CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements

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 consolidated financial statements. The Board of Directors carries out its responsibility for the consolidated 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.

(signed) Philippe Jetté
President and Chief Executive Officer

(signed) Patrice Ouimet
Senior Vice President and Chief Financial Officer

Montréal, November 11, 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cogeco Communications Inc.

Opinion

We have audited the consolidated financial statements of Cogeco Communications Inc. (the "Corporation"), which comprise the consolidated statements of financial position as at August 31, 2021 and 2020, the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in shareholders' equity and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at August 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended August 31, 2021. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Goodwill - American Broadband Services — Refer to Notes 2 F) and 15 to the consolidated financial statements

Key Audit Matter Description

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. At June 30, 2021, the Corporation performed impairment tests for all its CGUs within the Canadian and American broadband services segments. The Corporation's evaluation of goodwill for impairment involves the comparison of the recoverable amount of each CGU that contains goodwill to its corresponding carrying value. Consistent with the other CGUs, the recoverable amount of the American Broadband Services New Hampshire/Maine CGU ("New Hampshire/Maine") was estimated based on the value in use model, which required management to make significant estimates and assumptions related to discount rates and cash flow projections (which include forecasted revenues and earnings before interest, income taxes, depreciation and amortization ("EBITDA") margins, capital expenditures and terminal growth rate). Changes in these estimates and assumptions could have a significant impact on either the recoverable amount, the amount of any goodwill impairment charge, or both. As of the measurement date, the recoverable amount of New Hampshire/Maine exceeded its carrying value therefore, no impairment was recognized.

While there are several estimates and assumptions that are required to estimate the recoverable amount of New Hampshire/Maine, the estimates and assumptions with the highest degree of subjectivity and impact on fair value are related to forecasted revenues and EBITDA margins and the selection of terminal growth and discount rates. Auditing these estimates and assumptions required a high degree of auditor attention and an increased extent of audit effort, including the involvement of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to forecasted revenues and EBITDA margins and the selection of terminal growth and discount rates to estimate the recoverable amount of New Hampshire/Maine included the following, among others:

- Evaluated management's ability to accurately forecast revenues and EBITDA margins by comparing actual results to management's historical forecasts.
- Evaluated the reasonableness of forecasted revenues and EBITDA margins by:
    - Comparing the forecasts to historical revenues and EBITDA margins and internal communications to senior leadership and the Board of Directors detailing business strategies and growth plans and,
    - Comparing forecasted revenues to analysts and industry reports that are publicly available.
- With the assistance of fair value specialists, evaluated the reasonableness of:

- The terminal growth rate by developing a range of independent estimates using available industry data and expected long term inflation rates and comparing those to the terminal growth rate selected by management.
- The discount rate by testing the source information underlying the determination of the discount rate and developing a range of independent estimates and comparing those to the discount rate selected by management.
- Management's recoverable amount by developing an independent range of estimates using available market information from third party sources and recent transactions, if applicable, and comparing those to the implied EBITDA multiple of New Hampshire/Maine.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

/s/ Deloitte LLP [1]

[1] CPA auditor, CA, public accountancy permit No. A124341

Montréal, Québec
November 11, 2021

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Years ended August 31,	*Notes*	**2021**	2020
(In thousands of Canadian dollars, except per share data)		**$**	$
Revenue	*4*	**2,510,453**	2,384,283
Operating expenses	*7*	**1,281,332**	1,211,422
Management fees – Cogeco Inc.	*24 A)*	**23,465**	24,132
Integration, restructuring and acquisition costs	*5*	**8,744**	9,486
Depreciation and amortization	*8*	**510,376**	499,238
Financial expense	*9*	**124,163**	131,093
Profit before income taxes		**562,373**	508,912
Income taxes	*10*	**130,726**	112,321
Profit for the year		**431,647**	396,591
Profit for the year attributable to:			
Owners of the Corporation		**401,517**	375,174
Non-controlling interest		**30,130**	21,417
		431,647	396,591
Earnings per share			
Basic	*11*	**8.47**	7.74
Diluted	*11*	**8.40**	7.67

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended August 31,	Note	2021	2020
(In thousands of Canadian dollars)		$	$
Profit for the year		**431,647**	396,591
Other comprehensive income (loss)			
Items to be subsequently reclassified to profit or loss			
Cash flow hedging adjustments			
Net change in fair value of hedging derivative financial instruments		**28,998**	(24,954)
Related income taxes		**(7,684)**	6,612
		21,314	(18,342)
Foreign currency translation adjustments			
Net foreign currency translation differences on a net investment in foreign operations		**(61,389)**	(37,356)
Net changes on translation of long-term debt designated as a hedge of a net investment in foreign operations		**16,575**	9,867
Related income taxes		**172**	84
		(44,642)	(27,405)
		(23,328)	(45,747)
Items not to be subsequently reclassified to profit or loss			
Defined benefit plans actuarial adjustments			
Remeasurement of net defined benefit liability or asset	*22 B)*	**4,441**	1,425
Related income taxes		**(1,177)**	(378)
		3,264	1,047
		(20,064)	(44,700)
Comprehensive income for the year		**411,583**	351,891
Comprehensive income for the year attributable to:			
Owners of the Corporation		**393,904**	338,076
Non-controlling interest		**17,679**	13,815
		411,583	351,891

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended August 31, 2021 and 2020	Share capital	Share-based payment reserve	Accumulated other comprehensive income (loss)	Retained earnings	Equity attributable to non-controlling interest	Total shareholders' equity
	Equity attributable to owners of the Corporation					
(In thousands of Canadian dollars)	$	$	$	$	$	$
	(Note 19)		*(Note 20)*			
Balance at August 31, 2019	1,023,390	13,526	31,028	1,131,845	359,689	2,559,478
Profit for the year	—	—	—	375,174	21,417	396,591
Other comprehensive (loss) income for the year	—	—	(38,145)	1,047	(7,602)	(44,700)
Comprehensive (loss) income for the year	—	—	(38,145)	376,221	13,815	351,891
Issuance of subordinate voting shares under the Stock Option Plan	6,670	—	—	—	—	6,670
Share-based payment (Notes 19 D) and 24 A))	—	7,164	—	—	—	7,164
Share-based payment previously recorded in share-based payment reserve for options exercised	1,129	(1,129)	—	—	—	—
Dividends (Note 19 C))	—	—	—	(112,275)	—	(112,275)
Purchase and cancellation of subordinate voting shares	(44,536)	—	—	(120,999)	—	(165,535)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(5,643)	—	—	—	—	(5,643)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	3,953	(3,214)	—	(739)	—	—
Total (distributions to) contributions by shareholders	(38,427)	2,821	—	(234,013)	—	(269,619)
Balance at August 31, 2020	**984,963**	**16,347**	**(7,117)**	**1,274,053**	**373,504**	**2,641,750**
Profit for the year	**—**	**—**	**—**	**401,517**	**30,130**	**431,647**
Other comprehensive (loss) income for the year	**—**	**—**	**(10,877)**	**3,264**	**(12,451)**	**(20,064)**
Comprehensive (loss) income for the year	**—**	**—**	**(10,877)**	**404,781**	**17,679**	**411,583**
Issuance of subordinate voting shares under the Stock Option Plan	**3,702**	**—**	**—**	**—**	**—**	**3,702**
Share-based payment (Notes 19 D) and 24 A))	**—**	**6,241**	**—**	**—**	**—**	**6,241**
Share-based payment previously recorded in share-based payment reserve for options exercised	**665**	**(665)**	**—**	**—**	**—**	**—**
Dividends (Note 19 C))	**—**	**—**	**—**	**(121,051)**	**—**	**(121,051)**
Purchase and cancellation of subordinate voting shares	**(31,827)**	**—**	**—**	**(99,632)**	**—**	**(131,459)**
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**(4,439)**	**—**	**—**	**—**	**—**	**(4,439)**
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**5,187**	**(5,034)**	**—**	**(153)**	**—**	**—**
Total (distributions to) contributions by shareholders	**(26,712)**	**542**	**—**	**(220,836)**	**—**	**(247,006)**
Balance at August 31, 2021	**958,251**	**16,889**	**(17,994)**	**1,457,998**	**391,183**	**2,806,327**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At August 31,	Notes	2021	2020
(In thousands of Canadian dollars)		$	$
Assets			
Current			
Cash and cash equivalents		365,520	366,497
Restricted cash	12	170,434	—
Trade and other receivables	23 A)	78,346	83,013
Income taxes receivable		6,063	3,283
Prepaid expenses and other		32,681	29,266
Derivative financial instruments		1,076	—
		654,120	482,059
Non-current			
Restricted cash	12	13,100	—
Other assets	13	105,445	45,109
Property, plant and equipment	14	2,357,845	2,088,930
Intangible assets	15 A)	2,739,911	2,800,401
Goodwill	15 B)	1,476,150	1,381,024
Deferred tax assets	10	5,121	6,674
		7,351,692	6,804,197
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		4,460	7,610
Trade and other payables		270,497	211,052
Provisions	16	17,949	33,864
Income tax liabilities		5,800	39,897
Contract liabilities and other liabilities	17	57,231	47,162
Government subsidies received in advance	12	170,434	—
Derivative financial instruments		—	3,834
Current portion of long-term debt	18	225,344	29,569
		751,715	372,988
Non-current			
Long-term debt	18	3,046,872	3,087,033
Derivative financial instruments		42,000	67,375
Contract liabilities and other liabilities	17	8,547	10,965
Government subsidies received in advance	12	13,100	—
Pension plan liabilities and accrued employee benefits	22 B)	9,853	13,490
Deferred tax liabilities	10	673,278	610,596
		4,545,365	4,162,447
Shareholders' equity			
Equity attributable to owners of the Corporation			
Share capital	19 B)	958,251	984,963
Share-based payment reserve		16,889	16,347
Accumulated other comprehensive loss	20	(17,994)	(7,117)
Retained earnings		1,457,998	1,274,053
		2,415,144	2,268,246
Equity attributable to non-controlling interest		391,183	373,504
		2,806,327	2,641,750
		7,351,692	6,804,197

Commitments, contingencies and guarantees (Note 25)
Subsequent events (Note 26)

On behalf of the Board of Directors,

(signed) Louis Audet
Director

(signed) Joanne Ferstman
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31, *(In thousands of Canadian dollars)*	*Notes*	**2021** **$**	2020 $
Cash flows from operating activities			
Profit for the year		**431,647**	396,591
Adjustments for:			
Depreciation and amortization	*8*	**510,376**	499,238
Financial expense	*9*	**124,163**	131,093
Income taxes	*10*	**130,726**	112,321
Share-based payment		**7,810**	8,070
Loss (gain) on disposals and write-offs of property, plant and equipment		**185**	(515)
Defined benefit plans contributions, net of expense		**(765)**	(347)
		1,204,142	1,146,451
Changes in other non-cash operating activities	*21 A)*	**40,289**	(55,194)
Interest paid		**(123,657)**	(153,434)
Income taxes paid		**(101,715)**	(20,004)
		1,019,059	917,819
Cash flows from investing activities			
Acquisition of property, plant and equipment	*14*	**(533,186)**	(483,990)
Payment of spectrum licences deposits	*13*	**(59,018)**	—
Business combinations, net of cash and cash equivalents acquired	*6*	**(395,086)**	(81,509)
Proceeds on disposals of property, plant and equipment		**2,458**	8,224
		(984,832)	(557,275)
Cash flows from financing activities			
(Decrease) increase in bank indebtedness		**(3,150)**	7,610
Net increase under the revolving facilities		**256,230**	—
Repayment of notes, debentures and credit facilities		**(21,410)**	(269,169)
Repayment of lease liabilities		**(4,123)**	(4,905)
Repayment of balance due on business combinations		**(1,708)**	(3,228)
Increase in deferred transaction costs		**—**	(620)
Issuance of subordinate voting shares	*19 B)*	**3,702**	6,670
Purchase and cancellation of subordinate voting shares	*19 B)*	**(131,459)**	(165,535)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*19 B)*	**(4,439)**	(5,643)
Dividends paid	*19 C)*	**(121,051)**	(112,275)
		(27,408)	(547,095)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency		**(7,796)**	(3,456)
Net change in cash and cash equivalents		**(977)**	(190,007)
Cash and cash equivalents, beginning of the year		**366,497**	556,504
Cash and cash equivalents, end of the year		**365,520**	366,497

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended August 31, 2021 and 2020

NATURE OF OPERATIONS

Cogeco Communications Inc. ("Cogeco Communications" or the "Corporation") is a communications corporation operating in Canada under the Cogeco Connexion name in Québec and Ontario, and in the United States under the Atlantic Broadband brand in 12 states. Cogeco Communications provides residential and business customers with Internet, video and telephony services through its two-way broadband fibre networks.

On September 1, 2021, the Corporation's subsidiary, Atlantic Broadband, completed the acquisition of the broadband systems of WideOpenWest, Inc. ("WOW!") located in Ohio (see Note 26).

The Corporation is a subsidiary of Cogeco Inc. ("Cogeco"), which as of August 31, 2021 held 33.5% of the Corporation's equity shares, representing 83.4% of the votes attached to the Corporation's voting shares. Cogeco Communications is a Canadian public corporation whose subordinate voting shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "CCA".

The Corporation's registered office is located at 1 Place Ville Marie, Suite 3301, Montréal, Québec, H3B 3N2.

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 2 K)) and provisions (see Note 2 I)), which are measured at present value. Certain comparative amounts in the consolidated financial statements have been reclassified in order to conform to the fiscal 2021 consolidated financial statements presentation.

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 11, 2021.

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

The 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. Non-controlling interest in the net assets and results of consolidated subsidiaries is identified separately from the Corporation's ownership interest in them. Non-controlling interest in the equity of a subsidiary consists of the amount of non-controlling interest calculated at the date of the original business combination and its share of changes in equity since that date. Changes in non-controlling interest in a subsidiary that do not result in a loss of control by the Corporation are accounted for as equity transactions.

Operating segments and percentage of interest in the principal subsidiaries at August 31, 2021 are as follows:

Operating segments	Principal subsidiaries	Percentage of equity interest	Voting rights
		%	%
Canadian broadband services	Cogeco Connexion	100	100
American broadband services	Atlantic Broadband	79	79

The Corporation has established special purpose entities ("SPEs") with the objective of mitigating the impact of stock price fluctuations in connection with its Incentive Share Unit 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 retrospective 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 based on the consideration received or receivable from a customer, net of returns and discounts. The Corporation recognizes revenue from the sale of products or the rendering of services when it transfers control to the customer.

Revenue is recognized applying the following five steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the Corporation satisfies a performance obligation.

The Corporation's principal sources of revenue are recognized as follows:

Residential

- Monthly subscription revenue (net of any discounts, rebates, refunds and credits) for Internet, video and telephony services and rental of equipment is recognized on a monthly basis, as the services are provided;
- Revenue from data services, long-distance and other pay-per-use services is recognized on a monthly basis, as the services are provided; and
- Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts the delivery of the equipment.

Commercial

- Monthly subscription revenue (net of any discounts, rebates, refunds and credits) for Internet, video and telephony services and rental of equipment is recognized on a straight-line basis over the contractual period arrangement; and
- Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts the delivery of the equipment.

Other

- Revenue mainly from advertising, which is recognized as the services are provided.

Multiple-element arrangements

The Corporation offers certain products and services as part of multiple deliverable arrangements. The Corporation accounts for individual products or services separately if they are distinct performance obligations, such that a product or service is separately identifiable from other items in the bundled package and a customer can benefit from it on its own or with other readily available resources.

Consideration is measured and allocated between the components based upon stand-alone selling price while applying the relevant revenue recognition policy. The stand-alone selling price is based on the observable price for which the Corporation sells its products and services separately without a contract, adjusted for market conditions and other factors.

Contract liabilities

The Corporation considers that installation and activation fees are not distinct performance obligations because a customer cannot benefit from it, on its own.

Accordingly, for residential service customers, they are deferred and amortized as revenue over the period of time the fee remains material to the customer, which the Corporation estimates to be approximately six months. The estimate requires consideration of both quantitative and qualitative factors including average installation fee, average revenue per customer and customer behavior, among others. For commercial service customers, they are deferred and amortized as revenue at the same pace as the revenue from the related services are earned over the term of the agreement.

Unearned revenue, such as payments for services and goods received in advance, is recorded as contract liabilities in the consolidated statement of financial position until the service is provided or the product is delivered to the customer.

Contract costs

Contract cost assets are recognized in the consolidated statement of financial position as *Other assets*, and are comprised of upfront fees paid to multiple-dwelling units as well as incremental costs of obtaining a contract. Upfront fees paid by the Corporation to multiple-dwelling units such as condo associations, in order to gain access to serve and market occupants of the dwelling, are recognized over the term of the contract, as a reduction of revenue. Costs to obtain a contract (such as sales commissions) are recognized in operating expenses over the period of time the customer is expected to remain a customer of the Corporation, not exceeding four years.

D) PROPERTY, PLANT AND EQUIPMENT

Owned assets

Property, plant and equipment are measured at cost, net of government grants, less accumulated depreciation and 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 on a straight-line basis over the expected useful life of the asset (1), from the date the asset is ready for its intended use. Depreciation is calculated based on the depreciable amount, which is the cost of the asset less its residual value. Land and assets under construction are carried at cost and not depreciated.

Depreciation periods are as follows:

Buildings and leasehold improvements (1)	10 to 40 years
Networks and infrastructure (2)	3 to 20 years
Customer premise equipment	3 to 5 years
Vehicles and equipment (3)	3 to 10 years

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

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

(3) Vehicles and equipment include vehicles, 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.

Right-of-use assets

Refer to accounting policy G) Leases.

E) INTANGIBLE ASSETS AND GOODWILL

Intangible assets acquired separately

Intangible assets acquired separately are measured at cost less accumulated amortization and impairment losses, if they are amortizable, otherwise, only at cost 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 an 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 at cost 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;
- Spectrum licences are amortized over the initial non-cancellable term of the licences, not exceeding ten years.

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 Licences and Franchises ("Cable Distribution Licences"). Cable Distribution Licences are comprised of broadcast authorities' licences and exemptions from licensing that allow access to homes and customers in a specific area. The Corporation has concluded that the Cable Distribution Licences 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 Corporation reviews at the end of each reporting period whether events and circumstances continue to support the indefinite useful life assessment. Intangible assets with indefinite useful lives are not amortized.

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is not amortized.

F) IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period, the Corporation assesses whether there is an indication that an asset may be impaired. 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 of disposal 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 are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis. Impairment losses are recognized in profit or loss.

For assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss recognized. 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 in prior years. 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

At inception, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date of the lease, i.e. the date the underlying asset is available for use, the Corporation recognizes a lease liability with a corresponding right-of-use asset, except for short-term leases and leases of low value assets, which are expensed on a straight-line basis over the lease term.

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets is comprised of:

- the initial measurement amount of the lease liabilities recognized;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease contract.

Right-of-use assets are depreciated on a straight-line basis over the lesser of the estimated useful life of the underlying assets and the lease term. The lease term consists of the non-cancellable period of the lease, the period covered by extension options which are reasonably certain to be exercised and the period covered by termination options which are reasonably certain not to be exercised. They are assessed for impairment whenever there is an indication that the right-of-use assets may be impaired.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date over the lease term, discounted using the Corporation's incremental borrowing rate, unless the rate implicit in the lease is readily determinable. The Corporation applies a single discount rate to a portfolio of leases with similar characteristics.

Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate;
- amounts expected to be payable under a residual value guarantee;
- payments relating to purchase options and renewal option periods that are reasonably certain to be exercised; and
- penalties for early termination of a lease that is reasonably certain to be exercised.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities but instead recognized as expenses in the period in which the event that triggers the payment occurs.

After the commencement date, the carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced to reflect lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a modification to the lease terms and conditions, a change in the amount expected to be payable under a residual value guarantee or when there is a change in the assessment of whether purchase, renewal or termination options will be exercised. The remeasurement amount of the lease liabilities is recognized as a corresponding adjustment to the right-of-use asset, or in the consolidated income statement when the carrying amount of the right-of-use asset is reduced to zero.

The Corporation elected not to separate fixed non-lease components and account for the lease and any fixed non-lease components as a single lease component, for certain classes of underlying assets, such as for land and buildings.

H) INCOME TAXES

Income taxes 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 option 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. 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 or shares, 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

A defined benefit plan is a post-employment benefit plan whereby the amount of pension benefit that a plan participant will receive during retirement is defined and dependent on factors such as age, years of service and compensation. 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 its 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; and
- 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 *Other comprehensive income* 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 into 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 designated a portion of its US dollar denominated debt as a hedging item in a net investment hedge in its U.S. subsidiary. The Corporation applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the 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. The Corporation has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the hedging instruments is identical to the hedged item risks. The hedge ineffectiveness will arise when the amount of the net investments in the foreign subsidiary becomes lower than the amount of the related hedging instruments. 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 consolidated 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, the classification of non-derivative financial instruments, based on their method of measurement, is as follows:

- Cash and cash equivalents, restricted cash and trade and other receivables are classified and 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 and long-term debt, excluding lease liabilities, are classified and 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 consolidated 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 interest rate swaps as derivative financial instruments to manage interest rate risk related to its floating rate long-term debt. The Corporation also uses equity swap agreements, which are not designated as hedging relationships, in order to manage cash flow exposures related to settling DSUs. 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, except for equity swap instruments whereby the changes are recorded in operating expenses. Net receipts or payments arising from derivative financial instruments are recognized as financial expense.

The Corporation has elected to apply the hedge accounting requirements of IAS 39, *Financial instruments: recognition and measurement*. 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. There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate hedges match the terms of the respective variable rate loans (i.e., notional amount, maturity, payment and reset dates). The Corporation has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the hedging instruments is identical to the hedged item risks. 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. The main source of ineffectiveness in the hedge relationships relates to the effect of the counterparties and the Corporation's own credit risk on the fair value of the interest rate swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates.

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

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.

Trade and other receivables ("receivables") are assessed at each reporting date to determine whether there is objective evidence that they are impaired. 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. Receivables that are not individually significant are assessed for impairment on an aggregate basis by grouping together receivables with similar risk characteristics.

An impairment loss, with respect to receivables assessed on an aggregate basis, is measured based on the lifetime expected credit loss model which is an estimate of all possible default events over the expected life of the financial instrument. An impairment loss is recognized in profit or loss and reflected in an allowance account presented in reduction of receivables.

N) GOVERNMENT ASSISTANCE

Government assistance is recognized when there is reasonable assurance that it will be received and the Corporation will comply with all of the conditions associated with the assistance. Government grants related to an expense are recognized as a reduction of related expense for which the grant is intended to compensate. Government grants related to an asset are recognized as a deduction of the cost of the related asset.

O) CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

Cash and cash equivalents, if any, include cash and highly liquid investments that have an original maturity of three months or less. It consists solely of cash in banks as at August 31, 2021 and 2020.

Restricted cash consists of government subsidies received in advance (see Note 12).

P) 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 further 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.

Q) 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.

R) 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:

- **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 identifiable 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 6);

- **Revenue from contracts with customers**

  The identification of performance obligations within a contract and the timing of satisfaction of those performance obligations, as well as determining the costs that are incremental to obtaining and fulfilling a contract, require judgment. Determining the transaction price for a contract requires estimating the revenue expected for delivering the performance obligations within the contract. Additionally, an estimate might be necessary when determining the stand-alone selling price of performance obligations and the allocation of the transaction price between performance obligations;

- **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 16);

- **Contingencies**

  Contingencies such as lawsuits, taxes, impact of regulatory decisions, and commitments under contractual and other commercial obligations are estimated based on applying significant judgement in determining if a loss is probable and in determining the estimated outflow of economic resources. Such contingencies are estimated based on the information available to the Corporation;

- **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 (see Note 15); 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 (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. ACCOUNTING POLICY DEVELOPMENTS

A) INITIAL APPLICATION OF STANDARDS, INTERPRETATIONS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS

Definition of a Business - Amendments to IFRS 3

In October 2018, the IASB amended IFRS 3, *Business Combinations*, to clarify the definition of a business, with the objective of assisting entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition. Effective September 1, 2020, the Corporation adopted these amendments, which had no impact on the consolidated financial statements. The effects, if any, of these amendments, will be dependent on the facts and circumstances of any future acquisitions and they may affect whether those future acquisitions are accounted for as business combinations or as asset acquisitions, along with the allocation of the purchase price between the net identifiable assets acquired and goodwill.

B) FUTURE CHANGES TO STANDARDS, INTERPRETATIONS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

New standards, interpretations, amendments to standards and interpretations were issued by the IASB or the IFRS Interpretations Committee, but have not yet been applied in preparing these consolidated financial statements. The following issued amendments to standards and interpretations may have an impact on future consolidated financial statements of the Corporation:

Demand Deposits with Restrictions on Use (IAS 7 Statement of Cash Flows)	In September 2021, the IFRS Interpretations Committee issued tentative agenda decision *Demand Deposits with Restrictions on Use (IAS 7 Statement of Cash Flows)*, following the receipt of a request to clarify whether an entity should include a demand deposit as a component of cash and cash equivalents in its statements of cash flows and financial position when the demand deposit is subject to contractual restrictions on use agreed with a third party. The Corporation will monitor the development of this tentative agenda decision and will assess the impact on its consolidated financial statements, particularly in regards to the presentation of the funds received from the provincial and federal governments to be used to fund certain high-speed Internet network expansion projects (refer to Note 12), which are currently presented as *Restricted cash*, once the agenda decision will be finalized.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	In May 2021, the IASB amended IAS 12, *Income Taxes*, to clarify how companies should account for deferred tax on certain transactions that on initial recognition give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Corporation intends to apply these amendments in its consolidated financial statements for the annual reporting periods beginning on September 1, 2021. The Corporation does not expect any impact on its consolidated financial statements upon application of these amendments.
Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)	In March 2021, the IFRS Interpretations Committee finalized agenda decision *Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)*, which clarified how to recognize certain configuration or customisation costs related to cloud computing arrangement. The Corporation is currently assessing the impact on its consolidated financial statements, but it does not expect the related impact to be material. The Corporation expects to implement related changes, if any, arising from this agenda decision within the next quarters.
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	In February 2021, the IASB amended IAS 1, *Presentation of Financial Statements*, to require entities to disclose their material accounting policy information rather than their significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation is currently assessing the impact of these amendments on its accounting policies disclosure.
Interest Rate Benchmark Reform (Phase 2) - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	In August 2020, the IASB issued *Interest Rate Benchmark Reform - Phase 2*, which amends IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts*, and IFRS 16, *Leases*. The Phase 2 amendments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Corporation is currently assessing the impact of these amendments on its consolidated financial statements and will continue to monitor the reform and its related implications.
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	In January 2020, the IASB amended IAS 1 to clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation is currently assessing the impact of these amendments, if any, on its consolidated financial statements. In June 2021, the IASB tentatively decided to propose several amendments to the clarifications made in January 2020 and to defer the effective date to January 1, 2024.

4. REVENUE

	Canadian broadband services		American broadband services			Consolidated
Years ended August 31,	**2021**	2020	**2021**	2020	**2021**	2020
(In thousands of Canadian dollars)	**$**	$	**$**	$	**$**	$
Residential [(1)]	**1,244,099**	1,153,403	**963,180**	938,872	**2,207,279**	2,092,275
Commercial	**147,169**	133,164	**134,208**	132,360	**281,377**	265,524
Other	**1,829**	1,205	**19,968**	25,279	**21,797**	26,484
	1,393,097	1,287,772	**1,117,356**	1,096,511	**2,510,453**	2,384,283

(1) Includes revenue from Internet, video and telephony residential customers, bulk residential customers and Internet resellers customers.

5. OPERATING SEGMENTS

The Corporation's segment profit (loss) is reported in two operating segments: Canadian broadband services and American broadband 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 Internet, video and telephony services primarily to residential customers, as well as business services 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 12 states: Connecticut, Delaware, Florida, Maine, Maryland, New Hampshire, New York, Ohio, Pennsylvania, South Carolina, Virginia and West Virginia.

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*. Transactions between operating segments are measured at the amounts agreed to between the parties.

Year ended August 31, 2021	Canadian broadband services	American broadband services	Corporate and eliminations	Consolidated
(In thousands of Canadian dollars)	**$**	**$**	**$**	**$**
Revenue	**1,393,097**	**1,117,356**	**—**	**2,510,453**
Operating expenses	**642,568**	**605,856**	**32,908**	**1,281,332**
Management fees – Cogeco Inc.	**—**	**—**	**23,465**	**23,465**
Segment profit (loss)	**750,529**	**511,500**	**(56,373)**	**1,205,656**
Integration, restructuring and acquisition costs [(1)]				**8,744**
Depreciation and amortization				**510,376**
Financial expense				**124,163**
Profit before income taxes				**562,373**
Income taxes				**130,726**
Profit for the year				**431,647**
Acquisition of property, plant and equipment	**256,636**	**271,474**	**5,076**	**533,186**

(1) Comprised primarily of costs incurred in connection with the acquisition and integration of DERYtelecom, which was completed on December 14, 2020, as well as due diligence costs and legal fees related to the acquisition of the Ohio broadband systems, which was completed on September 1, 2021 (see Note 26).

Year ended August 31, 2020	Canadian broadband services	American broadband services	Corporate and eliminations	Consolidated
(In thousands of Canadian dollars)	$	$	$	$
Revenue	1,287,772	1,096,511	—	2,384,283
Operating expenses	587,752	600,425	23,245	1,211,422
Management fees – Cogeco Inc.	—	—	24,132	24,132
Segment profit (loss)	700,020	496,086	(47,377)	1,148,729
Integration, restructuring and acquisition costs (1)				9,486
Depreciation and amortization				499,238
Financial expense				131,093
Profit before income taxes				508,912
Income taxes				112,321
Profit for the year				396,591
Acquisition of property, plant and equipment	248,582	231,422	3,986	483,990

(1) Comprised primarily of costs associated with organizational changes initiated across the Corporation resulting in cost optimization, as well as costs related to the acquisition and integration of Thames Valley Communications and iTéract.

The following tables set out certain segmented and geographic market information at August 31, 2021 and 2020:

Segmented information

				At August 31, 2021
	Canadian broadband services	**American broadband services**	**Corporate and eliminations**	**Total**
(In thousands of Canadian dollars)	**$**	**$**	**$**	**$**
Spectrum licences deposits	**59,018**	**—**	**—**	**59,018**
Property, plant and equipment	**1,347,304**	**996,127**	**14,414**	**2,357,845**
Intangible assets	**1,036,850**	**1,703,061**	**—**	**2,739,911**
Goodwill	**148,649**	**1,327,501**	**—**	**1,476,150**

				At August 31, 2020
	Canadian broadband services	American broadband services	Corporate and eliminations	Total
(In thousands of Canadian dollars)	$	$	$	$
Property, plant and equipment	1,142,894	939,760	6,276	2,088,930
Intangible assets	1,004,408	1,795,993	—	2,800,401
Goodwill	8,807	1,372,217	—	1,381,024

Geographic market information

			At August 31, 2021
	Canada	**United States**	**Total**
(In thousands of Canadian dollars)	**$**	**$**	**$**
Spectrum licences deposits	**59,018**	**—**	**59,018**
Property, plant and equipment	**1,361,718**	**996,127**	**2,357,845**
Intangible assets	**1,036,850**	**1,703,061**	**2,739,911**
Goodwill	**148,649**	**1,327,501**	**1,476,150**

			At August 31, 2020
	Canada	United States	Total
(In thousands of Canadian dollars)	$	$	$
Property, plant and equipment	1,149,170	939,760	2,088,930
Intangible assets	1,004,408	1,795,993	2,800,401
Goodwill	8,807	1,372,217	1,381,024

6. BUSINESS COMBINATIONS

BUSINESS COMBINATION IN FISCAL 2021

Acquisition of DERYtelecom

On December 14, 2020, the Corporation's subsidiary, Cogeco Connexion, completed the acquisition of DERYtelecom, the third largest cable operator in the province of Québec, for a purchase price of $403 million, subject to customary post-closing adjustments. The transaction was executed essentially through an asset purchase. This acquisition enables Cogeco Connexion to expand its activities in more than 200 municipalities in Québec and adds approximately 100,000 customers to its customer base. The purchase price was financed through a combination of cash on hand and borrowings under Cogeco Communications' Term Revolving Facility.

The Corporation is currently assessing the fair value of the assets acquired and the liabilities assumed at the date of acquisition, for which the valuation process of certain assets remains to be finalized. The preliminary allocation of the purchase price was based on the estimated fair value of the assets acquired and the liabilities assumed at the date of acquisition, which could be subject to some adjustments until the fair value assessment is finalized. The items that are mainly subject to change are *Property, plant and equipment*, *Intangible assets* and *Goodwill*. The Corporation will finalize the purchase price allocation during the first quarter of fiscal 2022. Final adjustment to the purchase price allocation could also impact depreciation, amortization and income taxes expenses recognized since the initial accounting of the DERYtelecom business acquisition.

The preliminary allocation of the purchase price based on the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition is as follows:

	At August 31, 2021	At May 31, 2021
	Preliminary	Preliminary, as previously presented
(In thousands of Canadian dollars)	**$**	$
Purchase price		
Consideration paid at closing	**403,000**	403,000
Working capital adjustments	**(7,710)**	(8,500)
	395,290	394,500
Net assets acquired		
Cash and cash equivalents acquired	**204**	204
Current assets	**6,694**	6,549
Property, plant and equipment	**235,001**	235,001
Intangible assets	**41,350**	41,350
Goodwill	**139,842**	138,320
Current liabilities	**(27,801)**	(26,924)
	395,290	394,500

The amount of goodwill, which is expected to be mostly deductible for tax purposes, is mainly attributable to the expected growth in both residential and business services and the expertise of the workforce. As the transaction was executed essentially through an asset purchase, the goodwill is also attributable to the realization of expected tax benefits.

In connection with this acquisition, the Corporation incurred acquisition-related costs of $4.4 million, recognized within *Integration, restructuring and acquisition costs* in the Corporation's consolidated statement of profit and loss.

During the year ended August 31, 2021, the Corporation recognized $79.9 million of revenue related to the operations generated by the acquisition of DERYtelecom. The results of operations of DERYtelecom are reported in the Canadian broadband services operating segment.

Had the business combination been effective at September 1, 2020, the consolidated revenue of the Corporation would have been $2.541 billion for the year ended August 31, 2021. Management considers the "pro forma" supplemental information to represent an approximate measure of the performance of the combined group and to provide a reference point for comparison in future periods. The "pro forma" supplemental information is based on estimates and assumptions that management believes to be reasonable.

BUSINESS COMBINATIONS IN FISCAL 2020

Acquisition of Thames Valley Communications

On March 10, 2020, the Corporation's subsidiary, Atlantic Broadband, completed the acquisition of Thames Valley Communications, a broadband services company operating in Southeastern Connecticut, for a consideration of $67 million (US$50 million), net of cash and cash equivalents acquired.

Acquisition of iTéract

On May 1, 2020, the Corporation's subsidiary, Cogeco Connexion, completed the acquisition of iTéract Inc., a telecommunications service provider operating in Southern Québec using a combination of fixed-wireless and fibre-to-the-home technologies, and owner of 15 spectrum licences, for $16 million.

These acquisitions were accounted for using the purchase method and were subject to post-closing adjustments. The final allocation of the purchase price of these acquisitions is as follows:

			At August 31, 2020
	Thames Valley Communications	**iTéract**	**TOTAL**
	Final	Final	Final
(In thousands of Canadian dollars)	$	$	$
Purchase price			
Consideration paid at closing	70,982	14,399	85,381
Balance due on a business combination	—	1,600	1,600
Working capital adjustments	—	(198)	(198)
	70,982	15,801	86,783
Net assets acquired			
Cash and cash equivalents acquired	3,631	43	3,674
Current assets	1,500	27	1,527
Property, plant and equipment	18,435	3,023	21,458
Intangible assets	31,003	12,449	43,452
Goodwill	30,744	4,145	34,889
Current liabilities	(2,706)	(256)	(2,962)
Deferred tax liabilities	(11,625)	(3,630)	(15,255)
	70,982	15,801	86,783

The goodwill recorded on these acquisitions is mainly attributable to the expected growth in both residential and business services, and to the expertise of the workforce, and is not deductible for tax purposes. Goodwill arising from the acquisition of Thames Valley Communications was allocated to the American broadband services segment, while goodwill arising from the acquisition of iTéract was allocated to the Canadian broadband services operating segment.

7. OPERATING EXPENSES

Years ended August 31,	2021	2020
(In thousands of Canadian dollars)	$	$
Salaries, employee benefits and outsourced services	398,977	374,411
Service delivery costs (1)	684,717	660,257
Customer related costs (2)	84,271	84,798
Other external purchases (3)	113,367	91,956
	1,281,332	1,211,422

(1) Include content and programming costs, payments to other carriers, 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, losses and gains on disposals and write-offs of property, plant and equipment and other administrative expenses.

8. DEPRECIATION AND AMORTIZATION

Years ended August 31,	2021	2020
(In thousands of Canadian dollars)	$	$
Depreciation of property, plant and equipment (1)	466,639	440,221
Amortization of intangible assets	43,737	59,017
	510,376	499,238

(1) Includes depreciation of right-of-use assets amounting to $5.8 million for fiscal 2021 ($6.7 million in 2020).

9. FINANCIAL EXPENSE

Years ended August 31,	2021	2020
(In thousands of Canadian dollars)	$	$
Interest on long-term debt, excluding interest on lease liabilities	126,058	156,911
Interest on lease liabilities	1,310	1,520
Gain on debt modification (1)	—	(22,898)
Net foreign exchange (gain) loss	(957)	198
Amortization of deferred transaction costs	762	1,106
Capitalized borrowing costs	(163)	(584)
Other	(2,847)	(5,160)
	124,163	131,093

(1) On February 3, 2020, the Senior Secured Term Loan B Facility was amended and the most significant change consisted in the reduction of the interest rate by 0.25%. As a result, the Corporation recognized a gain on debt modification of $22.9 million.

10. INCOME TAXES

Years ended August 31,	2021	2020
(In thousands of Canadian dollars)	$	$
Current	65,070	57,632
Deferred	65,656	54,689
	130,726	112,321

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

Years ended August 31,	2021	2020
(In thousands of Canadian dollars)	$	$
Profit before income taxes	562,373	508,912
Combined Canadian income tax rate	26.5 %	26.5 %
Income taxes at combined Canadian income tax rate	149,029	134,862
Difference in operations' statutory income tax rates	1,870	2,167
Impact on income taxes arising from non-deductible expenses and non-taxable profit	(679)	(443)
Tax impacts related to foreign operations	(18,576)	(24,135)
Other	(918)	(130)
Income taxes at effective income tax rate	130,726	112,321
Effective income tax rate	23.2 %	22.1 %

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,	2021	2020
(In thousands of Canadian dollars)	$	$
Property, plant and equipment	(287,440)	(257,272)
Intangible assets and goodwill	(562,164)	(548,666)
Contract liabilities and other liabilities	11,088	13,607
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	148,364	153,000
Other	21,995	35,409
Net deferred tax liabilities	(668,157)	(603,922)
Consolidated financial statements presentation:		
Deferred tax assets	5,121	6,674
Deferred tax liabilities	(673,278)	(610,596)
Net deferred tax liabilities	(668,157)	(603,922)

The movements in deferred tax asset and liability balances during fiscal 2021 and 2020 were as follows:

Year ended August 31, 2021	Balance beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Foreign currency translation adjustments	Balance end of the year
(In thousands of Canadian dollars)	$	$	$	$	$
Property, plant and equipment	(257,272)	(35,832)	—	5,664	(287,440)
Intangible assets and goodwill	(548,666)	(23,244)	—	9,746	(562,164)
Contract liabilities and other liabilities	13,607	(2,466)	—	(53)	11,088
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	153,000	265	—	(4,901)	148,364
Other	35,409	(4,379)	(8,689)	(346)	21,995
	(603,922)	(65,656)	(8,689)	10,110	(668,157)

Year ended August 31, 2020	Balance beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Acquisition through business combinations	Foreign currency translation adjustments	Balance end of the year
(In thousands of Canadian dollars)	$	$	$	$	$	$
Property, plant and equipment [(1)]	(205,251)	(52,426)	—	(3,574)	3,979	(257,272)
Intangible assets and goodwill	(514,233)	(29,134)	—	(11,681)	6,382	(548,666)
Contract liabilities and other liabilities	15,214	(1,574)	—	—	(33)	13,607
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	135,205	21,083	—	—	(3,288)	153,000
Other [(1)]	22,047	7,362	6,318	—	(318)	35,409
	(547,018)	(54,689)	6,318	(15,255)	6,722	(603,922)

(1) The net income tax effect of IFRS 16 adoption on *Property, plant and equipment* and *Other (lease liabilities)* was nil.

The Corporation also has taxable temporary differences associated with its investments in subsidiaries. No deferred tax has been recognized with respect to such temporary differences, as the Corporation is able to control the timing of their reversal and such reversal is not probable in the foreseeable future.

At August 31, 2021, the Corporation and its subsidiaries had accumulated federal income tax losses, the benefits of which have been recognized in these consolidated financial statements, unless indicated otherwise. The benefits represent the amount expected to be realized, based on management's assessment of the Corporation's projected future profitability, deferred tax liabilities reversal and available carryback and carryforward periods, among others.

These losses expire as follows:

	2026	2027	2028	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$
United States	42,339	69,627	37,659	481,049	630,674

The Corporation and its subsidiaries also had accumulated capital losses in Canada amounting to $1,128 million which can be carried forward indefinitely and used against Canadian capital gains, and $94 million of unrealized foreign exchange temporary differences, the benefits of which have not been recognized in these consolidated financial statements.

11. EARNINGS PER SHARE

The following table provides the components used in the calculation of basic and diluted earnings per share:

Years ended August 31,	2021	2020
(In thousands of Canadian dollars, except number of shares)	$	$
Profit for the year attributable to owners of the Corporation	**401,517**	375,174
Weighted average number of multiple and subordinate voting shares outstanding	**47,391,520**	48,496,273
Effect of dilutive stock options (1)	**239,137**	237,696
Effect of dilutive incentive share units	**71,696**	74,360
Effect of dilutive performance share units	**100,047**	112,776
Weighted average number of diluted multiple and subordinate voting shares outstanding	**47,802,400**	48,921,105

(1) For the year ended August 31, 2021, 181,575 stock options (199,125 in 2020) 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.

12. RESTRICTED CASH AND GOVERNMENT SUBSIDIES RECEIVED IN ADVANCE

On March 22, 2021, Cogeco Communications announced that Cogeco Connexion will carry out 13 new high-speed Internet network expansion projects in several regions of Québec, with the financial support of provincial and federal governments. These digital infrastructure investment projects are scheduled to be completed by September 2022. On March 26, 2021, Cogeco Connexion received $187.5 million of a total estimated amount of $208 million expected to be received from the Québec and Canadian governments, to be used to fund these expansion projects. The remainder is expected to be received upon completion of the projects. The amount of subsidies may vary depending on actual construction costs.

The subsidies received in advance were classified as *Restricted cash* with a corresponding liability in *Government subsidies received in advance,* on the consolidated statement of financial position. At August 31, 2021, $3.6 million of these subsidies were recognized as a reduction of the cost of *Property, plant and equipment*, based on the costs incurred in connection with these projects over the expected costs, and $0.7 million as a reduction of *Operating expenses.*

13. OTHER ASSETS

At August 31,	2021	2020
(In thousands of Canadian dollars)	$	$
Spectrum licences deposits	**59,018**	—
Contract costs (1)	**44,199**	42,070
Transaction costs	**1,701**	2,512
Other	**527**	527
	105,445	45,109

(1) Include incremental costs of obtaining a contract and upfront fees paid to multiple-dwelling units.

Spectrum licences deposits

Following the 3500 MHz band auction held by Innovation, Science and Economic Development ("ISED") Canada, which started on June 15, 2021 and ended on July 23, 2021, Cogeco Connexion secured 38 spectrum licences, for a total purchase price of $295 million. In accordance with the terms and conditions of the spectrum auction, the Corporation's first deposit of $59 million, representing 20% of the total purchase price, was paid to ISED Canada, on August 13, 2021. The final payment of $236 million, expected to be made on October 4, 2021, has been postponed pending a decision by ISED regarding the establishment of rules to mitigate possible interference between the 3500 MHz band and frequency bands used by aviation radio altimeters at international airports. Final payment and issuance of the spectrum licences will be made after decision is taken on that matter by ISED. The deposit remitted as of August 31, 2021 has been presented in the consolidated statement of financial position as *Other assets*, as Cogeco Connexion did not have the right to commercially use the licences as of that date.

Contract costs

The table below provides a reconciliation of the contract costs balance:

Years ended August 31,	**2021**	2020
(In thousands of Canadian dollars)	**$**	$
Balance, beginning of the year	**42,070**	36,372
Additions	**15,895**	17,890
Amortization	**(12,722)**	(11,525)
Foreign currency translation adjustments	**(1,044)**	(667)
Balance, end of the year	**44,199**	42,070

14. PROPERTY, PLANT AND EQUIPMENT

At August 31,	2021	2020
(In thousands of Canadian dollars)	$	$
Owned assets	**2,314,832**	2,043,406
Right-of-use assets	**43,013**	45,524
	2,357,845	2,088,930

A) OWNED ASSETS

During fiscal 2021 and 2020, owned assets variations were as follows:

Years ended August 31, 2021 and 2020	Land, buildings and leasehold improvements	Networks and infrastructure	Customer premise equipment	Vehicles and equipment	Assets under construction	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$
Cost						
Balance at August 31, 2019	126,218	3,829,028	769,002	447,851	85,800	5,257,899
Reclassified to ROU assets upon adoption of IFRS 16	—	(9,576)	—	—	—	(9,576)
Acquisitions through business combinations	921	19,634	449	209	—	21,213
Additions [(1)]	3,817	142,277	113,776	16,969	205,860	482,699
Assets under construction put into service	4,543	153,232	2,200	37,262	(197,237)	—
Disposals and write-offs	(7,337)	(9,234)	(35,772)	(2,876)	—	(55,219)
Foreign currency translation adjustments	(495)	(28,903)	(5,794)	(2,395)	(501)	(38,088)
Balance at August 31, 2020	**127,667**	**4,096,458**	**843,861**	**497,020**	**93,922**	**5,658,928**
Acquisitions through business combinations	**5,580**	**187,263**	**19,473**	**8,487**	**12,929**	**233,732**
Additions [(1)]	**204**	**21,322**	**140,992**	**3,166**	**364,905**	**530,589**
Assets under construction put into service	**9,467**	**296,826**	**408**	**38,457**	**(345,158)**	**—**
Disposals and write-offs	**(5,358)**	**(137,786)**	**(49,018)**	**(50,894)**	**(86)**	**(243,142)**
Foreign currency translation adjustments	**(992)**	**(45,115)**	**(9,195)**	**(3,697)**	**(651)**	**(59,650)**
Balance at August 31, 2021	**136,568**	**4,418,968**	**946,521**	**492,539**	**125,861**	**6,120,457**
Accumulated depreciation and impairment losses						
Balance at August 31, 2019	59,474	2,336,150	558,595	296,070	—	3,250,289
Reclassified to ROU assets upon adoption of IFRS 16	—	(1,688)	—	—	—	(1,688)
Depreciation expense	6,699	287,767	88,535	50,514	—	433,515
Disposals and write-offs	(3,750)	(6,364)	(34,809)	(2,582)	—	(47,505)
Foreign currency translation adjustments	(313)	(15,044)	(2,650)	(1,082)	—	(19,089)
Balance at August 31, 2020	**62,110**	**2,600,821**	**609,671**	**342,920**	**—**	**3,615,522**
Depreciation expense	**5,777**	**290,302**	**110,557**	**54,234**	**—**	**460,870**
Disposals and write-offs	**(5,174)**	**(137,497)**	**(47,263)**	**(50,565)**	**—**	**(240,499)**
Foreign currency translation adjustments	**(506)**	**(23,536)**	**(4,493)**	**(1,733)**	**—**	**(30,268)**
Balance at August 31, 2021	**62,207**	**2,730,090**	**668,472**	**344,856**	**—**	**3,805,625**
Carrying amounts						
At August 31, 2020	65,557	1,495,637	234,190	154,100	93,922	2,043,406
At August 31, 2021	**74,361**	**1,688,878**	**278,049**	**147,683**	**125,861**	**2,314,832**

(1) In fiscal 2021, the Corporation received $15.3 million of government assistance, which was accounted for as a deduction of the cost of property, plant and equipment ($1.6 million in 2020), including the amount recognized in connection to the high-speed Internet network expansion projects (see Note 12).

B) RIGHT-OF-USE ASSETS

During fiscal 2021 and 2020, right-of-use assets variations were as follows:

Years ended August 31, 2021 and 2020	Land and buildings	Other [(1)]	Total
(In thousands of Canadian dollars)	$	$	$
Balance at August 31, 2019	—	—	—
Reclassified upon adoption of IFRS 16	—	7,888	7,888
IFRS 16 transition	41,540	441	41,981
Acquisitions through business combinations	184	61	245
Additions [(2)]	1,879	1,305	3,184
Modifications, disposals and write-offs	(638)	—	(638)
Depreciation expense	(5,878)	(828)	(6,706)
Foreign currency translation adjustments	(224)	(206)	(430)
Balance at August 31, 2020	**36,863**	**8,661**	**45,524**
Acquisitions through business combinations	**556**	**713**	**1,269**
Additions [(2)]	**888**	**2,826**	**3,714**
Modifications, disposals and write-offs	**(1,167)**	**57**	**(1,110)**
Depreciation expense	**(4,884)**	**(885)**	**(5,769)**
Foreign currency translation adjustments	**(383)**	**(232)**	**(615)**
Balance at August 31, 2021	**31,873**	**11,140**	**43,013**

(1) Includes right-of-use assets pertaining to networks and infrastructure, and vehicles and equipment.

(2) Includes $2.6 million of indefeasible rights of use paid in fiscal 2021 ($1.3 million in 2020).

15. INTANGIBLE ASSETS AND GOODWILL

A) INTANGIBLE ASSETS

During fiscal 2021 and 2020, intangible assets variations were as follows:

	Finite useful life		Indefinite useful life	
Years ended August 31, 2021 and 2020	Customer relationships	Spectrum licences	Cable distribution licences	Total
(In thousands of Canadian dollars)	$	$	$	$
Cost				
Balance at August 31, 2019	433,216	32,306	2,613,321	3,078,843
Acquisitions through business combinations	9,112	10,000	24,340	43,452
Foreign currency translation adjustments	(8,392)	—	(32,324)	(40,716)
Balance at August 31, 2020	**433,936**	**42,306**	**2,605,337**	**3,081,579**
Acquisitions through business combinations	**41,350**	**—**	**—**	**41,350**
Fully amortized	**(184,208)**	**—**	**—**	**(184,208)**
Foreign currency translation adjustments	**(13,846)**	**—**	**(53,388)**	**(67,234)**
Balance at August 31, 2021	**277,232**	**42,306**	**2,551,949**	**2,871,487**
Accumulated amortization and impairment losses				
Balance at August 31, 2019	223,515	4,484	—	227,999
Amortization expense	55,096	3,921	—	59,017
Foreign currency translation adjustments	(5,838)	—	—	(5,838)
Balance at August 31, 2020	**272,773**	**8,405**	**—**	**281,178**
Amortization expense	**39,150**	**4,587**	**—**	**43,737**
Fully amortized	**(184,208)**	**—**	**—**	**(184,208)**
Foreign currency translation adjustments	**(9,131)**	**—**	**—**	**(9,131)**
Balance at August 31, 2021	**118,584**	**12,992**	**—**	**131,576**
Carrying amounts				
At August 31, 2020	161,163	33,901	2,605,337	2,800,401
At August 31, 2021	**158,648**	**29,314**	**2,551,949**	**2,739,911**

B) GOODWILL

During fiscal 2021 and 2020, goodwill variations were as follows:

Years ended August 31, 2021 and 2020	
(In thousands of Canadian dollars)	$
Cost	
Balance at August 31, 2019	1,373,439
Acquisitions through business combinations	34,889
Foreign currency translation adjustments	(27,304)
Balance at August 31, 2020	**1,381,024**
Acquisitions through business combinations	**139,842**
Foreign currency translation adjustments	**(44,716)**
Balance at August 31, 2021	**1,476,150**
Accumulated impairment losses	
Balance at August 31, 2020 and August 31, 2021	**—**
Carrying amounts	
At August 31, 2020	1,381,024
At August 31, 2021	**1,476,150**

C) IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS

The Corporation tests goodwill and intangible assets with indefinite useful lives for impairment annually, 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:

At August 31,		**2021**		2020
Operating segments / CGUs	**Goodwill**	**Cable distribution licences**	Goodwill	Cable distribution licences
(In thousands of Canadian dollars)	**$**	**$**	$	$
Canadian broadband services	**148,649**		8,807	
Ontario		**857,696**		857,696
Québec		**109,304**		109,304
American broadband services	**1,327,501**		1,372,217	
Southern Florida		**235,938**		243,885
South Carolina		**39,113**		40,430
Pennsylvania		**483,484**		499,770
Delaware/Maryland/Virginia		**397,057**		410,432
Eastern Connecticut		**113,427**		117,248
New Hampshire/Maine		**315,930**		326,572
Total	**1,476,150**	**2,551,949**	1,381,024	2,605,337

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 costs of disposal. The value in use is determined using cash flow projections derived from internal financial projections covering a period of five to eight years, depending on the CGU. A period of five to eight years is used, as the payback period of the Corporation's capital investments often exceeds five 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 CGU. 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 June 30, 2021 and 2020, the Corporation performed impairment tests for all its CGUs within the Canadian and American broadband services segments. The recoverable amount of each CGU was calculated based on the value in use and was determined to be higher than its carrying amount. The impairment test at June 30, 2021 of the Canadian broadband service segment was performed using the 2020 calculation of the recoverable amount, which represented the most recent detailed calculation made in a preceding year. No impairment loss has been recognized for the years ended August 31, 2021 and 2020.

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:

		2021		2020
	Pre-tax discount rate	**Terminal growth rate**	Pre-tax discount rate	Terminal growth rate
Operating segments	**%**	**%**	%	%
Canadian broadband services	**8.3**	**2.0**	8.3	2.0
American broadband services	**8.9 to 9.5**	**2.5 to 3.0**	8.1 to 9.3	2.5 to 3.0

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

	Increase in pre-tax discount rate	**Decrease in terminal growth rate**
Operating segments	**%**	**%**
Canadian broadband services	(1)	(1)
American broadband services	**1.7 to 13.5**	**2.8 to 37.6**

(1) The recoverable amount of the Canadian broadband services CGUs exceeds the corresponding carrying value. No reasonable changes in the discount rate or in the terminal growth rate, used in the impairment test performed, would have caused the recoverable amount to equal the carrying value of the Canadian broadband services CGUs.

16. PROVISIONS

During fiscal 2021, provisions variations were as follows:

Year ended August 31, 2021	Withholding and stamp taxes (1)	Programming and content costs (2)	Other (3)	**Total**
(In thousands of Canadian dollars)	**$**	**$**	**$**	**$**
Balance, beginning of the year	**7,427**	**14,029**	**12,408**	**33,864**
Assumed through business combinations	**—**	**1,657**	**—**	**1,657**
Provisions made during the year	**—**	**6,956**	**3,369**	**10,325**
Provisions used during the year	**—**	**(14,376)**	**(2,126)**	**(16,502)**
Provisions reversed during the year	**—**	**(446)**	**(10,553)**	**(10,999)**
Foreign currency translation adjustments	**(335)**	**(39)**	**(22)**	**(396)**
Balance, end of the year	**7,092**	**7,781**	**3,076**	**17,949**

(1) 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 subsidiary by the Corporation.

(2) 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.

(3) The other provisions include provisions for contractual obligations and other legal obligations.

17. CONTRACT LIABILITIES AND OTHER LIABILITIES

At August 31,	2021	2020
(In thousands of Canadian dollars)	$	$
Advance billings	43,634	38,629
Deferred customer connection fees	20,932	18,005
Customer deposits and prepayments	949	1,221
Contract liabilities	65,515	57,855
Other liabilities	263	272
	65,778	58,127
Current	57,231	47,162
Non-current	8,547	10,965

During fiscal 2021 and 2020, contract liabilities variations were as follows:

Years ended August 31,	2021	2020
(In thousands of Canadian dollars)	$	$
Balance, beginning of the year	57,855	54,263
Revenue deferred in the previous period and recognized in the current period	(44,508)	(43,200)
Net additions arising from operations	46,737	46,815
Additions arising from business combinations	6,615	718
Foreign currency translation adjustments	(1,184)	(741)
Balance, end of the year	65,515	57,855

18. LONG-TERM DEBT

At August 31,	2021	2020
(In thousands of Canadian dollars)	$	$
Notes, debentures and credit facilities	3,234,816	3,072,511
Lease liabilities	37,400	41,235
Balance due on business combinations	—	2,856
	3,272,216	3,116,602
Less current portion	225,344	29,569
	3,046,872	3,087,033

A) NOTES, DEBENTURES AND CREDIT FACILITIES

At August 31,	Maturity	Interest rate		2021	2020
(In thousands of Canadian dollars, except percentages)		%		$	$
Corporation					
Term Revolving Facility [a)]					
Revolving loan	January 2025	1.62	(1)	52,972	—
Revolving loan - US$160 million	January 2025	1.28	(1) (2)	201,872	—
Senior Secured Notes [b)]					
Series A - US$25 million	September 2024	4.14		31,491	32,538
Series B - US$150 million	September 2026	4.29		188,823	195,123
Senior Secured Notes - US$215 million [b)]	June 2025	4.30		270,686	279,687
Senior Secured Debentures Series 3 [b)]	February 2022	4.93		199,895	199,671
Senior Secured Debentures Series 4 [b)]	May 2023	4.18		299,371	299,027
Subsidiaries					
First Lien Credit Facilities [c)]					
Senior Secured Term Loan B Facility - US$1,609.8 million (US$1,626.8 million at August 31, 2020)	January 2025	2.08	(1) (3) (4)	1,989,706	2,066,465
Senior Secured Revolving Facility	July 2024	—		—	—
				3,234,816	3,072,511
Less current portion				221,344	22,171
				3,013,472	3,050,340

(1) Interest rate on debt includes applicable credit spread.

(2) An amount of US$160 million drawn under the Corporation's Term Revolving Facility was hedged until September 20, 2021, using a cross-currency swap agreement which sets the amount redeemable at maturity at $201.7 million and the effective interest rate on the Canadian dollar equivalent at 1.43%.

(3) As of August 31, 2021, a U.S. subsidiary of the Corporation entered into interest rate swap agreements to fix the interest rate on a notional amount of US$770 million of its LIBOR based loans. These agreements have the effect of converting the floating US LIBOR base rate into fixed rates ranging from 2.017% to 2.262%, plus an applicable credit spread, for maturities between January 31, 2023 and November 30, 2024, under the Senior Secured Term Loan B Facility. Taking into account these agreements, the effective interest rate on the Senior Secured Term Loan B Facility is 3.06%.

(4) On February 3, 2020, a U.S. subsidiary of the Corporation amended its Senior Secured Term Loan B Facility, whereby the most significant change consisted in the reduction of the interest rate by 0.25%.

a) The Corporation has a Term Revolving Facility of $750 million with a syndicate of lenders. On December 6, 2019, the maturity was extended until January 24, 2025 and can be further extended annually. The amended and restated Term Revolving Facility 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 credit spread. The Term Revolving Facility provides access to a swingline with a limit of $30 million. The Term Revolving Facility can be repaid at any time without penalty and is 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, 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 and its subsidiaries, except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to total indebtedness, financial expense, permitted investments, distributions to shareholders including dividends on multiple and subordinate voting shares and share repurchases, as well as the incurrence and maintenance of certain financial ratios primarily linked to EBITDA adjusted for integration, restructuring and acquisition costs ("adjusted EBITDA").

b) The interest on the Senior Secured Notes and Debentures is payable semi-annually. These notes and debentures 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 and 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 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, dispositions and maintenance of certain financial ratios.

c) On January 4, 2018, in connection with the financing of the MetroCast acquisition, a $2.1 billion (US$1.7 billion) Senior Secured Term Loan B maturing January 2025, and a $188 million (US$150 million) Senior Secured Revolving facility maturing January 2023 were entered into by two of Cogeco Communications' U.S. subsidiaries. On December 6, 2019, the maturity date of the US$150 million Senior Secured Revolving Facility was extended by an additional 18 months until July 4, 2024.

   The interest rate on these First Lien Credit Facilities is based on LIBOR plus an applicable credit spread. Commencing in August 2018, the Senior Secured Term Loan B is subject to a quarterly amortization of 0.25% until its maturity date. In addition to the quarterly amortization, the loan shall be prepaid according to a prepayment percentage of excess cash flows generated during the prior fiscal year as defined below, if applicable.

   (i) 50% if Atlantic Broadband's ratio of net senior secured indebtedness / adjusted EBITDA ("leverage ratio") is greater than or equal to 5.1;
   (ii) 25% if Atlantic Broadband's leverage ratio is greater than or equal to 4.6 but less than 5.1; and
   (iii) 0% if Atlantic Broadband's leverage ratio is less than 4.6.

   Atlantic Broadband's leverage ratio was below 4.6 as of August 31, 2021, therefore no excess cash flows prepayments are applicable in fiscal 2022. The First Lien Credit Facilities are non-recourse to the Corporation and most of 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.

B) LEASE LIABILITIES

In the normal course of operations, the Corporation enters into leases for buildings, land, network infrastructure and equipment. Lease contracts are typically individually negotiated for a wide range of fixed periods, but may also include renewal or termination options.

At August 31, 2021, the weighted average interest rate on lease liabilities was approximately 3.48% and the weighted average lease term was approximately 6.3 years (3.55% and 6.7 years, respectively, in 2020).

At August 31,	**2021**	2020
(In thousands of Canadian dollars)	**$**	$
Lease liabilities	**37,400**	41,235
Less current portion	**4,000**	4,542
	33,400	36,693

Total expenses of $6.2 million have been recognized during fiscal 2021 relating primarily to variable lease payments not included in the measurement of lease liabilities ($16.4 million in 2020).

19. 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,	**2021**	2020
(In thousands of Canadian dollars, except number of shares)	**$**	$
15,691,100 multiple voting shares	**98,346**	98,346
31,154,698 subordinate voting shares (32,231,433 at August 31, 2020)	**875,436**	902,896
	973,782	1,001,242
73,987 subordinate voting shares held in trust under the Incentive Share Unit Plan (76,957 at August 31, 2020)	**(6,403)**	(6,346)
103,587 subordinate voting shares held in trust under the Performance Share Unit Plan (115,222 at August 31, 2020)	**(9,128)**	(9,933)
	958,251	984,963

During fiscal 2021 and 2020, subordinate voting share transactions were as follows:

Years ended August 31,		**2021**		2020
	Number of shares	**Amount**	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		**$**		$
Balance, beginning of the year	**32,231,433**	**902,896**	33,717,668	939,633
Shares issued for cash under the Stock Option Plan	**57,365**	**3,702**	105,765	6,670
Share-based payment previously recorded in share-based payment reserve for options exercised	**—**	**665**	—	1,129
Purchase and cancellation of subordinate voting shares (1)	**(1,134,100)**	**(31,827)**	(1,592,000)	(44,536)
Balance, end of the year	**31,154,698**	**875,436**	32,231,433	902,896

(1) During fiscal 2021, under its Normal Course Issuer Bid ("NCIB") program, the Corporation purchased and cancelled 1,134,100 (1,592,000 in 2020) subordinate voting shares with an average stated value of $31.8 million ($44.5 million in 2020), for consideration of $131.5 million ($165.5 million in 2020). The excess of the purchase price over the average stated value of the shares totalled $99.6 million ($121.0 million in 2020) and was charged to retained earnings.

NORMAL COURSE ISSUER BID

On April 30, 2021, the Corporation announced that the TSX accepted the renewal of its notice of intention for a NCIB, enabling it to acquire for cancellation up to 2,068,000 subordinate voting shares from May 4, 2021 to May 3, 2022, representing approximately 10% percent of the public float of the Corporation's issued and outstanding subordinate shares as of April 21, 2021. Under its previous NCIB that commenced on May 4, 2020 and ended on May 3, 2021, the Corporation could purchase for cancellation a maximum of 1,809,000 subordinate shares.

On September 2, 2020, Cogeco Communications ceased repurchasing shares under the NCIB as a result of an unsolicited proposal to acquire the Corporation. During the second quarter of fiscal 2021, Cogeco Communications resumed the repurchasing of shares.

The Corporation has also entered into an automatic share purchase plan (the "ASPP") with a designated broker to allow for the purchase of subordinate voting shares under the NCIB at times when the Corporation would ordinarily not be permitted to purchase shares due to regulatory restrictions or self-imposed blackout periods. Such purchases are executed by the broker on parameters established by the Corporation prior to the pre-established ASPP period.

During fiscal 2021 and 2020, the transactions pertaining to the subordinate voting shares held in trust under the Incentive Share Unit Plan were as follows:

Years ended August 31,		2021		2020
	Number of shares	Amount	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		$		$
Balance, beginning of the year	76,957	6,346	76,935	5,409
Subordinate voting shares acquired	24,255	2,311	21,290	2,437
Subordinate voting shares distributed to employees	(27,225)	(2,254)	(21,268)	(1,500)
Balance, end of the year	73,987	6,403	76,957	6,346

During fiscal 2021 and 2020, the transactions pertaining to the subordinate voting shares held in trust under the Performance Share Unit Plan were as follows:

Years ended August 31,		2021		2020
	Number of shares	Amount	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		$		$
Balance, beginning of the year	115,222	9,933	118,667	9,180
Subordinate voting shares acquired	22,337	2,128	28,005	3,206
Subordinate voting shares distributed to employees	(33,972)	(2,933)	(31,450)	(2,453)
Balance, end of the year	103,587	9,128	115,222	9,933

C) DIVIDENDS

For the year ended August 31, 2021, quarterly eligible dividends of $0.64 per share, for a total of $2.56 per share or $121.1 million, were paid to the holders of multiple and subordinate voting shares, compared to quarterly eligible dividends of $0.58 per share, for a total of $2.32 per share or $112.3 million, for the year ended August 31, 2020.

Years ended August 31,	2021	2020
(In thousands of Canadian dollars)	$	$
Dividends on multiple voting shares	40,169	36,403
Dividends on subordinate voting shares	80,882	75,872
	121,051	112,275

At its November 11, 2021 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.705 per share for multiple and subordinate voting shares, payable on December 9, 2021 to shareholders of record on November 25, 2021.

D) SHARE-BASED PAYMENT PLANS

The Corporation offers an Employee Stock Purchase Plan for the benefit of its employees and those of its subsidiaries 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.

Changes in the outstanding number of stock options were as follows:

Years ended August 31,		2021		2020
	Options	Weighted average exercise price	Options	Weighted average exercise price
(In Canadian dollars, except number of options)		$		$
Outstanding, beginning of the year	786,799	78.49	715,614	65.93
Granted	156,125	94.69	207,150	114.19
Exercised [(1)]	(57,365)	64.53	(105,765)	63.07
Cancelled	(50,485)	90.94	(30,200)	79.67
Outstanding, end of the year	835,074	81.73	786,799	78.49
Exercisable, end of the year	377,679	68.24	291,294	59.99

(1) The weighted average share price for options exercised during the year was $113.65 ($110.44 in 2020).

At August 31, 2021, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of options were as follows:

At August 31, 2021			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)	$		$
38.08 to 50.10	91,119	1.76	45.20	91,119	45.20
50.11 to 64.20	118,875	4.53	61.87	94,675	61.76
64.21 to 85.00	160,625	6.31	65.93	84,470	66.53
85.01 to 105.00	282,880	7.72	89.87	71,900	85.20
105.01 to 118.42	181,575	8.20	114.36	35,515	114.30
	835,074	6.45	81.73	377,679	68.24

The weighted average fair value of stock options granted for the year ended August 31, 2021 was $14.86 ($18.43 in 2020) 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,	2021	2020
	%	%
Expected dividend yield	2.75	2.07
Expected volatility [(1)]	24.79	20.51
Risk-free interest rate	0.43	1.53
Expected life (in years)	5.9	5.9

(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.

ISU plan

The Corporation offers to its executive officers and designated employees an Incentive Share Unit ("ISU") Plan. According to this plan, executive officers and designated employees periodically receive a given number of 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. 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 consolidated financial statements with the value of the acquired subordinate voting shares held in trust under the ISU Plan presented in reduction of share capital.

Changes in the outstanding number of ISUs were as follows:

Years ended August 31,	2021	2020
Outstanding, beginning of the year	76,141	71,825
Granted (1)	27,425	29,200
Distributed	(27,225)	(21,268)
Cancelled	(7,506)	(3,616)
Outstanding, end of the year	68,835	76,141

(1) The weighted average fair value of the ISUs granted was $96.55 in 2021 ($113.02 in 2020).

PSU plan

The Corporation also offers a Performance Share Unit ("PSU") Plan for the benefit of its 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 an economic value creation formula, a performance measure used by management. The number of 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 PSUs expected to vest. PSUs are redeemable in case of death, permanent disability 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 less one day vesting period. In case of retirement, the holders of PSUs are entitled to partial or full payment of their PSUs depending on a combination of age at the time of retirement and length of service with the Corporation. 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 consolidated financial statements with the value of the acquired subordinate voting shares held in trust under the PSU Plan presented in reduction of share capital.

Changes in the outstanding number of PSUs were as follows:

Years ended August 31,	2021	2020
Outstanding, beginning of the year	112,886	107,551
Granted (1)	33,075	39,425
Distributed	(33,972)	(31,450)
Cancelled	(18,111)	(5,102)
Dividend equivalents	2,305	2,462
Outstanding, end of the year	96,183	112,886

(1) The weighted average fair value of the PSUs granted was $94.81 in 2021 ($114.15 in 2020).

DSU plan

The Corporation also offers a Deferred Share Unit ("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 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 and payable in cash or in shares, upon an individual ceasing to be a member of the Board or in the event of the death of the member.

Changes in the outstanding number of DSUs were as follows:

Years ended August 31,	2021	2020
Outstanding, beginning of the year	50,958	42,679
Issued (1)	8,512	7,233
Redeemed	(1,513)	—
Dividend equivalents	1,323	1,046
Outstanding, end of the year	59,280	50,958

(1) The weighted average fair value of the DSUs issued was $98.48 in 2021 ($113.75 in 2020).

The following table shows the compensation expense recorded with regards to the Corporation's share-based payment plans:

Years ended August 31,	2021	2020
(In thousands of Canadian dollars)	$	$
Stock options	844	806
ISUs	2,025	1,995
PSUs	1,492	1,733
DSUs	1,300	689
	5,661	5,223

20. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

During fiscal 2021 and 2020, accumulated other comprehensive (loss) income variations were as follows:

Years ended August 31, 2021 and 2020	Cash flow hedge reserve	Foreign currency translation	Total
(In thousands of Canadian dollars)	$	$	$
Balance at August 31, 2019	(33,842)	64,870	31,028
Other comprehensive loss for the year	(18,342)	(19,803)	(38,145)
Balance at August 31, 2020	**(52,184)**	**45,067**	**(7,117)**
Other comprehensive income (loss) for the year	**21,314**	**(32,191)**	**(10,877)**
Balance at August 31, 2021	**(30,870)**	**12,876**	**(17,994)**

21. ADDITIONAL CASH FLOWS INFORMATION

A) CHANGES IN OTHER NON-CASH OPERATING ACTIVITIES

Years ended August 31,	2021	2020
(In thousands of Canadian dollars)	$	$
Trade and other receivables	12,480	(8,550)
Prepaid expenses and other	(2,524)	(6,337)
Other assets	(3,195)	(6,384)
Trade and other payables	42,396	(35,513)
Provisions	(9,928)	(4,460)
Contract liabilities and other liabilities	1,060	6,050
	40,289	(55,194)

B) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

		Long-term debt			
Years ended August 31, 2021 and 2020	Bank indebtedness	Notes, debentures and credit facilities	Lease liabilities	Balance due on business combinations	Total
(In thousands of Canadian dollars)	$	$	$	$	$
Balance at August 31, 2019	—	3,404,859	—	4,520	3,409,379
Increase in bank indebtedness	7,610	—	—	—	7,610
Repayment of notes, debentures and credit facilities	—	(269,169)	—	—	(269,169)
Repayment of lease liabilities	—	—	(4,905)	—	(4,905)
Increase in deferred transaction costs	—	(98)	—	—	(98)
Repayment of balance due on business combinations	—	—	—	(3,228)	(3,228)
Total cash flows from (used in) financing activities excluding equity	7,610	(269,267)	(4,905)	(3,228)	(269,790)
Interest paid on lease liabilities	—	—	(1,094)	—	(1,094)
Total cash flow changes	7,610	(269,267)	(5,999)	(3,228)	(270,884)
IFRS 16 transition	—	—	44,443	—	44,443
Gain on debt modification	—	(22,898)	—	—	(22,898)
Effect of changes in foreign exchange rates	—	(50,094)	(226)	(36)	(50,356)
Amortization of discounts, transaction costs and other	—	9,911	—	—	9,911
Net increase in lease liabilities	—	—	3,017	—	3,017
Net increase in balance due on business combinations	—	—	—	1,600	1,600
Total non-cash changes	—	(63,081)	47,234	1,564	(14,283)
Balance at August 31, 2020	**7,610**	**3,072,511**	**41,235**	**2,856**	**3,124,212**
Decrease in bank indebtedness	**(3,150)**	**—**	**—**	**—**	**(3,150)**
Net increase under the revolving facilities	**—**	**256,230**	**—**	**—**	**256,230**
Repayment of notes, debentures and credit facilities	**—**	**(21,410)**	**—**	**—**	**(21,410)**
Repayment of lease liabilities	**—**	**—**	**(4,123)**	**—**	**(4,123)**
Repayment of balance due on business combinations	**—**	**—**	**—**	**(1,708)**	**(1,708)**
Total cash flows (used in) from financing activities excluding equity	**(3,150)**	**234,820**	**(4,123)**	**(1,708)**	**225,839**
Interest paid on lease liabilities	**—**	**—**	**(1,577)**	**—**	**(1,577)**
Total cash flow changes	**(3,150)**	**234,820**	**(5,700)**	**(1,708)**	**224,262**
Effect of changes in foreign exchange rates	**—**	**(85,462)**	**(396)**	**2**	**(85,856)**
Amortization of discounts, transaction costs and other	**—**	**12,937**	**—**	**—**	**12,937**
Net increase in lease liabilities	**—**	**—**	**977**	**—**	**977**
Assumed through business combinations	**—**	**10**	**1,284**	**—**	**1,294**
Settlement of balance due on business combinations	**—**	**—**	**—**	**(1,150)**	**(1,150)**
Total non-cash changes	**—**	**(72,515)**	**1,865**	**(1,148)**	**(71,798)**
Balance at August 31, 2021	**4,460**	**3,234,816**	**37,400**	**—**	**3,276,676**

22. EMPLOYEE BENEFITS

A) DEFINED CONTRIBUTION PLANS AND COLLECTIVE REGISTERED RETIREMENT SAVING PLANS

The Corporation and its subsidiaries offer to certain 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 amounted to $8.8 million ($8.2 million in 2020) for the year ended August 31, 2021 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 certain employees and a separate defined benefit plan for the benefit of their 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. The defined benefit plans are registered with the Office of the Superintendent of Financial Institutions and are subject to the Federal Pension Benefits Standards Act. The plans are also registered with the Canada Revenue Agency and are subject to the Income Tax Act (Canada). The Corporation's Pension Advisory Committee oversees the administration of these plans, which includes the following principal areas: monitoring of the funds performance and ensuring the plans are appropriately funded, decision-making in relation to the investment strategy, the plans' design and fund manager selection, and reviewing and approving the audited financial statements of the pension plans. The Corporation's funding policy is to maintain its contribution at a level sufficient to cover benefits and to meet requirements of the applicable regulations and plan provisions that govern the funding of the plans. The defined benefit plans are funded by the Corporation's and the participants' contributions. The defined benefits plans funding is calculated based on actuarial estimates and is subject to limitations under applicable income tax and other regulations.

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 of the pension plan for the benefit of the employees was at August 31, 2020 and the next required valuation is at August 31, 2021, which is expected to be completed in February 2022. For the executive officers' plans, the most recent actuarial valuation was at August 31, 2020 and the next required valuation is at August 31, 2023.

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

Years ended August 31,	2021	2020
(In thousands of Canadian dollars)	$	$
Defined benefit obligation [(1)]		
Defined benefit obligation, beginning of the year	61,357	57,686
Current service cost	2,063	1,963
Interest cost	1,668	1,686
Contributions by plan participants	216	226
Benefits paid	(1,795)	(1,750)
Actuarial losses (gains) on obligation arising from:		
Experience adjustments	583	(148)
Changes in demographic assumptions	251	—
Changes in financial assumptions	(3,703)	1,694
Defined benefit obligation, end of the year	60,640	61,357
Plan assets at fair value		
Plan assets at fair value, beginning of the year	53,011	47,650
Interest income	1,426	1,376
Return on plan assets, except amounts included in interest income	5,085	2,971
Administrative expense	(188)	(202)
Contributions by plan participants	216	226
Employer contributions	3,339	2,740
Benefits paid	(1,795)	(1,750)
Plan assets at fair value, end of the year	61,094	53,011
Funded status		
Plan assets at fair value	61,094	53,011
Defined benefit obligation	60,640	61,357
Plan surplus (deficit)	454	(8,346)
Effect of asset ceiling	(3,513)	—
Net defined benefit liability	(3,059)	(8,346)

(1) The weighted average duration of the defined benefit obligation is 13 years at August 31, 2021 (14 years at August 31, 2020).

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

Pension plan liabilities and accrued employee benefits

At August 31,	2021	2020
(In thousands of Canadian dollars)	$	$
Pension plan liabilities	3,059	8,346
Accrued employee benefits - DSU liability	6,794	5,144
	9,853	13,490

Defined benefit costs recognized in profit or loss

Years ended August 31,	2021	2020
(In thousands of Canadian dollars)	$	$
Recognized in operating expenses (salaries, employee benefits and outsourced services)		
Current service cost	2,063	1,963
Administrative expense	188	202
Recognized in financial expense (other)		
Net interest	242	310
	2,493	2,475

Defined benefit costs recognized in other comprehensive income

Years ended August 31,	2021	2020
(In thousands of Canadian dollars)	$	$
Actuarial losses (gains) arising from:		
Experience adjustments	583	(148)
Change in demographic assumptions	251	—
Change in financial assumptions	(3,703)	1,694
Return on plan assets, except amounts included in interest income	(5,085)	(2,971)
Change in asset ceiling	3,513	—
	(4,441)	(1,425)

Changes in the asset ceiling

Year ended August 31,	2021
(In thousands of Canadian dollars)	$
Balance, beginning of the year	—
Change in asset ceiling	3,513
Balance, end of the year	3,513

The Corporation's asset ceiling represents the present value of future economic benefits available in the form of reductions in future contributions.

The expected employer contributions to the Corporation's defined benefit plans should be approximately $2.8 million in 2022.

Plan assets consist of:

At August 31,	2021	2020
	%	%
Equity securities (1)	51.6	48.3
Debt securities (1)	34.6	34.7
Deposits in trust (2)	13.3	16.0
Other	0.5	1.0
Total	100	100

(1) All equity and debt securities have a quoted price in active markets and do not include securities issued by the Corporation.

(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,	2021	2020
	%	%
Defined benefit obligation		
Discount rate	**3.05**	2.65
Rate of compensation increase (1)	**2.60**	2.60
Mortality table	**CPM-2014**	CPM-2014
Defined benefit costs		
Discount rate	**3.40**	2.85
Rate of compensation increase	**2.60**	2.75
Mortality table	**CPM-2014**	CPM-2014

(1) Increase of 2.60% from January 1, 2022 (1.67% in 2021).

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 will reduce the discount rate used and increase the present value of the defined benefit obligation. However, the increase in the obligation would be partly offset by an increase in the value of plan investments in debt securities.

Salary risk

Active members' expected benefits are linked to their pre-retirement compensation. The present value of the defined benefit obligation is calculated using management's best estimate of the expected rate of compensation increase of plan members. Increasing that assumption would increase the defined benefit obligation.

D) SENSITIVITY ANALYSIS

The sensitivity analysis of the defined benefit obligation was 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 was 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, 2021	**Change in assumption**	**Increase in the defined benefit obligation**
(In thousands of Canadian dollars, except percentages)	**%**	**$**
Discount rate decrease	0.25	2,275
Expected rate of compensation increase	0.25	126

23. 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, foreign exchange and market 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, restricted cash and trade accounts receivable, the maximum exposure of which is represented by the carrying amounts reported on the consolidated statements of financial position.

Credit risk from derivative financial instruments arises from the possibility that counterparties to the 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 high 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, 2021, 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").

Cash equivalents consist mainly of highly liquid short-term investments. The Corporation has deposited the cash and cash equivalents, and the restricted cash with reputable financial institutions, for which management believes the risk of loss to be remote. At August 31, 2021 and 2020, cash and cash equivalents consisted solely of cash in banks.

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 lifetime expected credit losses related to doubtful accounts. The doubtful accounts allowance is calculated on a specific-identification basis for larger customer accounts receivable and on a statistically derived basis for the remainder. Factors such as the current economic conditions, forward-looking macroeconomic data and historical information (number of overdue days of the customer's balance outstanding as well as the customer's collection history) are examined. 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 and the United States, 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,	**2021**	2020
(In thousands of Canadian dollars)	**$**	$
Trade accounts receivable	**77,608**	79,821
Allowance for doubtful accounts	**(6,035)**	(6,235)
	71,573	73,586
Other accounts receivable	**6,773**	7,673
Receivable from Cogeco	**—**	1,754
	78,346	83,013

Trade accounts receivable past due is defined as the amount outstanding beyond normal credit terms and conditions for the respective customers. The Corporation considers the amount outstanding at the due date as trade accounts receivable past due. A large portion of the Corporation's customers are billed and pay before the services are rendered.

The following table provides further details on trade accounts receivable past due, net of allowance for doubtful accounts:

At August 31,	**2021**	2020
(In thousands of Canadian dollars)	**$**	$
Less than 60 days past due	**14,552**	13,075
60 to 90 days past due	**276**	362
More than 90 days past due	**81**	—
	14,909	13,437

The following table shows changes in the allowance for doubtful accounts:

Years ended August 31,	2021	2020
(In thousands of Canadian dollars)	$	$
Balance, beginning of the year	6,235	6,759
Provision for impaired receivables	15,931	20,418
Net use	(16,077)	(20,695)
Foreign currency translation adjustments	(54)	(247)
Balance, end of the year	6,035	6,235

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, 2021, the Corporation had used $255.9 million of its $750 million amended and restated Term Revolving Facility for a remaining availability of $494.1 million. Management believes that the committed Term Revolving Facility will, until its maturity in 2025, 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 Senior Secured Revolving Facility of $189.3 million (US$150 million), of which $3.1 million (US$2.4 million) was used at August 31, 2021, in the form of letters of credit, for a remaining availability of $186.2 million (US$147.6 million). An unsecured letter of credit facility was put in place to issue a $150 million letter of credit in connection with the 3500 MHz band auction (see Note 25 C)).

The following table summarizes the contractual maturities of the financial liabilities and lease liabilities, and related capital amounts at August 31, 2021:

	Contractual cash flows						
	2022	2023	2024	2025	2026	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$
Bank indebtedness	4,460	—	—	—	—	—	4,460
Trade and other payables (1)	263,880	—	—	—	—	—	263,880
Notes, debentures and credit facilities	221,449	321,449	21,449	2,524,355	—	189,255	3,277,957
Lease liabilities	3,736	3,372	3,121	2,889	2,814	21,359	37,291
	493,525	324,821	24,570	2,527,244	2,814	210,614	3,583,588

(1) Excluding accrued interest on notes, debentures and credit facilities.

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:

	2022	2023	2024	2025	2026	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$
Interest payments on notes, debentures and credit facilities (1)	84,165	78,792	65,820	38,939	8,119	4,060	279,895
Interest payments on lease liabilities	1,199	1,090	988	888	793	3,928	8,886
Interest receipts on derivative financial instruments (1)	(822)	(679)	(396)	(67)	—	—	(1,964)
Interest payments on derivative financial instruments (1)	20,717	17,097	9,879	1,643	—	—	49,336
	105,259	96,300	76,291	41,403	8,912	7,988	336,153

(1) Based on the principal amounts and interest rates prevailing on the outstanding debt at August 31, 2021 and their respective maturities.

Interest rate risk

The Corporation is exposed to interest rate risk on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At August 31, 2021, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the Term Revolving Facility and First Lien Credit Facilities, which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments and mitigate the impact of interest rate variations, the Corporation's U.S. subsidiary entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at August 31, 2021:

Type of hedge	Notional amount (1)	Receive interest rate	Pay interest rate	Maturity	Hedged item
Cash flow	US$770 million	US LIBOR base rate	2.017% - 2.262%	January 2023 - November 2024	Senior Secured Term Loan B

(1) Two tranches amounting to US$330 million have matured on January 31, 2021.

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $13.1 million based on the outstanding debt and swap agreements at August 31, 2021.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk with respect to the interest associated with its notes, debentures and credit facilities denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollar would increase financial expense by approximately $8.3 million based on the outstanding debt and swap agreements at August 31, 2021.

The Corporation faces exposure to foreign exchange risk on cash and cash equivalents and trade and other payables denominated mainly in US dollars, and the impact of a 10% decrease in the exchange rate of the US dollar into Canadian dollar would increase financial expense by approximately $3.0 million. The Corporation's exposure is as follows:

At August 31,	**2021**	2020
	US	US
(In thousands of Canadian dollars)	**$**	$
Financial assets (liabilities)		
Cash and cash equivalents	**29,794**	2,568
Trade and other payables	**(169)**	(2,721)
	29,625	(153)

Furthermore, a foreign currency exposure arises from the Corporation's net investment in its U.S. subsidiary, as a result of the translation of the net investment into the Corporation's functional currency. A portion of the Corporation's net investment in its U.S. subsidiary is hedged by the Corporation's US dollar denominated Senior Secured Notes, which the Corporation has designated as hedges of the net investment, while a portion is economically hedged by its U.S. subsidiary's US dollar denominated First Lien Credit Facilities.

The following table shows the aggregate investment in foreign operations attributable to owners of the Corporation and the notional amount of debt borrowed to hedge this investment at August 31, 2021:

Type of hedge	Notional amount of debt	Aggregate investment	Hedged item
Net investment	US$390 million	US$1,164 million	Net investment in foreign operations in US dollar

The exchange rate used to translate the US dollar currency into Canadian dollar for the consolidated statement of financial position accounts at August 31, 2021 was $1.2617 ($1.3042 at August 31, 2020) per US dollar). A 10% decrease in the exchange rate of the US dollar into Canadian dollar would decrease other comprehensive income by approximately $97.6 million.

Market risk

The Corporation uses derivative instruments to manage the cash flow exposure to the risk of changes in the price of its subordinate voting shares under the DSU plan. As such, the Corporation uses equity swap agreements to economically hedge the market price appreciation risk of its subordinate voting shares.

The following table shows the equity derivative contracts outstanding at August 31, 2021:

Type of hedge	Notional	Maturity	Average share price	Hedged item
Economic	58,300 units	January 2022	$100.86	Equity price exposure

At August 31, 2021, the fair value of the equity swap was $0.9 million and recognized as an asset. As a result of the equity swap, a 10% increase in the market price of the subordinate voting shares would not have a material financial impact on the Corporation's results.

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, restricted cash, trade and other receivables, bank indebtedness and trade and other payables approximates fair value because of the short-term nature of these instruments;
- Interest rates under the terms of the Term Revolving Facility and First Lien Credit Facilities are based on bankers' acceptance, US dollar base rate loans, LIBOR loans in US dollars, Euros or British Pounds plus applicable credit spread. The fair value of these instruments is based on current trading values for similar financial instruments;
- The fair value of the Senior Secured Debentures Series 3 and 4, and Senior Secured Notes is based on 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,		**2021**		2020
	Carrying value	**Fair value**	Carrying value	Fair value
(In thousands of Canadian dollars)	**$**	**$**	$	$
Notes, debentures and credit facilities	**3,234,816**	**3,347,701**	3,072,511	3,224,816

All financial instruments recognized at fair value on the consolidated statements 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 development of the business by acquisition and internal 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, the issuance or repurchase of equity and distributions to shareholders.

The capital structure of the Corporation is composed of shareholders' equity, cash and cash equivalents, bank indebtedness and long-term debt.

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, 2021 and 2020, 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,	**2021**	2020
Net indebtedness (1) / adjusted EBITDA	**2.45**	2.45
Adjusted EBITDA / financial expense (2)	**9.7**	7.5

(1) Net indebtedness is defined as the total of bank indebtedness and principal on long-term debt, less cash and cash equivalents.

(2) Financial expense for fiscal 2020 excludes the gain on debt modification of $22.9 million, which is consistent with the covenants calculation.

D) CATEGORIES OF FINANCIAL INSTRUMENTS

At August 31,	2021	2020
(In thousands of Canadian dollars)	$	$
Financial assets		
Financial assets measured and classified at amortized cost	627,400	449,510
	627,400	449,510
Financial liabilities		
Financial liabilities measured and classified at amortized cost	3,509,773	3,294,029
Derivative financial instruments in designated hedge relationships	42,000	70,998
	3,551,773	3,365,027

24. RELATED PARTY TRANSACTIONS

A) MANAGEMENT FEES AND OTHER RELATED PARTY TRANSACTIONS

Cogeco Communications is a subsidiary of Cogeco, which as of August 31, 2021 held 33.5% of the Corporation's equity shares, representing 83.4% of the votes attached to the Corporation's voting shares.

Cogeco provides executive, administrative, financial, strategic planning and additional services to the Corporation under a Management Services Agreement (the "Agreement"). The methodology used to establish the management fees is based on the costs incurred by Cogeco plus a reasonable mark-up. Provision is made for future adjustments upon the request of either Cogeco or the Corporation from time to time during the term of the Agreement. For fiscal 2021, management fees paid to Cogeco amounted to $23.5 million ($24.1 million in 2020).

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during fiscal 2021 and 2020, the Corporation granted stock options and PSUs to these executive officers, as executive officers of Cogeco Communications, and issued DSUs to Board directors of Cogeco, as shown in the following table:

Years ended August 31,	2021	2020
Stock options	74,275	110,875
PSUs	10,375	14,375
DSUs	792	1,847

The following table shows the amounts that the Corporation charged Cogeco with regards to the Corporation's stock options, ISUs and PSUs granted to these executive officers, as well as DSUs issued to Board directors of Cogeco:

Years ended August 31,	2021	2020
(In thousands of Canadian dollars)	$	$
Stock options	1,242	1,205
ISUs	6	39
PSUs	632	1,386
DSUs	269	217
	2,149	2,847

The Corporation had a $1.8 million receivable from Cogeco at August 31, 2020.

B) 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, which excludes the compensation to executive officers of Cogeco paid under the Management Services Agreement (included in *Management fees - Cogeco Inc.*), is as follows:

Years ended August 31,	2021	2020
(In thousands of Canadian dollars)	$	$
Salaries and other short-term employee benefits	4,014	2,706
Share-based payments and post-employment benefits	2,903	2,189
	6,917	4,895

25. COMMITMENTS, CONTINGENCIES AND GUARANTEES

A) COMMITMENTS

The following table presents the Corporation's commitments that are not recognized as liabilities at August 31, 2021, and are due in each of the next five years and thereafter:

	2022	2023	2024	2025	2026	Thereafter
(In thousands of Canadian dollars)	$	$	$	$	$	$
Acquisition of property, plant and equipment (1)	309,655	1,800	1,800	1,800	1,800	—
Acquisition of intangible assets (2)	236,073	—	—	—	—	—
Other long-term contracts (3)	49,034	44,853	41,577	27,698	28,031	28,307
Lease commitments (4)	571	1,059	1,052	1,048	535	14
	595,333	47,712	44,429	30,546	30,366	28,321

(1) Include contractual obligations in connection with the Corporation's high-speed Internet expansion projects, accelerated purchases of certain equipment in order to avoid potential supply chain shortages and minimum spend commitments for acquisition of customer premise equipment.

(2) Include commitments related to the acquisition of the spectrum licences secured in the 3500 MHz band auction.

(3) Include long-term commitments under service and product contracts for operating expenditures, including minimum spend commitments.

(4) Include leases committed not yet commenced and leases of low value items.

B) CONTINGENCIES

Final rates for aggregated wholesale Internet access services

On May 27, 2021, the CRTC released Telecom Decision 2021-181, which ruled on applications by cable carriers (including the Corporation) and telecommunications carriers to review and vary Telecom Order 2019-288. In Telecom Order 2019-288, the CRTC had set final rates for Cogeco Connexion's aggregated wholesale high-speed Internet access service that were significantly lower than the interim rates set in October 2016, and had made them retroactive to March 31, 2016. In Telecom Decision 2021-181, the CRTC overturned the 2019 rate reductions and made the interim rates it had previously established in 2016, with certain adjustments, final. As a result of this decision, the Corporation was required to make retroactive payments to wholesale Internet access customers for the period of March to October 2016 and has recognized an amount of $4.6 million as a reduction of revenue during the third quarter of fiscal 2021.

Since then, two independent Internet service providers ("Resellers") and a trade association representing Resellers have petitioned the Governor in Council to overturn Telecom Decision 2021-181 and reinstate the CRTC's 2019 rate decision. On July 28, 2021, a Reseller sought leave to appeal Telecom Decision 2021-181 to the Federal Court of Appeal, which was granted on September 15, 2021. The Corporation, along with several other cable carriers, has asked the Governor in Council to deny the petitions and intervened before the Federal Court of Appeal.

Royalties payable for retransmission of distant television signals

On July 22, 2021, the Federal Court of Appeal issued a decision in response to two applications for judicial review filed by six broadcasting distribution undertakings ("BDUs") (including the Corporation) and nine collective societies challenging a decision by the Copyright Board setting the quantum of royalties payable for the retransmission of distant Canadian and U.S. television over-the-air signals in Canada, for the 2014-2018 period. The Federal Court of Appeal determined that the 2014 and 2015 rates would be final but agreed with the collective societies that the Copyright Board had made errors in determining the 2016 to 2018 rates. The Federal Court of Appeal has sent the matter back to the Copyright Board, which will hold a new proceeding to determine the rates from 2016 onwards, which could increase as a result of this decision.

Due to the significant uncertainty surrounding both the outcome of this decision and its financial implications, the Corporation has not recorded any financial impact as at August 31, 2021.

Other

The Corporation and its subsidiaries are involved in matters involving litigations, other regulatory decisions or potential claims from customers and suppliers arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider these exposures to be significant to these consolidated financial statements. At August 31, 2021 and 2020, no liability has been recorded with respect to these litigations, other regulatory decisions and potential claims, except for those included in Note 16.

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, the Corporation cannot determine how they could affect its future liquidity, capital resources or credit risk profile. At August 31, 2021 and 2020, no liability has been recorded with respect to these indemnifications, except for those disclosed in Note 16.

3500 MHz band auction

In connection with the 3500 MHz band auction (see Note 13), Cogeco Connexion contracted a $150 million unsecured letter of credit, which was submitted to ISED Canada as a pre-auction deposit, with the application to bid. This unsecured letter of credit will remain outstanding until the final payment is made.

Sale of a business

In connection with the sale of a business, the Corporation has agreed to indemnify the purchaser against claims related to events that occurred prior to the date of sale.

Long-term debt

Under the terms of the US Senior Secured 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 the sale 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 the purchase 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.

26. SUBSEQUENT EVENTS

Acquisition of WideOpenWest's Ohio broadband systems

On September 1, 2021, Atlantic Broadband completed the acquisition of the broadband systems of WideOpenWest, Inc. ("WOW!") located in Ohio ("Ohio broadband systems") for a purchase price of US$1.125 billion, subject to customary post-closing adjustments. The transaction was executed through an asset purchase agreement. With the closing of this transaction, Atlantic Broadband is expanding its activities in Ohio and significantly growing its customer base. The acquired Ohio broadband systems passed approximately 689,000 homes and businesses in Cleveland and Columbus and served approximately 196,000 Internet, 54,000 video and 33,000 telephony customers. The acquisition represents a strong strategic fit for Cogeco Communications as it is complementary to Atlantic Broadband's existing footprint and capitalizes on its existing platform. In the short term, the acquired operations will continue to operate under the WOW! name and trademark and be rebranded following the integration period.

During the fourth quarter of fiscal 2021, due diligence costs and legal fees amounting to $4.0 million (US$3.2 million) were recognized within *Integration, restructuring and acquisition costs* (see Note 5). In addition, transaction costs amounting to $19.5 million (US$15.5 million), which were due upon closing of the acquisition on September 1, 2021, will be recognized during the first quarter of fiscal 2022. The purchase price and transaction costs have been financed through the issuance of a US$900 million secured Term B loan by Atlantic Broadband maturing in 2028 and excess cash on hand. Financing costs amounting to US$13.1 million were due upon closing of this debt issuance. On October 25, 2021, the Corporation entered into interest rate swap agreements to fix the interest rate on a notional amount of US$800 million of the new secured Term B loan. These agreements have the effect of converting the floating US LIBOR base rate, or 50 bps LIBOR floor if higher, into fixed rates ranging from 1.2237% to 1.4631%, plus applicable credit spread, for maturities between October 31, 2025 and July 31, 2027.

Issuance of $500 million senior secured notes

On September 20, 2021, Cogeco Communications completed, pursuant to a private placement, the issuance of $500 million senior secured notes, bearing interest at 2.991% and maturing on September 22, 2031. Cogeco Communications used the net proceeds of the offering to fund spectrum auction spend, repay existing indebtedness and for other general corporate purposes. The senior secured notes will be direct and unsubordinated secured debt obligations of Cogeco Communications and will rank equally and pari passu, with all other secured senior indebtedness of Cogeco Communications.