITS

A) DEFINED CONTRIBUTION PLANS AND COLLECTIVE REGISTERED RETIREMENT SAVING PLANS

The Corporation and its subsidiaries offer to their employees defined contribution plans or collective registered retirement savings plans. Under these plans, the Corporation and its subsidiaries' obligations are limited to the payment of the monthly employer's contribution. The total expense recognized with respect to these plans amounts to \$8,819,000 (\$8,699,000 in 2015) for the year ended August 31, 2016 and is included in the Corporation's consolidated statement of profit and loss under "salaries, employee benefits and outsourced services".

B) DEFINED BENEFIT PLANS

The Corporation and its subsidiaries sponsor a defined benefit plan for the benefit of its employees and a separate defined benefit plan for the benefit of its executive officers, which provide pensions based on the number of years of service and the average salary during the employment of each participant. In addition, the Corporation and its subsidiaries offer to their designated executive officers a supplementary pension plan. Each year at August 31 the Corporation and its subsidiaries measure plan assets at fair value, as well as the defined benefit obligation for all plans. The most recent actuarial valuation for the pension plan for the benefit of the employees was at August 31, 2015 and the next required valuation is at August 31, 2016. For the executive officers' plans, the most recent actuarial valuation was at August 31, 2014 and the next required valuation is at August 31, 2017.

The following table provides a reconciliation of the change in the defined benefit obligations and plan assets at fair value and a statement of the funded status at August 31:

Years ended August 31,	2016	2015
<i>(In thousands of Canadian dollars)</i>	\$	\$
Defined benefit obligation ⁽¹⁾		
Defined benefit obligation, beginning of the year	38,636	36,386
Current service cost	2,242	2,048
Interest cost	1,606	1,540
Contributions by plan participants	318	308
Benefits paid	(887)	(900)
Actuarial losses (gains) on obligation arising from:		
Experience adjustments	624	(786)
Changes in demographic assumptions	(2)	40
Changes in financial assumptions	6,662	—
Defined benefit obligation reallocated to Cogeco's pension plans ⁽²⁾	(632)	—
Defined benefit obligation, end of the year	48,567	38,636
Plan assets at fair value		
Plan assets at fair value, beginning of the year	36,652	32,154
Interest income	1,520	1,379
Return on plan assets, except amounts included in interest income	1,263	(565)
Administrative expense	(195)	(169)
Contributions by plan participants	318	308
Employer contributions	4,084	4,445
Benefits paid	(887)	(900)
Plan assets reallocated to Cogeco's pension plans ⁽²⁾	(571)	—
Plan assets at fair value, end of the year	42,184	36,652
Funded status		
Plan assets at fair value	42,184	36,652
Defined benefit obligation	48,567	38,636
Net defined benefit liability	6,383	1,984

(1) The weighted average duration of the defined benefit obligation at August 31, 2016 is 14 years (13 years in 2015).

(2) Arose following the transfer of Cogeco Communications' employees to Cogeco.

The net defined benefit liability is included in the Corporation's consolidated statement of financial position under "pension plan liabilities and accrued employee benefits".

Defined benefit costs recognized in profit or loss

Years ended August 31, (In thousands of Canadian dollars)	2016 \$	2015 \$
Recognized in operating expenses (salaries, employee benefits and outsourced services)		
Current service cost	2,242	2,048
Administrative expense	195	169
Recognized in financial expense (other)		
Net interest	86	161
	2,523	2,378

Defined benefit costs recognized in other comprehensive income

Years ended August 31, (In thousands of Canadian dollars)	2016 \$	2015 \$
Actuarial losses (gains) arising from:		
Experience adjustments	624	(786)
Change in demographic assumptions	(2)	40
Change in financial assumptions	6,662	—
Return on plan assets, except amounts included in interest income	(1,263)	565
	6,021	(181)

The expected employer contributions to the Corporation's defined benefit plans should be \$2,968,000 in 2017.

Plan assets consist of:

At August 31,	2016 %	2015 %
Equity securities ⁽¹⁾	58	55
Debt securities ⁽¹⁾	18	23
Deposits in trust ⁽²⁾	16	14
Other	8	8
Total	100	100

(1) All debt and equity securities have a quoted price in active markets.

(2) Deposits in trust prescribed by the Canada Revenue Agency for funded supplemental employee retirement plans are non-interest-bearing.

The significant weighted average assumptions used in measuring the Corporation's defined benefit obligation and defined benefit costs are as follows:

At August 31,	2016 %	2015 %
Defined benefit obligation		
Discount rate	3.00	4.00
Rate of compensation increase	2.75	3.00
Mortality table	CPM-2014	CPM-2014
Defined benefit costs		
Discount rate	4.00	4.00
Rate of compensation increase	3.00	3.00
Mortality table	CPM-2014	CPM-2014

C) EXPOSURE TO ACTUARIAL RISKS

The Corporation is exposed to the following actuarial risks:

Investment risk

The investment strategy of the plans is to diversify the nature of the returns on assets. Given the long-term nature of the defined benefit obligation, a portion of the assets are invested in equity securities in order to maximize return. Since equity securities are inherently volatile and risky, the Corporation sets investment goals, both in terms of asset mix percentage and target return, which is monitored monthly and adjusted as needed.

Interest rate risk

A decrease in the interest rate on investment-grade fixed-rate Corporate bonds, which would reduce the discount rate used, will increase the present value of the defined benefit obligation. However, this increase would be partly offset by an increase in the value of plan investments in debt securities.

Salary risk

The present value of the defined benefit obligation is calculated using management's best estimate of the following actuarial assumption for each identified risk:

Risk	Assumption	Change in assumption	Potential impact
Salary	Expected rate of compensation increase of plan members	Increase in the expected rate of compensation increase of plan members	Increase

D) SENSITIVITY ANALYSIS

The sensitivity analysis of the defined benefit obligation were calculated based on reasonably possible changes to each key actuarial assumption without considering simultaneous changes to several key actuarial assumptions. A change in one actuarial assumption could trigger a change in another actuarial assumption, which could amplify or mitigate the impact of the change in these assumptions on the present value of the defined benefit obligation. The sensitivity analysis were prepared in accordance with the Corporation's accounting policies described in Note 2 K). The actual results of items subject to estimates may differ.

At August 31, 2016	Change in assumption	Impact of change in assumption
<i>(In thousands of Canadian dollars)</i>	%	\$
Discount rate	0.10	767
Expected rate of compensation increase	0.25	163

21. FINANCIAL INSTRUMENTS

A) FINANCIAL RISK MANAGEMENT

Management's objectives are to protect the Corporation and its subsidiaries against material economic exposures and variability of results, and against certain financial risks including credit, liquidity, interest rate and foreign exchange risks.

Credit risk

Credit risk represents the risk of financial loss for the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations. The Corporation is exposed to credit risk arising from the derivative financial instruments, cash and cash equivalents and trade accounts receivable, the maximum exposure of which is represented by the carrying amounts reported on the statement of financial position.

Credit risk from derivative financial instruments arises from the possibility that counterparties to the cross-currency swaps and interest rate swaps may default on their obligations in instances where these agreements have positive fair values for the Corporation. The Corporation reduces this risk by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. The Corporation assesses the creditworthiness of the counterparties in order to minimize the risk of counterparties default under the agreements. At August 31, 2016, management believes that the credit risk relating to its derivative financial instruments is minimal, since the lowest credit rating of the counterparties to the agreements is "A" by Standard & Poor's rating services ("S&P") and "AA (low)" by Dominion Bond Rating Services ("DBRS").

Cash and cash equivalents consist mainly of highly liquid money market short-term investments. The Corporation has deposited the cash with reputable financial institutions, for which management believes the risk of loss to be remote.

The Corporation is also exposed to credit risk in relation to its trade accounts receivable. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. The Corporation establishes an allowance for doubtful accounts based on specific credit risk of its customers by examining such factors as the number of overdue days of the customer's balance outstanding as well as the customer's collection history. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. The Corporation has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Since the Corporation has a large and diversified clientele dispersed throughout its market areas in Canada, the United States and Europe, there is no significant concentration of credit risk.

The following table provides further details on trade and other receivables, net of allowance for doubtful accounts:

At August 31,	2016	2015
<i>(In thousands of Canadian dollars)</i>	\$	\$
Trade accounts receivable	94,458	92,352
Allowance for doubtful accounts	(4,093)	(5,326)
	90,365	87,026
Other accounts receivable ⁽¹⁾	25,070	36,854
	115,435	123,880

(1) Include amounts receivable related to a claim with a supplier, which was paid partly in cash and partly in the form of credit notes applicable on future purchases of property, plant and equipment.

Trade accounts receivable past due is defined as amount outstanding beyond normal credit terms and conditions for the respective customers. A large portion of the Corporation's customers are billed and pay before the services are rendered. The Corporation considers the amount outstanding at the due date as trade accounts receivable past due. The following table provides further details on trade accounts receivable past due net of allowance for doubtful accounts at August 31, 2016 and 2015:

At August 31,	2016	2015
<i>(In thousands of Canadian dollars)</i>	\$	\$
Less than 60 days past due	20,309	21,693
60 to 90 days past due	807	1,704
More than 90 days past due	1,790	144
	22,906	23,541

The following table shows changes in the allowance for doubtful accounts for the years ended August 31, 2016 and 2015:

Years ended August 31,	2016	2015
<i>(In thousands of Canadian dollars)</i>	\$	\$
Balance, beginning of the year	5,326	5,593
Provision for impaired receivables	18,431	22,124
Net use	(19,650)	(22,973)
Foreign currency translation adjustments	(14)	582
Balance, end of the year	4,093	5,326

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due. At August 31, 2016, the Corporation had used \$127.5 million of its \$800 million amended and restated Term Revolving Facility for a remaining availability of \$672.5 million. Management believes that the committed Term Revolving Facility will, until its maturity in January 2021, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements. In addition, two subsidiaries related to Atlantic Broadband also benefit from a Revolving Facility of \$196.7 million (US\$150 million), of which \$101.6 million (US\$77.5 million) was used at August 31, 2016 for a remaining availability of \$95.1 million (US\$72.5 million).

The following table summarizes the contractual maturities of the financial liabilities and related capital amounts at August 31, 2016:

	Carrying amount	Contractual cash flows						Total
		2017	2018	2019	2020	2021	Thereafter	
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$	\$	\$	\$
Bank indebtedness	4,115	4,115	—	—	—	—	—	4,115
Trade and other payables ⁽¹⁾	261,782	261,782	—	—	—	—	—	261,782
Intercompany note payable	40,000	40,000	—	—	—	—	—	40,000
Long-term debt	2,860,646	22,516	133,414	95,634	1,295,476	326,265	1,011,523	2,884,828
Derivative financial instruments	(1,040)	(1,040)	—	—	—	—	—	(1,040)
	3,165,503	327,373	133,414	95,634	1,295,476	326,265	1,011,523	3,189,685

(1) Excluding accrued interest on long-term debt.

The following table is a summary of interest payable on long-term debt that is due for each of the next five years and thereafter, based on the principal amount and interest rate prevailing on the outstanding debt at August 31, 2016 and their respective maturities:

	2017	2018	2019	2020	2021	Thereafter	Total
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$	\$	\$
Interest payments on long-term debt	117,133	116,462	107,483	86,290	50,436	129,650	607,454
Interest receipts on derivative financial instruments	(1,032)	(600)	(473)	—	—	—	(2,105)
Interest payments on derivative financial instruments	1,573	1,070	890	—	—	—	3,533
	117,674	116,932	107,900	86,290	50,436	129,650	608,882

Interest rate risk

The Corporation is exposed to interest rate risks for both fixed and floating interest rate instruments. Interest rate fluctuations will have an effect on the valuation and collection or repayment of these instruments. At August 31, 2016, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the Corporation's Term Revolving Facility, intercompany note payable and First Lien Credit Facilities.

To mitigate such risk, the Corporation enters into interest rate swap agreements. The following table shows the interest rate swaps outstanding at August 31, 2016:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate	Maturity	Hedged item
Cash flow	US\$75 million	US Libor base rate	0.6120%	October 30, 2017	Term Loan A-3 Facility
Cash flow	US\$75 million	US Libor base rate	0.9870%	July 31, 2019	Term Loan A-2 Facility

The sensitivity of the Corporation's annual financial expense to a variation of 1% in the interest rate applicable to these facilities is approximately \$6.9 million based on the outstanding debt at August 31, 2016.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk related to its long-term debt denominated in US dollars that is not designated as a hedge on its US dollar net investments. The Corporation has established guidelines whereby cross-currency swap agreements can be used to fix the exchange rates applicable to its US dollar denominated long-term debt. All such agreements are exclusively used for hedging purposes.

In order to mitigate this risk, on October 2, 2008, the Corporation entered into cross-currency swap agreements to set the liability for interest and principal payments on its Senior Secured Notes Series A (see Note 16). During the first quarter of fiscal 2016 the Corporation settled these cross-currency swaps with a notional amount of US\$190 million, following the repayment of its Senior Secured Notes Series A at maturity on October 1st 2015.

The Corporation is also exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars and British Pounds. The impact of a 10% change in the exchange rate of the US dollar and British Pound into Canadian dollars would change financial expense by approximately \$7.4 million based on the outstanding debt at August 31, 2016.

The Corporation faces exposure to foreign exchange risk on cash and cash equivalents, trade and other receivables and trade and other payables and provisions denominated in US dollars, Euros or British Pounds. The Corporation's exposure to foreign currency risk is as follows:

At August 31,	2016			2015		
	US	Euro	British Pounds	US	Euro	British Pounds
(In thousands of Canadian dollars)	\$	\$	\$	\$	\$	\$
Financial assets (liabilities)						
Cash and cash equivalents	15,775	1,446	224	28,172	887	295
Trade and other receivables	3,000	170	—	4,405	198	—
Trade and other payables and provisions	(15,424)	(6,982)	—	(25,984)	(7,074)	—
	3,351	(5,366)	224	6,593	(5,989)	295

Due to their short-term nature, the risk arising from fluctuations in foreign exchange rates is not significant. The impact of a 10% fluctuation in the foreign exchange rates (US dollar, Euro and British Pound) would not change financial expense significantly.

Furthermore, the Corporation's investments in foreign operations is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the US dollar and British Pound. This risk is mitigated since the major part of the purchase prices for Atlantic Broadband and Peer 1 Hosting were borrowed directly in US dollars and British Pounds.

The following table shows the investments in foreign operations outstanding at August 31, 2016:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investment	US\$790 million	US\$883.7 million	Net investments in foreign operations in US dollar
Net investment	£23.6 million	£31.4 million	Net investments in foreign operations in British pound

The exchange rates used to convert the US dollar currency and British Pound currency into Canadian dollar for the consolidated statement of financial position accounts at August 31, 2016 was \$1.3116 per US dollar and \$1.7223 per British Pound. A 10% change in the exchange rates of the US dollar and British Pound into Canadian dollars would change other comprehensive income by approximately \$13.6 million.

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimated at a specific point in time, by discounting expected cash flows at rates for assets and liabilities of the same remaining maturities and conditions. These estimates are subjective in nature and involve uncertainties and significant judgment, and therefore, cannot be determined with precision. In addition, income taxes and other expenses that would be incurred on disposition of these financial instruments are not reflected in the fair values. As a result, the fair values are not necessarily the net amounts that would be realized if these instruments were settled. The Corporation has determined the fair value of its financial instruments as follows:

- The carrying amount of cash and cash equivalents, trade and other receivables and trade and other payables approximates fair value because of the short-term nature of these instruments;
- Interest rates under the terms of the Corporation's Term Revolving Facility, intercompany note payable and First Lien Facilities are based on bankers' acceptance, US dollar base rate loans, LIBOR loans in US dollars, Euros or British Pounds loans plus applicable margin. Therefore, the carrying value approximates fair value for these facilities, since they have conditions similar to those currently available to the Corporation;
- The fair value of the Senior Secured Debentures Series 2, 3 and 4, Senior Secured Notes Series A and B, Senior Secured Notes, Senior Unsecured Notes and Senior Unsecured Debenture are based upon current trading values for similar financial instruments;

The carrying value of all the Corporation's financial instruments approximates fair value, except as otherwise noted in the following table:

At August 31,	2016		2015	
	Carrying value	Fair value	Carrying value	Fair value
(In thousands of Canadian dollars)	\$	\$	\$	\$
Long-term debt	2,860,646	2,975,511	3,280,024	3,377,318

All financial instruments recognized at fair value on the consolidated statement of financial position must be measured based on the three fair value hierarchy levels, which are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Corporation considers that its derivative financial instruments are classified as Level 2 under the fair value hierarchy. The fair value of derivative financial instruments is estimated using valuation models that reflect projected future cash flows over contractual terms of the derivative financial instruments and observable market data, such as interest and currency exchange rate curves.

C) CAPITAL MANAGEMENT

The Corporation's objectives in managing capital are to ensure sufficient liquidity to support the capital requirements of its various businesses, including growth opportunities. The Corporation manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. Management of the capital structure involves the issuance of new debt, the repayment of existing debt using cash generated by operations and the level of distribution to shareholders.

The capital structure of the Corporation is composed of shareholders' equity, cash and cash equivalents, bank indebtedness, intercompany note payable, long-term debt and assets or liabilities related to derivative financial instruments.

The provisions of financing agreements provide for restrictions on the activities of the Corporation. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as the maintenance of certain financial ratios primarily linked to the adjusted EBITDA, financial expense and total indebtedness. At August 31, 2016 and 2015 the Corporation was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements.

The following table summarizes certain of the key ratios used to monitor and manage the Corporation's capital structure:

Years ended August 31,	2016	2015
Net secured indebtedness ⁽¹⁾ / adjusted EBITDA	2.3	2.7
Net indebtedness ⁽²⁾ / adjusted EBITDA	2.9	3.3
Adjusted EBITDA / financial expense	7.2	6.5

(1) Net secured indebtedness is defined as the total of bank indebtedness, intercompany note payable, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents and principal on Senior Unsecured Debenture and Senior Unsecured Notes.

(2) Net indebtedness is defined as the total of bank indebtedness, intercompany note payable, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents.

D) CATEGORIES OF FINANCIAL INSTRUMENTS

At August 31,	2016	2015
<i>(In thousands of Canadian dollars)</i>	\$	\$
Financial assets		
Loans and receivables	177,721	296,046
Derivative financial instruments in designated hedge relationships	1,040	49,834
	178,761	345,880
Financial liabilities		
Derivative financial instruments in designated hedge relationships	165	—
Other liabilities	3,194,429	3,567,656
	3,194,594	3,567,656

22. RELATED PARTY TRANSACTIONS

A) MANAGEMENT FEES AND OTHER RELATED PARTY TRANSACTIONS

Cogeco Communications is a subsidiary of Cogeco, which holds 31.8% of the Corporation's equity shares, representing 82.3% of the Corporation's voting shares.

On July 14, 2015, the Management Services Agreement pursuant to which Cogeco provides executive, administrative, financial and strategic planning services and other services (the "Management Services") to the Corporation was amended and restated (the "Amended and Restated Management Services Agreement") to better align the management fees with the time, services and efforts of Cogeco's management being supplied to the Corporation. Since September 1, 2015, the management fee is now payable on a monthly basis, representing 0.85% of the consolidated revenue of the Corporation, with no maximum level or inflation-based adjustment. Under the Amended and Restated Management Service Agreement, provision is made for future adjustment upon the request of either Cogeco or the Corporation should the level of management fees no longer align with the costs, time and resources committed by Cogeco. Cogeco previously provided the Management Services for an annual fee equal to 2% of Cogeco Communications' gross revenue, subject to an inflation-adjusted maximum annual fee which was set at \$9.9 million in fiscal 2015. In addition, the Corporation reimburses Cogeco's out-of-pocket expenses incurred with respect to services provided to the Corporation under the Agreement.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, the Corporation granted 74,750 stock options (61,300 in 2015), did not grant any ISUs and granted 11,950 PSUs (11,050 in 2015) to these executive officers as executive officers of Cogeco Communications during fiscal 2016. During fiscal 2016, the Corporation charged Cogeco amounts of \$616,000 (\$502,000 in 2015), \$330,000 (\$303,000 in 2015) and \$501,000 (\$188,000 in 2015) with regards to the Corporation's stock options, ISUs and PSUs granted to these executive officers.

B) INTERCOMPANY NOTE PAYABLE

On August 2, 2016 an intercompany loan agreement was concluded between the Corporation and Cogeco, by which a revolving credit facility was established in favour of the Corporation. The maximum principal amount of the facility is set at \$40 million and the full amount was advanced to the Corporation as of the signing date and remains outstanding as of August 31, 2016. The credit facility is payable on demand and the interest is calculated on the daily outstanding balance at an annual rate equivalent to the Corporation's US dollar revolving loan under the Canadian Revolving Facility while taking into consideration the effect of the cross-currency swap agreement.

C) COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are comprised of the members of the Board and of the Management Committee of the Corporation. The compensation paid or payable to key management personnel for employee services is as follows:

Years ended August 31,	2016	2015
<i>(In thousands of Canadian dollars)</i>	\$	\$
Salaries and other short-term employee benefits	4,047	3,950
Post-employment benefits	472	612
Share-based payments	2,162	2,473
	6,681	7,035

23. COMMITMENTS, CONTINGENCIES AND GUARANTEES

A) COMMITMENTS

At August 31, 2016, the Corporation and its subsidiaries are committed under operating lease agreements and other long-term contracts to make annual payments as follows:

	2017	2018	2019	2020	2021	Thereafter
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$	\$
Operating lease agreements ⁽¹⁾	33,563	32,215	28,889	27,386	26,515	49,185
Acquisition of property, plant and equipment and intangible assets ⁽²⁾	18,790	—	17,775	—	—	—
Other long-term contracts ⁽³⁾	29,952	17,894	7,805	7,519	4,582	24,487
	82,305	50,109	54,469	34,905	31,097	73,672

(1) Include operating lease agreements for rent of premises and support structures.

(2) Include minimum spend commitments under acquisitions of home terminal devices and software licenses.

(3) Include long-term commitments with suppliers to provide services including minimum spend commitments.

B) CONTINGENCIES

The Corporation and its subsidiaries are involved in matters involving litigation or potential claims from suppliers arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Corporation's exposure to litigation to be significant to these consolidated financial statements.

C) GUARANTEES

In the normal course of business, the Corporation provides indemnification in conjunction with certain transactions. While many of the agreements specify a maximum potential exposure, some do not specify a maximum amount. The overall maximum amount of an indemnification obligation will depend on future events and conditions and therefore cannot be reasonably estimated. As a result, we cannot determine how they could affect our future liquidity, capital resources or credit risk profile. At August 31, 2016 and 2015, no liability has been recorded with respect to these indemnifications, except for those disclosed in Note 15.

Business combinations and asset disposals

In connection with the acquisition or sale of a business or assets, in addition to possible indemnification relating to failure to perform covenants and breach of representations and warranties, the Corporation has agreed to indemnify the seller or the purchaser against claims related to events that occurred prior to the date of acquisition or sale.

Long-term debt

Under the terms of the Senior Secured Notes and Senior Unsecured Notes, the Corporation has agreed to indemnify the lenders against changes in regulations relative to withholding taxes and costs incurred due to changes in laws.

Sale of services

As part of transactions involving sales of services, the Corporation and its subsidiaries may be required to make payments to counterparties as a result of breaches of representations and warranties made into the service agreements.

Purchase and development of assets

As part of transactions involving purchases and development of assets, the Corporation and its subsidiaries may be required to pay counterparties for costs and losses incurred as a result of breaches of representations and warranties contained in the purchase agreements.

24. GOVERNMENT ASSISTANCE

In 2016, the Corporation received \$2.1 million (\$6.8 million in 2015) in diverse forms of governments grants and research and development credits. This assistance was accounted as a reduction of property, plant and equipment for an amount of \$1.3 million (\$1.6 million in 2015), \$0.8 million was recorded as a reduction of operating expenses (\$0.6 million recorded as revenue in 2015), and no amount was recorded as deferred and prepaid revenue and other liabilities (\$4.6 million in 2015).