Shaw Communications Inc.
INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Shaw Communications Inc.

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

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Other matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Shaw Communication Inc.'s internal control over financial reporting as of August 31, 2016, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework and our report dated November 28, 2016 expressed an unqualified opinion on Shaw Communications Inc.'s internal control over financial reporting.

Calgary, Canada
November 28, 2016

Chartered Professional Accountants

Ernst & Young LLP

Shaw Communications Inc.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS UNDER STANDARDS OF THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (UNITED STATES)

To the Shareholders of Shaw Communications Inc.

We have audited Shaw Communications Inc.'s internal control over financial reporting as at August 31, 2016, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework (the COSO criteria). Shaw Communications Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the company are being made only in accordance with authorization of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Shaw Communications Inc.'s Management Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of WIND Mobile Corp., which is included in the August 31, 2016 consolidated financial statements of Shaw Communications Inc. and constituted $2,146 million of total assets as of August 31, 2016 and $280 million of revenues for the year then ended. Our audit of internal control over financial reporting of Shaw Communications Inc. also did not include an evaluation of the internal control over financial reporting of WIND Mobile Corp..

In our opinion, Shaw Communications Inc. maintained, in all material respects, effective internal control over financial reporting as at August 31, 2016, based on the COSO criteria.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Accounting Oversight Board (United States), the consolidated statements of financial position of Shaw Communications Inc. as at August 31, 2016 and 2015, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years ended August 31, 2016 and 2015, and our report dated November 28, 2016 expressed an unqualified opinion thereon.

Calgary, Canada
November 28, 2016

Chartered Professional Accountants

Ernst & Young LLP

Shaw Communications Inc.
Consolidated Statements of Financial Position

[millions of Canadian dollars]	August 31, 2016 $	August 31, 2015 $
ASSETS		
Current		
Cash	**405**	398
Accounts receivable *[note 4]*	**268**	468
Inventories *[note 5]*	**65**	60
Other current assets *[note 6]*	**138**	78
Assets held for sale *[note 3]*	**–**	5
	876	1,009
Investments and other assets *[notes 7 and 28]*	**853**	97
Property, plant and equipment *[note 8]*	**4,607**	4,220
Other long-term assets *[note 9]*	**275**	259
Deferred income tax assets *[note 23]*	**6**	14
Intangibles *[note 10]*	**7,450**	7,459
Goodwill *[note 10]*	**1,172**	1,506
	15,239	14,564
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities *[note 11]*	**944**	887
Provisions *[note 12]*	**33**	52
Income taxes payable	**215**	195
Unearned revenue	**215**	196
Current portion of long-term debt *[notes 13 and 28]*	**412**	608
	1,819	1,938
Long-term debt *[notes 13 and 28]*	**5,200**	5,061
Other long-term liabilities *[notes 14 and 26]*	**135**	186
Provisions *[note 12]*	**53**	10
Deferred credits *[note 15]*	**563**	588
Deferred income tax liabilities *[note 23]*	**1,174**	1,135
	8,944	8,918
Commitments and contingencies *[notes 13, 25 and 26]*		
Shareholders' equity		
Common and preferred shareholders	**6,294**	5,409
Non-controlling interests in subsidiaries	**1**	237
	6,295	5,646
	15,239	14,564

See accompanying notes

On behalf of the Board:

[Signed]
JR Shaw
Director

[Signed]
Michael O'Brien
Director

Shaw Communications Inc.
Consolidated Statements of Income

Years ended August 31 [millions of Canadian dollars except per share amounts]	2016 $	2015 $
Revenue *[note 24]*	**4,884**	4,486
Operating, general and administrative expenses *[note 21]*	**(2,770)**	(2,449)
Restructuring costs *[notes 12 and 21]*	**(23)**	(39)
Amortization:		
Deferred equipment revenue *[note 15]*	**67**	78
Deferred equipment costs *[note 9]*	**(151)**	(164)
Property, plant and equipment, intangibles and other *[notes 8,9,10 & 15]*	**(873)**	(778)
Operating income from continuing operations	**1,134**	1,134
Amortization of financing costs – long-term debt *[note 13]*	**(5)**	(4)
Interest expense *[notes 13 and 24]*	**(301)**	(283)
Business acquisition costs *[note 3]*	**(21)**	(6)
Equity income (loss) of an associate or joint venture *[note 7]*	**(61)**	(56)
Gain on sale of wireless spectrum licenses *[note 3]*	**–**	158
Impairment of goodwill *[note 10]*	**(17)**	(15)
Other losses *[note 22]*	**(102)**	(44)
Income from continuing operations before income taxes	**627**	884
Current income tax expense *[note 23]*	**247**	288
Deferred income tax recovery *[note 23]*	**(76)**	(70)
Net income from continuing operations	**456**	666
Income from discontinued operations, net of tax *[note 3]*	**784**	214
Net income	**1,240**	880
Net income from continuing operations attributable to:		
Equity shareholders	**456**	666
Income (loss) from discontinued operations attributable to:		
Equity shareholders	**764**	190
Non-controlling interests in subsidiaries held for sale	**20**	24
	784	214
Basic earnings per share *[note 18]*		
Continuing operations	**0.92**	1.40
Discontinued operations	**1.59**	0.40
	2.51	1.80
Diluted earnings per share *[note 18]*		
Continuing operations	**0.92**	1.39
Discontinued operations	**1.59**	0.40
	2.51	1.79

See accompanying notes

Shaw Communications Inc.
Consolidated Statements of Comprehensive Income

Years ended August 31 [millions of Canadian dollars]	2016 $	2015 $
Net income	**1,240**	880
Other comprehensive income (loss) *[note 20]*		
Items that may subsequently be reclassified to income:		
Change in unrealized fair value of derivatives designated as cash flow hedges	**1**	6
Adjustment for hedged items recognized in the period	**–**	(6)
Unrealized loss on available-for-sale investment	**–**	(3)
Reclassification of loss on available-for-sale investment to income	**4**	–
Share of other comprehensive income of associates	**(5)**	–
Exchange differences on translation of a foreign operation	**(7)**	184
Exchange differences on US denominated debt hedging a foreign operation	**4**	(74)
	(3)	107
Items that will not be subsequently reclassified to income:		
Remeasurements on employee benefit plans:		
Continuing operations	**(36)**	1
Discontinued operations	**(8)**	6
	(44)	7
Comprehensive income	**1,193**	994
Comprehensive income attributable to:		
Equity shareholders	**1,173**	970
Non-controlling interests in subsidiaries held for sale	**20**	24
	1,193	994

See accompanying notes

Shaw Communications Inc.
Consolidated Statements of Changes in Shareholders' Equity

Year ended August 31, 2016

[millions of Canadian dollars]	Attributable to equity shareholders						
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
Balance as at September 1, 2015	**3,500**	**45**	**1,883**	**(19)**	**5,409**	**237**	**5,646**
Net income	**–**	**–**	**1,220**	**–**	**1,220**	**20**	**1,240**
Other comprehensive loss	**–**	**–**	**–**	**(47)**	**(47)**	**–**	**(47)**
Comprehensive income	**–**	**–**	**1,220**	**(47)**	**1,173**	**20**	**1,193**
Dividends	**–**	**–**	**(396)**	**–**	**(396)**	**–**	**(396)**
Dividend reinvestment plan	**188**	**–**	**(188)**	**–**	**–**	**–**	**–**
Shares issued under stock option plan	**43**	**(6)**	**–**	**–**	**37**	**–**	**37**
Share-based compensation	**–**	**3**	**–**	**–**	**3**	**–**	**3**
Business acquisition	**68**	**–**	**–**	**–**	**68**	**–**	**68**
Distributions declared by subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(12)**	**(12)**
Derecognition/reclass on sale of discontinued operation *[note 3]*	**–**	**–**	**(14)**	**14**	**–**	**(244)**	**(244)**
Balance as at August 31, 2016	**3,799**	**42**	**2,505**	**(52)**	**6,294**	**1**	**6,295**

Year ended August 31, 2015

[millions of Canadian dollars]	Attributable to equity shareholders						
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
Balance as at September 1, 2014	3,182	64	1,589	(133)	4,702	235	4,937
Net income	–	–	856	–	856	24	880
Other comprehensive loss	–	–	–	114	114	–	114
Comprehensive income	–	–	856	114	970	24	994
Dividends	–	–	(396)	–	(396)	–	(396)
Dividend reinvestment plan	166	–	(166)	–	–	–	–
Shares issued under stock option plan	152	(23)	–	–	129	–	129
Share-based compensation	–	4	–	–	4	–	4
Distributions declared by subsidiaries to non-controlling interests	–	–	–	–	–	(22)	(22)
Balance as at August 31, 2015	3,500	45	1,883	(19)	5,409	237	5,646

See accompanying notes

Shaw Communications Inc.
Consolidated Statements of Cash Flows

Years ended August 31 [millions of Canadian dollars]	2016 $	2015 $
OPERATING ACTIVITIES		
Funds flow from operations *[note 29]*	**1,483**	1,398
Net change in non-cash balances related to continuing operations	**72**	(106)
Operating activities from discontinued operations	**108**	249
	1,663	1,541
INVESTING ACTIVITIES		
Additions to property, plant and equipment *[note 24]*	**(1,005)**	(923)
Additions to equipment costs (net) *[note 24]*	**(83)**	(72)
Additions to other intangibles *[note 24]*	**(110)**	(75)
Net decrease (increase) to inventories	**19**	59
Business acquisitions, net of cash acquired *[note 3]*	**(1,778)**	(902)
Proceeds on sale of discontinued operations, net of costs and cash sold	**1,798**	–
Additions to investments and other assets	**(71)**	(125)
Distributions received and proceeds from sale of investments	**6**	29
Proceeds on disposal of property, plant and equipment *[notes 24 and 29]*	**6**	26
Proceeds on sale of wireless spectrum licenses, net of costs *[note 3]*	**–**	99
Investing activities of discontinued operations	**(9)**	(20)
	(1,227)	(1,904)
FINANCING ACTIVITIES		
Increase in long-term debt	**1,910**	921
Debt repayments	**(1,961)**	(508)
Bank credit facility arrangement costs	**(11)**	(14)
Issue of Class B Non-Voting Shares	**38**	129
Dividends paid on Class A Shares and Class B Non-Voting Shares	**(380)**	(369)
Dividends paid on Series A Preferred Shares	**(13)**	(13)
Financing activities of discontinued operations	**(12)**	(23)
	(429)	123
Effect of currency translation on cash balances	**–**	1
Increase (decrease) in cash	**7**	(239)
Cash, beginning of year	**398**	637
Cash of continuing operations, end of year	**405**	398

See accompanying notes

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian communications company whose core operating business is providing: Cable telecommunications and Satellite video services to residential customers ("Consumer"); data networking, Cable telecommunications, Satellite video and fleet tracking services to businesses and public sector entities ("Business Network Services"); data centre colocation, cloud technology and managed IT solutions to businesses ("Business Infrastructure Services"); and wireless services for voice and data communications ("Wireless").

The Company was incorporated under the laws of the Province of Alberta on December 9, 1966 under the name Capital Cable Television Co. Ltd. and was subsequently continued under the Business Corporations Act (Alberta) on March 1, 1984 under the name Shaw Cablesystems Ltd. Its name was changed to Shaw Communications Inc. on May 12, 1993. The Company's shares are listed on the Toronto and New York Stock Exchanges. The registered office of the Company is located at Suite 900, 630 – 3rd Avenue S.W., Calgary, Alberta, Canada T2P 4L4.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

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

The consolidated financial statements of the Company for the years ended August 31, 2016 and 2015, were approved by the Board of Directors and authorized for issue on November 28, 2016.

Basis of presentation

These consolidated financial statements have been prepared primarily under the historical cost convention and are expressed in millions of Canadian dollars unless otherwise indicated. Other measurement bases used are outlined below and in the applicable notes. The consolidated statements of income are presented using the nature classification for expenses.

Basis of consolidation

(i) Subsidiaries

The consolidated financial statements include the accounts of the Company and those of its subsidiaries, which are entities over which the Company has control. Control exists when the Company has power over an investee, is exposed to or has rights to variable returns from its involvement and has the ability to affect those returns. Intercompany transactions and balances are eliminated on consolidation. The results of operations of subsidiaries acquired during the period are included from their respective dates of acquisition, being the time at which the Company obtains control. Consolidation of a subsidiary ceases when the Company loses control. A change in ownership interests of a subsidiary, without a loss of control, is accounted for as an equity transaction. The Company assesses control through share ownership and voting rights.

Non-controlling interests arise from business combinations in which the Company acquires less than 100% ownership interest. At the time of acquisition, non-controlling interests are measured at either fair value or their proportionate share of the fair value of acquiree's identifiable assets. The Company determines the measurement basis on a transaction by transaction basis. Subsequent to acquisition, the carrying amount of non-controlling interests is increased or decreased for their share of changes in equity.

(ii) Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The consolidated financial statements include the Company's proportionate share of the assets, liabilities, revenues, and expenses of its interests in joint operations.

The Company's joint operations include a 33.33% interest in the Burrard Landing Lot 2 Holdings Partnership (the "Partnership"). The Partnership owns and leases commercial space in Shaw Tower in Vancouver, BC, which is the Company's headquarters for its lower mainland operations. In classifying its 33.33% interest in the Partnership as a joint operation, the Company considered the terms and conditions of the partnership agreement and other facts and circumstances including the primary purpose of Shaw Tower which is to provide lease space to the partners.

Investments in associates and joint ventures

Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the operating and financial policies of the investee, but is not control or joint control.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method. Investments of this nature are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the associate's or joint venture's net income/loss and other comprehensive income/loss after the date of investment, additional contributions made and dividends received.

The Company has classified its approximate 38% participating interest in Corus Entertainment Inc. ("Corus") as an investment in an associate after considering both companies are subject to common control and the ability of the Company to appoint directors to Corus' Board of Directors.

The Company has classified its 50% interest in the Shomi Partnership ("shomi") as an investment in a joint venture after considering the terms and conditions of the partnership agreement.

Revenue and expenses

The Company has multiple deliverable arrangements comprised of upfront fees (subscriber connection and installation fee revenue and/or customer premise equipment revenue) and related subscription and service revenue. Upfront fees charged to customers do not constitute separate units of accounting, therefore these revenue streams are assessed as an integrated package.

(i) Revenue

Revenue from cable, Internet, Digital Phone, DTH and Wireless customers includes subscriber revenue earned as services are provided. Satellite distribution services and telecommunications service revenue is recognized in the period in which the services are rendered to customers. Affiliate subscriber revenue is recognized monthly based on subscriber levels. Advertising revenues are recognized in the period in which the advertisements are broadcast and recorded net of agency commissions as these amounts are paid directly to the agency or advertiser. When a sales arrangement includes multiple advertising spots, the proceeds are allocated to individual advertising spots under the arrangement based on relative fair values. Revenue from data centre customers includes colocation and other services revenue, including managed infrastructure revenue. Colocation revenue is recognized on a straight-line line basis over the term of the customer contract. Other services revenue, including managed infrastructure revenue, is recognized as the services are provided. Fees for wireless voice, text and data services on a pay-per-use basis are recognized in the period that the service is provided. Revenue from the direct sale of equipment to wireless subscribers or dealers is recognized when the equipment is delivered and accepted by the subscribers or dealers.

Subscriber connection fees received from customers are deferred and recognized as revenue on a straight-line basis over three years. Direct and incremental initial selling, administrative and connection costs related to subscriber acquisitions are recognized as an operating expense as incurred. The costs of physically connecting a new home are capitalized as part of the distribution system and costs of disconnections are expensed as incurred.

Initial setup fees related to the installation of data centre services and installation revenue received on contracts with commercial business customers are deferred and recognized as revenue on a straight-line basis over the related service contract, which generally span two to ten years. Direct and incremental costs associated with the installation of services or service contract, in an amount not exceeding the upfront revenue, are deferred and recognized as an operating expense on a straight-line basis over the same period.

The Company offers a discretionary wireless handset discount program, whereby the subscriber earns the applicable discount by maintaining services with the Company, such that the receivable relating to the discount at inception of the transaction is reduced over a period of time. A portion of future revenues earned in connection with the services is applied against the up-front discount provided on the handset. The Company also offers a plan allowing customers to receive larger up-front handset discounts than they would otherwise qualify for, if they pay a predetermined incremental charge to their existing service plan on a monthly basis. The charge is billed on a monthly basis and is recognized as revenue at that time. The Company recognizes the handset discount as a receivable and revenue upon the sale of the equipment on the basis that the receivable is recoverable. The receivable is realized on a straight-line basis over the period which the discount is forgiven to a maximum of two years with an offsetting reduction to revenue. The amount receivable is classified as part of other current or non-current receivables, as applicable, in the consolidated statements of financial position.

(ii) Deferred equipment revenue and deferred equipment costs

Revenue from sales of DTH equipment and DCTs is deferred and recognized on a straight-line basis over three years commencing when subscriber service is activated. The total cost of the equipment, including installation, represents an inventoriable cost which is deferred and recognized on a straight-line basis over the same period. The DCT and DTH equipment is generally sold to customers at cost or a subsidized price in order to expand the Company's customer base.

Revenue from sales of satellite tracking hardware and costs of goods sold is deferred and recognized on a straight-line basis over the related service contract for monthly service charges for air time, which is generally five years. The amortization of the revenue and cost of sale of satellite service equipment commences when goods are shipped.

Recognition of deferred equipment revenue and deferred equipment costs is recorded as deferred equipment revenue amortization and deferred equipment costs amortization, respectively.

(iii) Deferred IRU revenue

Prepayments received under indefeasible right to use ("IRU") agreements are amortized on a straight-line basis into income over the term of the agreement and included in amortization of property, plant and equipment, intangibles and other in the consolidated statements of income.

Cash

Cash is presented net of outstanding cheques. When the amount of outstanding cheques and the amount drawn under the Company's revolving term facility are greater than the amount of cash, the net amount is presented as bank indebtedness.

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts for the estimated losses resulting from the inability of its customers to make required payments. In determining the allowance, the Company considers factors such as the number of days the account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances.

Inventories

Inventories include subscriber equipment such as DCTs and DTH receivers, which are held pending rental or sale at cost or at a subsidized price. When subscriber equipment is sold, the equipment revenue and equipment costs are deferred and amortized over three years. When the subscriber equipment is rented, it is transferred to property, plant and equipment and amortized over its useful life. Inventories are determined on a first-in, first-out basis, and are stated at cost due to the eventual capital nature as either an addition to property, plant and equipment or deferred equipment costs.

Inventories of wireless handsets, accessories and SIM cards are carried at the lower of cost and net realizable value. Cost is determined using the weighted average method and includes expenditures incurred in acquiring the inventories and bringing them to their existing condition and location. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses.

Property, plant and equipment

Property, plant and equipment are recorded at purchase cost. Direct labour and other directly attributable costs incurred to construct new assets, upgrade existing assets and connect new subscribers are capitalized as well as borrowing costs on qualifying assets. In addition, any asset removal and site restoration costs in connection with the retirement of assets are capitalized. Repairs and maintenance expenditures are charged to operating expense as incurred. Amortization is recorded on a straight-line basis over the estimated useful lives of assets as follows:

Asset	Estimated useful life
Cable and telecommunications distribution system	5-20 years
Digital cable terminals and modems	2-5 years
Satellite audio, video and data network equipment and DTH receiving equipment	3-15 years
Transmitters, broadcasting and communication equipment	5-15 years
Buildings	15-40 years
Data centre infrastructure	3-21 years
Data processing	3-5 years
Other	3-20 years

The Company reviews the estimates of lives and useful lives on a regular basis.

Assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale when specific criteria are met and are measured at the lower of carrying amount and estimated fair value less costs to sell. Assets held for sale are not amortized and are reported separately on the statement of financial position.

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

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

Other long-term assets

Other long-term assets primarily include (i) equipment costs, as described in the revenue and expenses accounting policy, deferred and amortized on a straight-line basis over three to five years, (ii) the non-current portion of wireless handset discounts receivable as described in the revenue and expenses accounting policy, (iii) credit facility arrangement fees amortized on a straight-line basis over the term of the facility, (iv) long-term receivables, (v) network capacity leases, (vi) the non-current portion of prepaid maintenance and support contracts and (vii) direct costs in connection with initial setup fees and installation of services, as described in the revenue and expenses accounting policy, deferred and amortized on a straight-line basis over two to ten years.

Intangibles

The excess of the cost of acquiring cable, satellite, media, data centre and wireless businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist of amounts allocated to broadcast rights and licenses, wireless spectrum licenses, trademarks, brands, program rights, customer relationships and software assets. Broadcast rights and licenses, wireless spectrum licenses, trademarks and brands represent identifiable assets with indefinite useful lives.

Program rights represent licensed rights acquired to broadcast television programs on the Company's conventional and specialty television channels and program advances are in respect of payments for programming prior to the window license start date. For licensed rights, the Company records a liability for program rights and corresponding asset when the license period has commenced and all of the following conditions have been met: (i) the cost of the program is known or reasonably determinable, (ii) the program material has been accepted by the Company in accordance with the license agreement and (iii) the material is available to the Company for telecast. Program rights are expensed on a systematic basis generally over the estimated exhibition period as the programs are aired and are included in operating, general and administrative expenses. Program rights are segregated on the statement of financial position between current and noncurrent based on expected life at time of acquisition.

Customer relationships represent the value of customer contracts and relationships acquired in a business combination and are amortized on a straight-line basis over their estimated useful lives ranging from 4 – 15 years.

Software that is not an integral part of the related hardware is classified as an intangible asset. Internally developed software assets are recorded at historical cost and include direct material and labour costs as well as borrowing costs on qualifying assets. Software assets are amortized on a straight-line basis over estimated useful lives ranging from three to ten years. The Company reviews the estimates of lives and useful lives on a regular basis.

Borrowing costs

The Company capitalizes borrowing costs on qualifying assets, for which the commencement date is on or after September 1, 2010, that take more than one year to construct or develop using the Company's weighted average cost of borrowing which approximated 6% (2015 – 6%).

Impairment

(i) Goodwill and indefinite-life intangibles

The Company tests goodwill and indefinite-life intangibles for impairment annually (as at March 1) and when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of each cash-generating unit ("CGU") is determined based on the higher of the CGU's fair value less costs to sell ("FVLCS") and its value in use ("VIU"). A CGU is the smallest identifiable group of assets that generate cash flows that are independent of the cash inflows from other assets or groups of assets. The Company's cash generating units are Cable, Satellite, Data centres and Wireless. The Company had an additional cash generating unit, Media, until the sale of the division in April 2016. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

(ii) Non-financial assets with finite useful lives

For non-financial assets, such as property, plant and equipment and finite-life intangible assets, an assessment is made at each reporting date as to whether there is an indication that an asset may be impaired. If any indication exists, the recoverable amount of the asset is determined based on the higher of FVLCS and VIU. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. Previously recognized impairment losses are reviewed for possible reversal at each reporting date and all or a portion of the impairment is reversed if the asset's value has increased.

CRTC benefit obligations

The fair value of CRTC benefit obligations committed as part of business acquisitions are initially recorded at the present value of amounts to be paid net of any expected incremental cash inflows. The obligation is subsequently adjusted for the incurrence of related expenditures, the passage of time and for revisions to the timing of the cash flows. Changes in the obligation due to the passage of time are recorded as accretion of long-term liabilities and provisions in the income statement.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The timing or amount of the outflow may still be uncertain. Provisions are measured using the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainties associated with the obligation. Provisions are discounted where the time value of money is considered material.

(i) Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred, on a discounted basis, with a corresponding increase to the carrying amount of property and equipment, primarily in respect of wireless and transmitter sites. This cost is amortized on the same basis as the related asset. The liability is subsequently increased for the passage of time and the accretion is recorded in the income statement as accretion of long-term liabilities and provisions. The discount rates applied are subsequently adjusted to current rates as required at the end of reporting periods. Revisions due to the estimated timing of cash flows or the amount required to settle the obligation may result in an increase or decrease in the liability. Actual costs incurred upon settlement of the obligation are charged against the liability to the extent recorded.

(ii) Restructuring provisions

Restructuring provisions, primarily in respect of employee termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised to those affected that the plan will be carried out.

(iii) Other provisions

Provisions for disputes, legal claims and contingencies are recognized when warranted. The Company establishes provisions after taking into consideration legal assessments (if applicable), expected availability of insurance or other recourse and other available information.

Deferred credits

Deferred credits primarily include: (i) prepayments received under IRU agreements amortized on a straight-line basis into income over the term of the agreement, (ii) equipment revenue, as described in the revenue and expenses accounting policy, deferred and amortized over three to five years, (iii) connection fee revenue, initial setup fees and upfront installation revenue, as described in the revenue and expenses accounting policy, deferred and amortized over two to ten years, (iv) a deposit on a future fibre sale, and (v) amounts received in respect of granting an option to acquire its wireless spectrum licenses.

Leases

(i) Operating leases

Rent expense for real estate leases that have escalating lease payments is recorded on a straight-line basis over the term of the lease. The difference between the expense recorded and the amount paid is recorded as deferred rent and included in deferred credits in the statement of financial position.

(ii) Finance leases

Leases of property and equipment that transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between interest expense and reduction of the lease liability. The property and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Income taxes

The Company accounts for income taxes using the liability method, whereby deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset and they relate to income taxes levied by the same authority in the same taxable entity. Income tax expense for the period is the tax payable for the period using tax rates substantively enacted at the reporting date, any adjustments to taxes payable in respect of previous years and any change during the period in deferred income tax assets and liabilities, except to the extent that they relate to a business combination or divestment, items recognized directly in equity or in other comprehensive income. The Company records interest and penalties related to income taxes in income tax expense.

Tax credits and government grants

The Company receives tax credits primarily related to its research and development activities. Government financial assistance is recognized when management has reasonable assurance that the conditions of the government programs are met and accounted for as a reduction of related costs, whether capitalized and amortized or expensed in the period the costs are incurred.

Foreign currency translation

Transactions originating in foreign currencies are translated into Canadian dollars at the exchange rate at the date of the transaction. Monetary assets and liabilities are translated at the period-end rate of exchange and non-monetary items are translated at historic exchange rates. The net foreign exchange loss recognized on the translation and settlement of current monetary assets and liabilities was $1 (2015 – $3) and is included in other losses.

The functional currency of the Company's foreign operations is US dollars. Assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated into Canadian dollars using the foreign exchange rate at the end of the reporting period. Revenue and expenses are translated using average foreign exchange rates, which approximate the foreign exchange rates on the dates of the transactions. Foreign exchange differences arising on translation are included in other comprehensive income/loss and accumulated in equity.

Financial instruments other than derivatives

Financial instruments have been classified as loans and receivables, assets available-for-sale, assets held-for-trading or financial liabilities. Cash has been classified as held-for-trading and is recorded at fair value with any change in fair value immediately recognized in income (loss). Other financial assets are classified as available-for-sale or as loans and receivables. Available-for-sale assets are carried at fair value with changes in fair value recorded in other comprehensive income (loss) until realized. Available-for-sale equity instruments not quoted in an active market and where fair value cannot be reliably measured are recorded at cost less impairment. Loans and receivables and financial liabilities are carried at amortized cost. None of the Company's financial assets are classified as held-to-maturity and none of its financial liabilities are classified as held-for-trading.

Finance costs and discounts associated with the issuance of debt securities are netted against the related debt instrument and amortized to income using the effective interest rate method. Accordingly, long-term debt accretes over time to the principal amount that will be owing at maturity.

Derivative financial instruments and hedging activities

The Company uses derivative financial instruments, such as foreign currency forward purchase contracts, to manage risks from fluctuations in foreign exchange rates. All derivative financial instruments are recorded at fair value in the statement of financial position. Where permissible, the Company accounts for these financial instruments as hedges which ensures that counterbalancing gains and losses are recognized in income in the same period. With hedge accounting, changes in the fair value of derivative financial instruments designated as cash flow hedges are recorded in other comprehensive income (loss) until the variability of cash flows relating to the hedged asset or liability is recognized in income (loss). When an anticipated transaction is subsequently recorded as a non-financial asset, the amounts recognized in other comprehensive income (loss) are reclassified to the initial carrying amount of the related asset. Where hedge accounting is not permissible or derivatives are not designated in a hedging relationship, they are classified as held-for-trading and the changes in fair value are immediately recognized in income (loss).

Instruments that have been entered into by the Company to hedge exposure to foreign currency risk are reviewed on a regular basis to ensure the hedges are still effective and that hedge accounting continues to be appropriate.

A net investment hedge of a foreign operation is accounted for similarly to a cash flow hedge. The Company may designate certain US dollar denominated debt as a hedge of its net investment in foreign operations where the US dollar is the functional currency. Unrealized gains and losses arising from translation of the US dollar denominated debt are included in other comprehensive income/loss and accumulated in equity.

Fair value measurements

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

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions.

The fair value hierarchy consists of the following three levels:

Level 1 Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs for the asset or liability are based on observable market data, either directly or indirectly, other than quoted prices.

Level 3 Inputs for the asset or liability are not based on observable market data.

The Company determines whether transfers have occurred between levels in the fair value hierarchy by assessing the impact of events and changes in circumstances that could result in a transfer at the end of each reporting period.

Employee benefits

The Company accrues its obligations under its employee benefit plans, net of plan assets. The cost of pensions and other retirement benefits earned by certain employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. Past service costs from plan initiation and amendments are recognized immediately in the income statement. Remeasurements include actuarial gains or losses and the return on plan assets (excluding interest income). Actuarial gains and losses occur because assumptions about benefit plans relate to a long time frame and differ from actual experiences. These assumptions are revised based on actual experience of the plans such as changes in discount rates, expected retirement ages and projected salary increases. Remeasurements are recognized in other comprehensive income (loss) on an annual basis, at a minimum, and on an interim basis when there are significant changes in assumptions.

August 31 is the measurement date for the Company's employee benefit plans. The last actuarial valuations for funding purposes for the various plans were performed effective December 31, 2015 and the next actuarial valuations for funding purposes are effective December 31, 2016.

Share-based compensation

The Company has a stock option plan for directors, officers, employees and consultants to the Company. The options to purchase shares must be issued at not less than the fair value at the date of grant. Any consideration paid on the exercise of stock options, together with any contributed surplus recorded at the date the options vested, is credited to share capital. The Company calculates the fair value of share-based compensation awarded to employees using the Black-Scholes option pricing model. The fair value of options are expensed and credited to contributed surplus over the vesting period of the options using the graded vesting method.

The Company has a deferred share unit ("DSU") plan for its Board of Directors. Compensation cost is recognized immediately as DSUs vest when granted. DSUs will be settled in cash and the obligation is measured at the end of each period at fair value using the Black-Scholes option pricing model and the number of outstanding DSUs.

Share appreciation rights ("SARs") issued by a subsidiary to eligible employees are cash settled and measured at fair value using the Black-Scholes option pricing model. The fair value is recognized over the vesting period of the SARs by applying the graded vesting method, adjusting for estimated forfeitures. The obligation for SARs is remeasured at the end of each period up to the date of settlement which requires a reassessment of the estimates used at the end of each reporting period.

The Company has an employee share purchase plan (the "ESPP") under which eligible employees may contribute to a maximum of 5% of their monthly base compensation. The Company contributes an amount equal to 25% of the participant's contributions and records such amounts as compensation expense.

Earnings per share

Basic earnings per share is based on net income attributable to equity shareholders adjusted for dividends on preferred shares and is calculated using the weighted average number of Class A Shares and Class B Non-Voting Shares outstanding during the period. Diluted earnings per share is calculated by considering the effect of all potentially dilutive instruments. In calculating diluted earnings per share, any proceeds from the exercise of stock options and other dilutive instruments are assumed to be used to purchase Class B Non-Voting Shares at the average market price during the period.

Guarantees

The Company discloses information about certain types of guarantees that it has provided, including certain types of indemnities, without regard to whether it will have to make any payments under the guarantees.

Estimation uncertainty and critical judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates and significant changes in assumptions could cause an impairment in assets. The following require the most difficult, complex or subjective judgements which result from the need to make estimates about the effects of matters that are inherently uncertain.

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that could impact the carrying amount of assets and liabilities and results of operations in future periods.

(i) Allowance for doubtful accounts

The Company is required to make an estimate of an appropriate allowance for doubtful accounts on its receivables. The estimated allowance required is a matter of judgement and the actual loss eventually sustained may be more or less than the estimate, depending on events which have yet to occur and which cannot be foretold, such as future business, personal and economic conditions.

(ii) Property, plant and equipment

The Company is required to estimate the expected useful lives of its property, plant and equipment. These estimates of useful lives involve significant judgement. In determining these estimates, the Company takes into account industry trends and company-specific factors, including changing technologies and expectations for the in-service period of these assets. Management's judgement is also required in determination of the amortization method, the residual value of assets and the capitalization of labour and overhead.

(iii) Business combinations – purchase price allocation

Purchase price allocations involve uncertainty because management is required to make assumptions and judgements to estimate the fair value of the identifiable assets acquired and liabilities assumed in business combinations. Fair value estimates are based on quoted market prices and widely accepted valuation techniques, including discounted cash flow ("DCF") analysis. Such estimates include assumptions about inputs to the valuation techniques, industry economic factors and business strategies.

(iv) Impairment

The Company estimates the recoverable amount of its CGUs using a FVLCS calculation based on a DCF analysis or a market approach. Where a DCF analysis is used, significant judgements are inherent in this analysis including estimating the amount and timing of the cash flows attributable to the broadcast rights and licenses, the selection of an appropriate discount rate, and the identification of appropriate terminal growth rate assumptions. In this analysis the Company estimates the discrete future cash flows associated with the intangible asset for five years and determines a terminal value. The future cash flows are based on the Company's estimates of future operating results, economic conditions and the competitive environment. The terminal value is estimated using both a perpetuity growth assumption and a multiple of operating income before restructuring costs and amortization. The discount rates used in the analysis are based on the Company's weighted average cost of capital and an assessment of the risk inherent in the projected cash flows. In analyzing the FVLCS determined by a DCF analysis, the Company also considers a market approach determining a recoverable amount for each unit and total entity value determined using a market capitalization approach. Recent market transactions are taken into account, when available. The key assumptions used to determine the recoverable amounts, including a sensitivity analysis, are included in note 10. A DCF analysis uses significant unobservable inputs and is therefore considered a level 3 fair value measurement.

(v) Employee benefit plans

The amounts reported in the financial statements relating to the defined benefit pension plans are determined using actuarial valuations that are based on several assumptions including the discount rate and rate of compensation increase. While the Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income statement impact. The most significant assumption used to calculate the net employee benefit plan expense is the discount rate. The discount rate is the interest rate used to determine the present value of the future cash flows that is expected will be needed to settle employee benefit obligations. It is based on the yield of long-term, high-quality corporate fixed income investments closely matching the term of the estimated future cash flows and is reviewed and adjusted as changes are required.

(vi) Income taxes

The Company is required to estimate income taxes using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. In determining the measurement of tax uncertainties, the Company applies a probable weighted average methodology. Realization of deferred income tax assets is dependent on generating sufficient taxable income during the period in which the temporary differences are deductible. Although realization is not assured, management believes it is more likely than not that all recognized deferred income tax assets will be realized based on reversals of deferred income tax liabilities, projected operating results and tax planning strategies available to the Company and its subsidiaries.

(vii) Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities.

Critical judgements

The following are critical judgements apart from those involving estimation:

(i) Determination of a CGU

Management's judgement is required in determining the Company's cash generating units for the impairment assessment of its indefinite-life intangible assets. The CGUs have been determined considering operating activities and asset management and are Cable, Satellite, Data centres and Wireless. The Company had an additional CGU, Media, until the sale of the division in April 2016.

(ii) Broadcast rights and licenses and wireless spectrum licenses – indefinite-life assessment

A number of the Company's businesses are dependent upon broadcast licenses (or operate pursuant to an exemption order) granted and issued by the CRTC or wireless spectrum licenses issued by the Department of Innovation, Science and Economic Development (formerly, Industry Canada). While these licenses must be renewed from time to time, the Company has never failed to do so. In addition, there are currently no legal, regulatory or competitive factors that limit the useful lives of these assets.

Adoption of recent accounting pronouncement

The adoption of the following IFRS amendments effective September 1, 2015 had no impact on the Company's consolidated financial statements.

- amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* outlined in *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* as issued by the IASB in September 2014. These amendments were to be applied prospectively to transactions occurring for annual periods commencing after a date to be determined by the IASB, however earlier application is permitted.

Standards, interpretations and amendments to standards issued but not yet effect

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

- IFRS 2 *Share-based Payment* was amended in 2016 to clarify the accounting and measurement for certain types of share-based payment transactions. It is required to be applied for annual periods commencing on or after January 1, 2018, however earlier application is permitted.
- IFRS 16 *Leases* requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value are exempt from the requirements and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded. It may be applied retroactively or using a modified retrospective approach for annual periods commencing January 1, 2019, with early adoption permitted if IFRS 15 *Revenue from Contracts with Customers* has been adopted.
- IAS 12 *Income Taxes* was amended in 2016 to clarify how to account for deferred tax assets related to debt instruments measured at fair value. It is required to be applied for annual periods commencing January 1, 2017.
- IAS 7 *Statement of Cash Flows* was amended in 2016 to improve disclosures regarding changes in financing liabilities. It is required to be applied for annual period beginning on or after January 1, 2017.
- *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets)* prohibits revenue from being used as a basis to depreciate property, plant and equipment and significantly limits use of revenue-based amortization for intangible assets. The amendments are to be applied prospectively for the annual period commencing September 1, 2016.

- IFRS 15 *Revenue from Contracts with Customers*, was issued in May 2014 and replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programs*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard requires revenue to be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new standard is to be applied either retrospectively or on a modified retrospective basis and is effective for the annual period commencing September 1, 2018.
- IFRS 9 *Financial Instruments: Classification and Measurement* replaces IAS 39 *Financial Instruments* and applies a principal-based approach to the classification and measurement of financial assets and financial liabilities, including an expected credit loss model for calculating impairment, and includes new requirements for hedge accounting. The standard is required to be applied retrospectively for the annual period commencing September 1, 2018.

3. BUSINESS ACQUISITIONS, ASSET DISPOSITIONS AND ASSET HELD FOR SALE

Business acquisitions

Mid-Bowline Group Corp. (and its wholly owned subsidiary, WIND Mobile Corp.)

On March 1, 2016, the Company completed the acquisition of 100% of the shares of Mid-Bowline Group Corp. and its wholly owned subsidiary WIND Mobile Corp. (collectively, “WIND”) for enterprise value of $1.6 billion which was funded through a combination of cash on hand, a drawdown of $1.3 billion on the Company’s credit facilities and the issuance of 2,866,384 Class B Non-Voting Participating Shares. The acquisition of WIND is a significant step in the Company’s drive for growth and positions the Company to be a leading pure-play provider of connectivity that is focused on delivering consumer and business communications supported by best-in-class wireline, WiFi, wireless and data infrastructure.

The operating results of WIND are included in the Company’s consolidated financial statements from the date of acquisition. WIND contributed $280 revenue and $11 net income for the period from March 1, 2016 to August 31, 2016. If the acquisition had closed on September 1, 2015, WIND revenue and net income would have approximated $541 and $15, respectively. In connection with the transaction, the Company incurred $20 of acquisition related costs for professional fees paid to lawyers, consultants and advisors.

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

The fair value of purchase consideration consisted of $1,588 in cash and $68 in shares issued in connection with the acquisition. A summary of net assets and allocation of consideration is as follows:

	$
Net assets acquired at assigned fair values	
Cash	35
Accounts receivable[(1)]	12
Inventories	24
Other current assets	58
Property, plant and equipment	277
Other long term assets	19
Intangibles[(2)]	1,560
Goodwill, not deductible for tax[(3)]	65
	2,050
Accounts payable and accrued liabilities	110
Unearned revenue	9
Current debt[(4)]	3
Long-term debt[(4)]	2
Provisions	43
Deferred income taxes	227
	1,656

(1) Accounts receivable consist of $23 gross contractual amounts receivable from customers less $11 not expected to be collected.

(2) Intangibles include wireless spectrum licenses, subscriber relationships and software assets.

(3) Goodwill comprises the value of growth opportunities created through the combination of businesses and networks, a strong management team and an assembled workforce.

(4) Current and long-term debt is comprised of finance lease obligations in respect of certain equipment.

INetU, Inc.

On December 15, 2015, ViaWest closed the acquisition of 100% of the shares of INetU, Inc. ("INetU") for US$162 which was funded through a combination of borrowings under ViaWest's and the Company's revolving credit facilities as well as incremental term loan proceeds under ViaWest's credit facility. INetU is a solutions provider of public, private and hybrid cloud environments in addition to offering managed security and compliance services. The acquisition of INetU allows ViaWest to add new services to its cloud and managed offerings, and to expand its geographical footprint with eastern U.S. and European cloud locations.

INetU contributed $32 revenue and $14 net income for the period from December 15, 2015 to August 31, 2016. If the acquisition had closed on September 1, 2015, revenue and net income would have been approximately $46 and $18, respectively.

In connection with the transaction, the Company incurred $1 of acquisition related costs for professional fees paid to lawyers, consultants and advisors.

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

The purchase consideration consisted of $223 in cash. A summary of net assets and allocation of consideration is as follows:

	$
Net assets acquired at assigned fair values	
Cash and cash equivalents	–
Receivables	4
Other current assets	1
Property and equipment	25
Intangibles(1)	68
Goodwill, not deductible for tax(2)	166
	264
Current liabilities	7
Deferred income taxes	34
	223

(1) Intangibles include customer relationships and software assets.

(2) Goodwill comprises the value of growth opportunities created through the combination of businesses, a strong management team and an assembled workforce. Goodwill decreased $8 at August 31, 2016 due to translation using the period end foreign exchange rate.

ViaWest, Inc ("ViaWest")

On September 2, 2014, the Company closed the acquisition of 100% of the shares of ViaWest for an enterprise value of US $1.2 billion which was funded through a combination of cash on hand, assumption of ViaWest debt and a drawdown of US $330 on the Company's credit facility. The ViaWest acquisition provides the Company with a growth platform in the North American data centre sector and is another step in expanding technology offerings for mid-market enterprises in Western Canada. The operating results of ViaWest are included in the Company's consolidated financial statements from the date of acquisition.

In connection with the transaction, the Company incurred $4 of acquisition related costs in fiscal 2014 for professional fees paid to lawyers, consultants and advisors. During fiscal 2015, the Company incurred additional acquisition related costs of $6.

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

The purchase consideration consisted of $898 of cash and issuance of share-based awards of $8. A summary of net assets and allocation of consideration is as follows:

	$
Net assets acquired at assigned fair values	
Cash and cash equivalents	5
Receivables	10
Other current assets	5
Property and equipment	311
Other long-term assets	2
Intangibles[1]	404
Goodwill, not deductible for tax[2]	674
	1,411
Current liabilities	16
Current debt[3]	7
Deferred income taxes	76
Long-term debt[3]	406
	906

(1) Intangibles include a trade name, customer relationships and software assets.

(2) Goodwill comprises the value of upside and expansion potential due to industry growth expectations and demand for data centre services as well as a strong management team and an assembled workforce.

(3) Current and long-term debt is comprised of amounts that were outstanding under ViaWest's credit facility, finance lease obligations in respect of certain equipment and amounts owing to landlords in respect of financing leasehold improvements.

Other

Effective October 31, 2015, the Company acquired the assets of a small cable system serving approximately 1,300 video subscribers in British Columbia. The cash consideration of $2 has been allocated to property, plant and equipment and broadcast rights.

Effective June 30, 2015, ViaWest acquired 100% of the shares of AppliedTrust Engineering, Inc. ("AppliedTrust"), a provider of security, compliance, DevOps and infrastructure consulting services to a wide range of clients. AppliedTrust's capabilities augment the ViaWest platform with fast enablement of secure hybrid services including IT assessment, migration, compliance consulting, cloud readiness and deeper application support. The purchase consideration consisted of $9 in cash and contingent consideration of $2.

A summary of net assets and preliminary allocation of consideration is as follows:

	$
Net assets acquired at assigned fair values	
Receivables	1
Goodwill, not deductible for tax[1]	10
	11

(1) Goodwill comprises the estimated economic value of providing enhanced professional services offerings, growth expectations as well as an assembled workforce with deep expertise in risk management and compliance consulting services.

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

Asset dispositions

Sale of Shaw Media Inc. to Corus

In the second quarter of fiscal 2016, the Company announced it entered into an agreement with Corus, a related party subject to common voting control, to sell 100% of its wholly owned subsidiary Shaw Media Inc. ("Shaw Media") for a purchase price of approximately $2.65 billion comprised of $1.85 billion of cash and 71,364,853 Corus Class B non-voting participating shares.

Although, through holding of the shares in Corus, the Company will effectively retain an indirect, non-controlling interest in the Media division subsequent to the sale, the Company will no longer have control over the division. Accordingly, the assets and liabilities, operating results and operating cash flows for the previously reported Media segment are presented as discontinued operations separate from the Company's continuing operations. Prior period financial information has been reclassified to present the Media division as a discontinued operation.

The transaction closed on April 1, 2016, but remains subject to customary closing adjustments. The Company recognized a gain on the divestiture within income from discontinued operations as follows:

	$
Proceeds on disposal, net of transaction costs of $22	**2,645**
Non-controlling interest in disposed net assets	**244**
Net assets disposed	**(2,217)**
	672
Income taxes	**47**
Gain on divestiture, net of tax	**625**

In connection with the disposal, remeasurements of employee benefit plans related to discontinued operations of $14 were transferred within equity from accumulated other comprehensive income to retained earnings.

The assets and liabilities disposed of were as follows:

	$
Cash	**13**
Accounts receivable	**234**
Other current assets	**34**
Property, plant and equipment	**106**
Intangibles	**1,696**
Goodwill	**538**
	2,621
Accounts payable and accrued liabilities	**173**
Provisions	**12**
Income taxes payable	**23**
Unearned revenue	**4**
Other long-term liabilities	**46**
Deferred income tax liabilities	**146**
	404

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

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

	2016 $	2015 $
Revenue	**610**	1,080
Eliminations(1)	**(46)**	(78)
	564	1,002
Operating, general and administrative expenses		
Employee salaries and benefits	**109**	180
Purchases of goods and services(2)	**272**	558
	381	738
Eliminations(1)	**(46)**	(78)
	335	660
Restructuring costs	**–**	13
Amortization(2)	**11**	30
Accretion of long-term liabilities and provisions	**2**	4
Other losses	**–**	5
Income from discontinued operations before tax and gain on divestiture	**216**	290
Income taxes	**57**	76
Income from discontinued operations before gain on divestiture	**159**	214
Gain on divestiture, net of tax	**625**	–
Income from discontinued operations, net of tax	**784**	214

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

(2) As of the date the Media division met the criteria to be classified as held for sale, the Company ceased amortization of non-current assets of the division, including program rights, property, plant and equipment, intangibles and other. Amortization that would otherwise have been taken in the year amounted to $35 for program rights $6 for property, plant and equipment, intangibles and other.

Sale of wireless spectrum licenses to Rogers Communications Inc. ("Rogers")

During 2013, the Company granted Rogers an option to acquire its wireless spectrum licenses. The exercise of the option and the sale of the wireless spectrum licenses were subject to various regulatory approvals and therefore, the licenses were not classified as assets held for sale. The regulatory reviews concluded during 2015 at which time the transfer was completed. The Company had previously received $50 in respect of the purchase price of the option to acquire the wireless spectrum licenses and a $200 deposit in respect of the option exercise price. The Company received an additional $100 when the transaction completed and recorded a gain of $158.

Asset held for sale

A real estate property was classified as held for sale in the statement of financial position at August 31, 2015 and measured at estimated fair value less costs to sell. At August 31, 2015, the property's fair value was based on the sale which closed in the current year.

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

4. ACCOUNTS RECEIVABLE

	2016 $	2015 $
Subscriber and trade receivables	**300**	473
Due from related parties *[note 27]*	**2**	4
Miscellaneous receivables	**8**	17
	310	494
Less allowance for doubtful accounts	**(42)**	(26)
	268	468

Included in operating, general and administrative expenses is a provision for doubtful accounts of $28 (2015 –$29).

5. INVENTORIES

	2016 $	2015 $
Subscriber equipment	**59**	54
Other	**6**	6
	65	60

Subscriber equipment includes DTH equipment, DCTs and related customer premise equipment as well as wireless handsets.

6. OTHER CURRENT ASSETS

	2016 $	2015 $
Program rights	**–**	15
Tax indemnity	**–**	1
Prepaid expenses and other	**138**	62
	138	78

7. INVESTMENTS AND OTHER ASSETS

	2016 $	2015 $
Publicly traded companies	**817**	4
Investments in private entities	**36**	49
Investment in a joint venture	**–**	44
	853	97

During 2016, the Company recorded an unrealized loss of $nil (2015 – $3) in respect of its investment in a publicly traded company (see note 20). The cumulative loss of $5 was realized upon sale of the investment during the year.

The Company has a portfolio of minor investments in various private entities.

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

Corus

In connection with the sale of the Shaw Media to Corus, the Company received 71,364,853 Corus Class B non-voting participating shares representing approximately 37% of Corus' total issued equity of Class A and Class B shares. Although the Class B Corus shares do not have voting rights, the Company is considered to have significant influence due to Board representation.

Corus is a leading media and content company that creates and delivers high quality brands and content across platforms for audiences around the world. The company's portfolio of multimedia offerings encompasses 45 specialty television services, 39 radio stations, 15 conventional television stations, a global content business, digital assets, live events, children's book publishing, animation software, technology and media services. Corus is headquartered in Canada, and its stock is listed on the TSX under the symbol CJR.B.

The Company participates in Corus' dividend reinvestment program for its initial investment in Corus Class B Shares. For the year ended August 31, 2016, the Company received dividends of $34 from Corus that were reinvested through the program into additional Corus Class B shares. At August 31, 2016, the Company owned 74,135,891 Corus Class B shares having a fair value of $911 and representing 38% of the total issued equity of Corus. The Company's weighted average ownership of Corus for the period from April 1 to August 31, 2016 was 37%.

Summary financial information for Corus at August 31, 2016 and for the year then ended is as follows:

	$
Current assets	470
Non-current assets	5,623
Current liabilities	(532)
Non-current liabilities	(3,085)
Net assets	2,476
Less: non-controlling interests	(158)
	2,318
Carrying amount of the investment	817
Revenue	1,171
Net income (loss) attributable to:	
Shareholders	126
Non-controlling interest	18
	144
Other comprehensive income (loss), attributable to shareholders	(15)
Comprehensive income	129
Equity income (loss) from associates[1]	(10)
Other comprehensive income (loss) from equity accounted associates[1]	(5)
	(15)

(1) The Company's share of income and other comprehensive income reflect the weighted average proportion of Corus net income and other comprehensive income attributable to shareholders from April 1, 2016.

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

Shomi Partnership

The Company has a 50% joint control interest in Shomi Partnership ("shomi"), which is a subscription video-on-demand service that launched in November 2014. The Company's interest in shomi is accounted for using the equity method. Summarized financial information is as follows:

	2016 $	2015 $
Current assets	**25**	28
Non-current assets	**105**	132
Current liabilities	**(48)**	(54)
Non-current liabilities	**(5)**	(16)
Partnership net assets	**77**	90
Carrying amount of the investment[1]	**–**	44

	2016 $	2015 (ten months) $
Revenue	**46**	18
Expenses	**182**	128
Partnership net loss	**136**	110
Equity loss in the partnership[1]	**52**	56

(1) The Company's carrying amount the investment and equity loss does not equal 50% of the partnership's net assets and net loss due to elimination of unrealized profit on downstream transactions between the Company and shomi and the write-down of the carrying amount of the investment during the year.

8. PROPERTY, PLANT AND EQUIPMENT

	August 31, 2016			August 31, 2015		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Cable and telecommunications distribution system	**5,480**	**2,673**	**2,807**	4,984	2,506	2,478
Digital cable terminals and modems	**803**	**456**	**347**	808	447	361
Satellite audio, video and data network and DTH receiving equipment	**125**	**63**	**62**	174	96	78
Transmitters, broadcasting, communications and production equipment	**–**	**–**	**–**	109	62	47
Land and buildings	**579**	**186**	**393**	625	207	418
Data centre infrastructure, data processing and other	**966**	**344**	**622**	860	270	590
Assets under construction	**376**	**–**	**376**	248	–	248
	8,329	**3,722**	**4,607**	7,808	3,588	4,220

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

Changes in the net carrying amounts of property, plant and equipment for 2016 and 2015 are summarized as follows:

	August 31, 2015								August 31, 2016
	Net book value $	Additions $	Transfers $	Acquisition $	Amortization $	Disposals and writedown $	Divestment $	Foreign exchange translation $	Net book value $
Cable and telecommunications distribution system	2,478	491	49	208	(417)	(2)	–	–	2,807
Digital cable terminals and modems	361	188	–	–	(202)	–	–	–	347
Satellite audio, video and data network and DTH receiving equipment	78	4	–	–	(20)	–	–	–	62
Transmitters, broadcasting, communications and production equipment	47	2	–	–	(7)	–	(42)	–	–
Land and buildings	418	14	35	4	(25)	(6)	(47)	–	393
Data centre infrastructure, data processing and other	590	78	64	44	(134)	(1)	(17)	(2)	622
Assets under construction	248	230	(148)	47	–	–	–	(1)	376
	4,220	1,007	–	303	(805)	(9)	(106)	(3)	4,607

	August 31, 2014							August 31, 2015
	Net book value $	Additions $	Transfers $	Acquisition $	Amortization $	Disposals and writedown $	Foreign exchange translation $	Net book value $
Cable and telecommunications distribution system	2,351	472	12	–	(354)	(3)	–	2,478
Digital cable terminals and modems	350	205	–	–	(194)	–	–	361
Satellite audio, video and data network and DTH receiving equipment	103	–	–	–	(25)	–	–	78
Transmitters, broadcasting, communications and production equipment	54	8	–	–	(15)	–	–	47
Land and buildings	260	7	110	54	(26)	–	13	418
Data centre infrastructure, data processing and other	227	107	93	256	(125)	(19)	51	590
Assets under construction	307	188	(215)	1	–	(33)	–	248
	3,652	987	–	311	(739)	(55)	64	4,220

In 2016, the Company recognized a loss of $4 (2015 – gain of $6) on the disposal of property, plant and equipment.

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

9. OTHER LONG-TERM ASSETS

	2016 $	2015 $
Equipment costs subject to a deferred revenue arrangement	**225**	225
Customer equipment financing receivables	**6**	8
Credit facility arrangement fees	**4**	3
Other	**40**	23
	275	259

Amortization provided in the accounts for 2016 amounted to $161 (2015 – $165) and was recorded as amortization of deferred equipment costs and other amortization.

10. INTANGIBLES AND GOODWILL

	2016 $	2015 $
Broadcast rights and licenses		
Cable systems	**4,016**	4,015
DTH and satellite services	**1,013**	1,013
Television broadcasting	**–**	1,313
	5,029	6,341
Program rights and advances	**–**	280
Goodwill		
Non-regulated satellite services	**56**	73
Cable and telecommunications systems	**73**	73
Television broadcasting	**–**	537
Data centre services	**978**	823
Wireless	**65**	–
	1,172	1,506
Wireless spectrum licenses	**1,517**	–
Other intangibles		
Software	**329**	275
Customer relationships	**522**	472
Trademark and brands	**53**	91
	2,421	838
Net book value	**8,622**	8,965

Broadcast rights and licenses, trademark, brands and wireless spectrum licenses have been assessed as having indefinite useful lives. While licenses must be renewed from time to time, the Company has never failed to do so. In addition, there are currently no legal, regulatory, competitive or other factors that limit the useful lives of these assets.

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

The changes in the carrying amount of intangibles with indefinite useful lives, and therefore not subject to amortization, are as follows:

	Broadcast rights and licenses $	Trademark and brands $	Goodwill $	Wireless spectrum licenses $
September 1, 2014	6,341	38	698	191
Business acquisition	–	44	684	–
Disposition	–	–	–	(191)
Write-down	–	–	(15)	–
Foreign currency translation	–	9	139	–
August 31, 2015	**6,341**	**91**	**1,506**	**–**
Business acquisitions *[note 3]*	**1**	**–**	**231**	**1,517**
Disposition *[note 3]*	**(1,313)**	**(38)**	**(538)**	**–**
Write-down	**–**	**–**	**(17)**	**–**
Foreign currency translation	**–**	**–**	**(10)**	**–**
August 31, 2016	**5,029**	**53**	**1,172**	**1,517**

Intangibles subject to amortization are as follows:

	August 31, 2016			August 31, 2015		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Program rights and advances	**–**	**–**	**–**	671	376	295
Software	**246**	**128**	**118**	241	150	91
Software under construction	**211**	**–**	**211**	184	–	184
Customer relationships	**602**	**80**	**522**	514	42	472
	1,059	**208**	**851**	1,610	568	1,042
Less current portion of program rights			**–**			15
			851			1,027

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

The changes in the carrying amount of intangibles subject to amortization are as follows:

	Program rights and advances $	Software $	Software under construction $	Customer relationships $	Total $
September 1, 2014	310	88	168	79	645
Additions	390	43	37	–	470
Transfers	–	3	(3)	–	–
Business acquisition	–	5	–	355	360
Amortization	(405)	(49)	–	(32)	(486)
Write-down	–	–	(18)	–	(18)
Foreign currency translation	–	1	–	70	71
August 31, 2015	295	91	184	472	1,042
Additions	226	69	40	–	335
Transfers	–	2	(2)	–	–
Business acquisition *[note 3]*	–	17	–	94	111
Disposition *[note 3]*	(339)	(13)	–	–	(352)
Amortization	(182)	(48)	–	(39)	(269)
Write-down	–	–	(11)	–	(11)
Foreign currency translation	–	–	–	(5)	(5)
August 31, 2016	–	118	211	522	851

Impairment testing of indefinite-life intangibles and goodwill

The Company conducted its annual impairment test on goodwill and indefinite-life intangibles as at March 1, 2016 and as a result, an impairment charge of $17 was recorded with respect to goodwill associated with the Tracking operations in the Satellite cash generating unit. The Company estimated the recoverable amount using a discounted cash flow analysis based on the most recent estimates of future operating results which are reflective of long-term pressures as customers migrate from satellite based tracking to wireless tracking. The recoverable amount of the other cash generating units exceeded their carrying value.

A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licenses for the Cable cash generating unit as at March 1, 2016 would not result in any impairment loss. A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licenses for the Satellite cash generating unit as at March 1, 2016 would result in an impairment loss of approximately $25.

The data centres cash generating unit was created with the acquisition of ViaWest. A hypothetical decline of 10% in the recoverable amount of the data centre cash generating unit as at March 1, 2016 would result in an impairment loss and is reflective of the Company acquiring ViaWest at fair value on September 2, 2014. A 1% increase in the discount rate or 1% decrease in the terminal growth rate would cause the carrying amount of the data centres CGU to exceed its recoverable amount by approximately $300 and $250, respectively. In order for the CGU's recoverable amount to be equal to the carrying amount and holding all other assumptions constant, the discount rate would have to be 8.6% or terminal growth rate would have to be 6.2%. These sensitivities are indicative only and should be considered with caution, as the effect of the variation in each assumption on the estimated recoverable amount is calculated in isolation without changing any other assumptions. The extent of any such impairment loss would be determined after incorporating any consequential effects of that change on estimated operating income before restructuring costs and amortization and on other factors.

The wireless cash generating unit was created with the acquisition of WIND. A hypothetical decline of 10% in the recoverable amount of the wireless generating unit as at March 1, 2016 would result in an impairment loss and is reflective of the Company acquiring WIND at fair value on March 1, 2016.

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

Any changes in economic conditions since the impairment testing conducted as at March 1, 2016 do not represent events or changes in circumstance that would be indicative of impairment at August 31, 2016.

Significant estimates inherent to this analysis include discount rates and the terminal value. At March 1, 2016, the estimates that have been utilized in the impairment tests reflect any changes in market conditions and are as follows:

		Terminal value	
	Post-tax discount rate	**Terminal growth rate**	**Terminal operating income before restructuring costs and amortization multiple**
Cable	8.0%	1.5%	6.5X
Satellite	8.5%	0.0%	5.5X
Data centres	8.5%	6.3%	11.0X
Wireless	9.1%	3.0%	8.5X

A sensitivity analysis of significant estimates is conducted as part of every impairment test. With respect to the impairment tests performed in the third quarter, the estimated decline in recoverable amount for the sensitivity of significant estimates is as follows:

	Estimated decline in recoverable amount		
		Terminal value	
	1% increase in discount rate	**1% decrease in terminal growth rate**	**0.5 times decrease in terminal operating income before restructuring costs and amortization multiple**
Cable	8.0%	5.0%	3.0%
Satellite	7.0%	n/a	3.0%
Data centres	19.0%	16.0%	2.0%
Wireless	9.0%	8.0%	3.0%

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016 $	**2015 $**
Trade	**107**	81
Program rights	**9**	79
CRTC benefit obligations	**–**	28
Accrued liabilities	**442**	339
Accrued network fees	**131**	109
Interest and dividends	**228**	229
Related parties *[note 27]*	**27**	22
	944	887

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

12. PROVISIONS

	Asset retirement obligations $	Restructuring[1] $	Other $	Total $
September 1, 2014	9	13	31	53
Additions	1	52	11	64
Reversal	–	–	(6)	(6)
Payments	–	(48)	(1)	(49)
August 31, 2015	10	17	35	62
Business acquisition	**43**	**–**	**–**	**43**
Divestiture	**(10)**	**–**	**(2)**	**(12)**
Additions	**3**	**25**	**23**	**51**
Reversal	**–**	**(3)**	**(2)**	**(5)**
Payments	**–**	**(35)**	**(18)**	**(53)**
August 31, 2016	**46**	**4**	**36**	**86**
Current	–	17	35	52
Long-term	10	–	–	10
August 31, 2015	10	17	35	62
Current	**–**	**4**	**29**	**33**
Long-term	**46**	**–**	**7**	**53**
August 31, 2016	**46**	**4**	**36**	**86**

[1] During 2015, the Company announced a realignment of its customer care operations in the Consumer division into centres of excellence to enhance customer service, and continued its organizational structure realignment efforts including further restructuring of certain functions within its Business Network Services division. In addition, the media division undertook organizational changes as it redefined itself from a traditional broadcaster to the broader focus of a media organization. Approximately 1,700 employees were affected by the restructurings in 2015. During 2016, the Company underwent a restructuring following a set of significant asset realignment initiatives, including the acquisition of WIND and divestiture of Shaw Media. Approximately 200 employees were affected by the 2016 restructuring. Restructuring amounts are primarily in respect of severance and employee related costs. The majority of remaining costs at August 31, 2016 are expected to be paid within the next six months.

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

13. LONG-TERM DEBT

		2016			2015		
	Effective interest rates %	Long-term debt at amortized cost(1) $	Adjustment for finance costs(1) $	Long-term debt repayable at maturity $	Long-term debt at amortized cost(1) $	Adjustment for finance costs(1) $	Long-term debt repayable at maturity $
Corporate							
Bank loans	Variable	**498**	**–**	**498**	434	–	434
Cdn fixed rate senior notes-							
6.15% due May 9, 2016	6.34	**–**	**–**	**–**	299	1	300
5.70% due March 2, 2017	5.72	**400**	**–**	**400**	399	1	400
5.65% due October 1, 2019	5.69	**1,246**	**4**	**1,250**	1,245	5	1,250
5.50% due December 7, 2020	5.55	**498**	**2**	**500**	497	3	500
3.15% due February 19, 2021	3.17	**298**	**2**	**300**			
4.35% due January 31, 2024	4.35	**497**	**3**	**500**	497	3	500
6.75% due November 9, 2039	6.89	**1,418**	**32**	**1,450**	1,418	32	1,450
		4,855	**43**	**4,898**	4,789	45	4,834
Cdn variable rate senior notes- Due February 1, 2016		**–**	**–**	**–**	300	–	300
		4,855	**43**	**4,898**	5,089	45	5,134
Other							
ViaWest – credit facility	Variable	**682**	**13**	**695**	506	12	518
ViaWest – other	Various	**31**	**–**	**31**	34	–	34
WIND – other	Various	**4**	**–**	**4**			
Burrard Landing Lot 2 Holdings Partnership	4.68	**40**	**–**	**40**	40	–	40
Total consolidated debt		**5,612**	**56**	**5,668**	5,669	57	5,726
Less current portion		**412**	**–**	**412**	608	1	609
		5,200	**56**	**5,256**	5,061	56	5,117

(1) Long-term debt is presented net of unamortized discounts and finance costs.

Corporate

Bank loans

During 2012, a syndicate of banks provided the Company with an unsecured $1 billion credit facility which includes a maximum revolving term or swingline facility of $50. During 2014, the Company amended the terms of the facility to extend the maturity date from January 2017 to December 2019. During 2016, the Company elected to increase its borrowing capacity by $500 under the terms of the amended facility. Funds are available to the Company in both Canadian and US dollars. At August 31, 2016, $4 (2015 – $1) has been drawn as committed letters of credit against the revolving term facility. Interest rates fluctuate with Canadian prime and bankers' acceptance rates, US bank base rates and LIBOR rates. Excluding the revolving term facility, the effective interest rate on actual borrowings under the credit facility during 2016 was 2.04% (2015 – 1.57%). The effective interest rate on the revolving term facility for 2016 was 3.11% (2015 – 3.24%).

In connection to the acquisition of WIND, the Company entered into $1.0 billion non-revolving credit facility with a syndicate of lenders (the "WIND Facility") during 2016. The full amount of the WIND Facility was drawn to fund the acquisition of WIND, along with $300 million drawn on the Company's existing credit facility. These amounts were repaid during the year using the cash proceeds received from the Shaw Media disposition. The effective interest rate on borrowings under the WIND Facility during 2016 was 2.56%.

Senior notes

The senior notes are unsecured obligations and rank equally and ratably with all existing and future senior indebtedness. The fixed rate notes are redeemable at the Company's option at any time, in whole or in part, prior to maturity at 100% of the principal amount plus a make-whole premium.

On February 19, 2016, the Company issued $300 senior notes at a rate of 3.15% due February 19, 2021.

Other

ViaWest

During 2015, ViaWest's credit facility which was assumed on acquisition was repaid with proceeds from a new credit facility. ViaWest's prior credit facility was scheduled to mature in May 2017 and was secured by a first priority security interest in specific assets pursuant to the terms of the Security Agreement. On September 2, 2014, ViaWest's credit facility consisted of a term loan of US $322 and US $28 of borrowings under a US $40 revolving facility. The term loan had quarterly principal repayments of US $1 with the balance due on maturity. Interest rates fluctuated with LIBOR, US prime, US Federal Funds and Eurodollar rates. ViaWest had a US $130 interest rate swap which hedged the exposure to changes in cash flows and minimized variability related to its prior credit facility. The interest rate swap terminated in June 2015. The new facility consisted of a term loan in the amount of US $395 and a revolving credit facility of US $85. Commencing August 2015, the term loan has quarterly principal repayments of US $1 with the balance due on maturity in March 2022 while the revolving credit facility matures in March 2020. During 2016, ViaWest entered into an incremental US $80 term loan and increased the borrowing capacity available on the revolving facility by US $35. The incremental term loan has quarterly principal repayments commencing May 2016 with the balance due on maturity in March 2022. Interest rates fluctuate with LIBOR, US prime and US Federal Funds rates and the facilities are secured by a first priority security interest in specific assets pursuant to the terms of the Security Agreement.

Finance lease obligations and amounts owing to landlords in connection with financing of leasehold improvements expire and mature at various dates through to 2023. Collateral has been provided as security for the related transactions and agreements as required. The effective interest rates on the obligations range from 5.36% to 9.39%.

WIND

Finance lease obligations and amounts owing in connection with financing of certain computer equipment and services mature at various dates through to 2018.

Burrard Landing Lot 2 Holdings Partnership (the "Partnership")

The Company has a 33.33% interest in the Partnership which built the Shaw Tower project with office/retail space and living/working space in Vancouver, BC. In the fall of 2004, the commercial construction of the building was completed and at that time, the Partnership issued ten year 6.31% secured mortgage bonds in respect of the commercial component of the Shaw Tower. In February 2014, the Partnership refinanced its debt. The Partnership received a mortgage loan and used the proceeds to prepay the outstanding balance of the previous mortgage and loan excess funds to each of its partners. The mortgage loan matures on November 1, 2024 and bears interest at 4.683% compounded semi-annually with interest only payable for the first five years. The mortgage loan is collateralized by the property and the commercial rental income from the building with no recourse to the Company.

Debt covenants

The Company and its subsidiaries have undertaken to maintain certain covenants in respect of the credit agreements and trust indentures described above. The Company and its subsidiaries were in compliance with these covenants at August 31, 2016.

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

Long-term debt repayments

Mandatory principal repayments on all long-term debt in each of the next five years and thereafter are as follows:

	$
2017	412
2018	12
2019	11
2020	1,839
2021	812
Thereafter	2,582
	5,668

Interest expense

	2016 $	2015 $
Interest expense – long-term debt	**309**	299
Amortization of senior notes discounts	**2**	2
Interest income – short-term (net)	**(2)**	(2)
Capitalized interest	**(8)**	(16)
	301	283

14. OTHER LONG-TERM LIABILITIES

	2016 $	2015 $
Pension liabilities *[note 26]*	**125**	119
CRTC benefit obligations	**–**	23
Post retirement liabilities *[note 26]*	**4**	22
Share-based awards	**2**	11
Program rights liabilities	**–**	5
Other	**4**	6
	135	186

15. DEFERRED CREDITS

	2016 $	2015 $
IRU prepayments	**436**	449
Equipment revenue	**90**	111
Connection fee and installation revenue	**31**	24
Deposit on future fibre sale	**2**	2
Other	**4**	2
	563	588

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

Amortization of deferred credits for 2016 amounted to $92 (2015 – $100) and was recorded in the accounts as described below.

IRU agreements are in place for periods ranging from 21 to 60 years and are being amortized to income over the agreement periods. Amortization in respect of the IRU agreements for 2016 amounted to $13 (2015 – $12) and was recorded as other amortization. Amortization of equipment revenue for 2016 amounted to $67 (2015 – $78). Amortization of connection fee and installation revenue for 2016 amounted to $12 (2015 – $10) and was recorded as revenue.

16. SHARE CAPITAL

Authorized

The Company is authorized to issue a limited number of Class A voting participating shares ("Class A Shares") of no par value, as described below, and an unlimited number of Class B non-voting participating shares ("Class B Non-Voting Shares") of no par value, Class 1 preferred shares, Class 2 preferred shares, Class A preferred shares and Class B preferred shares.

The authorized number of Class A Shares is limited, subject to certain exceptions, to the lesser of that number of shares (i) currently issued and outstanding and (ii) that may be outstanding after any conversion of Class A Shares into Class B Non-Voting Shares.

Issued and outstanding

2016	2015		2016	2015
Number of securities			$	$
22,420,064	22,420,064	Class A Shares	**2**	2
463,827,512	451,471,562	Class B Non-Voting Shares	**3,504**	3,205
10,012,393	12,000,000	Series A Preferred Shares	**245**	293
1,987,607	–	Series B Preferred Shares	**48**	–
498,247,576	485,891,626		**3,799**	3,500

Class A Shares and Class B Non-Voting Shares

Class A Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. In the event that a take-over bid is made for Class A Shares, in certain circumstances, the Class B Non-Voting Shares are convertible into an equivalent number of Class A Shares.

Changes in Class A Share capital and Class B Non-Voting Share capital in 2016 and 2015 are as follows:

	Class A Shares		Class B Non-Voting Shares	
	Number	$	Number	$
September 1, 2014	22,420,064	2	439,606,326	2,887
Stock option exercises	–	–	5,871,621	152
Dividend reinvestment plan	–	–	5,993,615	166
August 31, 2015	22,420,064	2	451,471,562	3,205
Stock option exercises	**–**	**–**	**1,827,108**	**43**
Business acquisition			**2,866,384**	**68**
Dividend reinvestment plan	**–**	**–**	**7,662,458**	**188**
August 31, 2016	**22,420,064**	**2**	**463,827,512**	**3,504**

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

Series A and B Preferred Shares

The Cumulative Redeemable Rate Reset Preferred Shares, Series A ("Series A Preferred Shares") and Cumulative Redeemable Floating Rate Preferred Shares, Series B ("Series B Preferred Shares") represent series of Class 2 preferred shares and are classified as equity since redemption, at $25.00 per Series A Preferred Share and Series B Preferred Share, is at the Company's option and payment of dividends is at the Company's discretion.

Share transfer restriction

The Articles of the Company empower the directors to refuse to issue or transfer any share of the Company that would jeopardize or adversely affect the right of Shaw Communications Inc. or any subsidiary to obtain, maintain, amend or renew a license to operate a broadcasting undertaking pursuant to the Broadcasting Act (Canada).

17. SHARE-BASED COMPENSATION AND AWARDS

Stock option plan

Under a stock option plan, directors, officers, employees and consultants of the Company are eligible to receive stock options to acquire Class B Non-Voting Shares with terms not to exceed ten years from the date of grant. Options granted up to August 31, 2016 vest evenly on the anniversary dates from the original grant date at either 25% per year over four years or 20% per year over five years. The options must be issued at not less than the fair market value of the Class B Non-Voting Shares at the date of grant. The maximum number of Class B Non-Voting Shares issuable under the plan may not exceed 52,000,000. As at August 31, 2016, 32,459,639 Class B Non-Voting Shares have been issued under the plan.

The changes in options are as follows:

	2016		2015	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding, beginning of year	**12,538,664**	**23.70**	16,477,563	22.34
Granted	**2,758,000**	**23.93**	2,911,250	28.29
Forfeited	**(2,116,420)**	**26.17**	(978,528)	25.12
Exercised[(1)]	**(1,827,108)**	**21.15**	(5,871,621)	21.94
Outstanding, end of year	**11,353,136**	**23.70**	12,538,664	23.70

(1) The weighted average Class B Non-Voting Share price for the options exercised was $25.22.

The following table summarizes information about the options outstanding at August 31, 2016:

	Options outstanding			Options exerciseable	
Range of prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$16.71 – $23.19	3,929,586	4.14	20.54	3,312,836	20.14
$23.20 – $24.55	3,987,050	4.59	24.20	2,289,050	24.44
$24.56 – $30.87	3,436,500	7.06	26.75	1,395,750	26.32

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

The weighted average estimated fair value at the date of the grant for common share options granted for the year ended August 31, 2016 was $1.47 (2015 – $2.85) per option. The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2016	2015
Dividend yield	**4.93%**	3.96%
Risk-free interest rate	**0.75%**	1.41%
Expected life of options	**5 years**	6 years
Expected volatility factor of the future expected market price of Class B Non-Voting Shares	**17.8%**	19.1%

Expected volatility has been estimated based on the historical share price volatility of the Company's Class B Non-Voting Shares.

Deferred share unit plan

The Company has a DSU plan for its Board of Directors whereby directors can elect to receive their annual cash compensation, or a portion thereof, in DSUs. In addition, the Company may adjust and/or supplement directors' compensation with periodic grants of DSUs. A DSU is a right that tracks the value of one Class B Non-Voting Share. Holders will be entitled to a cash payout when they cease to be a director. The cash payout will be based on market value of a Class B Non-Voting Share at the time of payout. When cash dividends are paid on Class B Non-Voting Shares, holders are credited with DSUs equal to the dividend. DSUs do not have voting rights as there are no shares underlying the plan.

During 2016, $3 was recognized as compensation expense (2015 – $2). The carrying value and intrinsic value of DSUs at August 31, 2016 was $18 and $15, respectively (August 31, 2015 – $15 and $13, respectively).

Employee share purchase plan

The Company's ESPP provides employees with an incentive to increase the profitability of the Company and a means to participate in that increased profitability. Generally, all non-unionized full time or part time employees of the Company are eligible to enroll in the ESPP. Under the ESPP, eligible employees may contribute to a maximum of 5% of their monthly base compensation. The Company contributes an amount equal to 25% of the employee's contributions.

During 2016, $6 was recorded as compensation expense (2015 – $6).

Share appreciation rights

A subsidiary of the Company grants SARs to eligible employees of ViaWest. A SAR entitles the holder to the appreciation in value of one share of ViaWest over the exercise price over a period of time. SARs granted to ViaWest employees post-acquisition vest 25% per year over four years, have a 10 year contractual term and are cash settled. During 2016, $7 was recognized as compensation expense (2015 – $4). The carrying value of SARs liabilities, including the SARs granted as partial consideration for the acquisition of ViaWest (see note 3), at August 31, 2016 was $21 (2015 – $13).

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

18. EARNINGS PER SHARE

Earnings per share calculations are as follows:

	2016	2015
Numerator for basic and diluted earnings per share ($)		
Net income from continuing operations	**456**	666
Deduct: dividends on Preferred Shares	**(13)**	(14)
Net income attributable to common shareholders from continuing operations	**443**	652
Net income from discontinued operations	**784**	214
Deduct: net income from discontinued operations attributable to non-controlling interests	**(20)**	(24)
Net income from discontinued operations attributable to common shareholders	**764**	190
Net income attributable to common shareholders	**1,207**	842
Denominator (millions of shares)		
Weighted average number of Class A Shares and Class B Non-Voting Shares for basic earnings per share	**480**	468
Effect of dilutive securities[(1)]	**1**	3
Weighted average number of Class A Shares and Class B Non-Voting Shares for diluted earnings per share	**481**	471
Basic earnings per share ($)		
Continuing operations	**0.92**	1.40
Discontinued operations	**1.59**	0.40
Attributable to common shareholders	**2.51**	1.80
Diluted earnings per share ($)		
Continuing operations	**0.92**	1.39
Discontinued operations	**1.59**	0.40
Attributable to common shareholders	**2.51**	1.79

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the year ended August 31, 2016, 1,613,077 options were excluded from the diluted earnings per share calculation (2015 – 2,548,433).

19. DIVIDENDS

Common share dividends

The holders of Class A Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors determines to declare on a share-for-share basis, as and when any such dividends are declared or paid. The holders of Class B Non-Voting Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Shares, an additional dividend at a rate of $0.0025 per share per annum. This additional dividend is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After payment or setting aside for payment of the additional non-cumulative dividends on the Class B Non-Voting Shares, holders of Class A Shares and Class B Non-Voting Shares participate equally, share for share, as to all subsequent dividends declared.

Preferred share dividends

Holders of the Series A Preferred Shares were entitled to receive, as and when declared by the Company's Board of Directors, a cumulative quarterly fixed dividend yielding 4.50% annually for the initial period ending June 30, 2016. Commencing June 30, 2016, the dividend rate was reset to 2.791% for the five year period ending June 30, 2021. Thereafter, the dividend rate will be reset every five years at a rate equal to the then current 5-year Government of Canada bond yield plus

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

2.00%. Holders of Series A Preferred Shares had the right, at their option, to convert their shares into Series B Preferred Shares, subject to certain conditions, on June 30, 2016 and on June 30 every five years thereafter, with the next conversion date being June 30, 2021.

On June 30, 2016, 1,987,607 Series A Preferred Shares were converted into an equal number of Series B Preferred Shares. Holders of Series B Preferred Shares are entitled to receive cumulative quarterly dividends, as and when declared by the Company's Board of Directors, at a rate set quarterly equal to the then current three-month Government of Canada Treasury Bill yield plus 2.00%. The floating quarterly dividend rate for the Series B Preferred Shares was set at an annual dividend rate of 2.539% for the initial period from June 30, 2016 to September 30, 2016. The floating quarterly dividend rate for the Series B Preferred Shares was set at an annual dividend rate of 2.512% for the period from September 30, 2016 to December 31, 2016.

Dividend reinvestment plan

The Company has a Dividend Reinvestment Plan ("DRIP") that allows holders of Class A Shares and Class B Non-Voting Shares who are residents of Canada to automatically reinvest monthly cash dividends to acquire additional Class B Non-Voting Shares. Class B Non-Voting Shares distributed under the Company's DRIP are new shares issued from treasury at a 2% discount from the 5 day weighted average market price immediately preceding the applicable dividend payment date.

Dividends declared

The dividends per share recognized as distributions to common shareholders for dividends declared during the year ended August 31, 2016 and 2015 are as follows:

2016		2015	
Class A Voting Share	**Class B Non-Voting Share**	**Class A Voting Share**	**Class B Non-Voting Share**
1.1825	1.1850	1.1613	1.1638

The dividends per share recognized as distributions to preferred shareholders for dividends declared during the year ended August 31, 2016 and 2015 are as follows:

2016		2015	
Series A Preferred Share	**Series B Preferred Share**	**Series A Preferred Share**	**Series B Preferred Share**
1.0538	0.1067	1.1250	–

On June 29, 2016, the Company declared dividends of $0.17444 per Series A Preferred Share and $0.15869 per Series B Preferred Share which were paid on September 30, 2016. The total amount paid was $2 of which $1 was not recognized as at August 31, 2016.

On November 2, 2016, the Company declared dividends of $0.098542 per Class A Voting Share and $0.09875 per Class B Non-Voting Share payable on each of December 29, 2016, January 30, 2017 and February 27, 2017 to shareholders of record at the close of business on December 15, 2016, January 13, 2017 and February 15, 2017, respectively.

On November 2, 2016, the Company declared dividends of $0.17444 per Series A Preferred Share and $0.157 per Series B Preferred Share payable on January 3, 2017 to holders of record at the close of business on December 15, 2016.

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

20. OTHER COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income and the related income tax effects for 2016 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	**2**	**(1)**	**1**
Reclassification of loss on available-for-sale investment to income	**4**	**–**	**4**
Share of other comprehensive income of associates	**(5)**	**–**	**(5)**
Exchange differences on translation of a foreign operation	**(7)**	**–**	**(7)**
Exchange differences on translation of US denominated debt hedging a foreign operation	**4**	**–**	**4**
	(2)	**(1)**	**(3)**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	**(49)**	**13**	**(36)**
Remeasurements on employee benefit plans – Discontinued operations	**(11)**	**3**	**(8)**
	(62)	**15**	**(47)**

Components of other comprehensive loss and the related income tax effects for 2015 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	8	(2)	6
Adjustment for hedged items recognized in the period	(8)	2	(6)
Unrealized loss on available-for-sale investment	(3)	–	(3)
Exchange differences on translation of a foreign operation	184	–	184
Exchange differences on translation of US denominated debt hedging a foreign operation	(74)	–	(74)
	107	–	107
Items that will not be subsequently be reclassified to income			
Remeasurements on employee benefit plans	(1)	2	1
Remeasurements on employee benefit plans – Discontinued operations	8	(2)	6
	114	–	114

Accumulated other comprehensive loss is comprised of the following:

	2016 $	2015 $
Items that may subsequently be reclassified to income		
Change in unrealized fair value of derivatives designated as cash flow hedges	**1**	–
Share of other comprehensive income of associates	**(5)**	–
Unrealized loss on available-for-sale investment	**–**	(5)
Foreign currency translation adjustments	**108**	110
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans:		
Continuing operations	**(156)**	(119)
Discontinued operations	**–**	(5)
	(52)	(19)

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

21. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	2016 $	2015 $
Employee salaries and benefits	**866**	793
Purchases of goods and services	**1,927**	1,695
	2,793	2,488

22. OTHER LOSSES

Other losses generally includes realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities, gains and losses on disposal of property, plant and equipment and minor investments, and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership. In the current year, the category also includes a write-down of $54 in respect of the Company's investment in shomi, a write-down of $20 in respect of a private portfolio investment and asset write-downs of $16. In the comparative year, the category included a write-down of $6 in respect of a property held for sale, distributions of $27 from a venture capital fund investment, a write-down of $27 in respect of a private portfolio investment, additional proceeds of $15 related to the fiscal 2012 Shaw Court insurance claim and asset write-downs of $55.

23. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's net deferred tax liability consists of the following:

	2016 $	2015 $
Deferred tax assets	**6**	14
Deferred tax liabilities	**(1,174)**	(1,135)
Net deferred tax liability	**(1,168)**	(1,121)

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

Significant changes recognized to deferred income tax assets (liabilities) are as follows:

	Property, plant and equipment and software assets $	Broadcast rights, licenses, customer relationships, trademark and brands $	Partnership income $	Non-capital loss carry-forwards $	Accrued charges $	Total $
Balance at September 1, 2014	(177)	(818)	(160)	6	70	(1,079)
Recognized in statement of income	(24)	(21)	107	36	(28)	70
Recognized in discontinued operations	(1)	–	–	(2)	(5)	(8)
Recognized on ViaWest business acquisition	(9)	(142)	–	46	29	(76)
Recognized in other comprehensive income:						
Foreign currency translation adjustments	–	(29)	–	12	1	(16)
Actuarial gains/losses	–	–	–	–	(12)	(12)
Balance at August 31, 2015	(211)	(1,010)	(53)	98	55	(1,121)
Recognized in statement of income	**(17)**	**(8)**	**109**	**(8)**	**–**	**76**
Recognized in discontinued operations	**(2)**	**–**	**–**	**–**	**(14)**	**(16)**
Recognized on business acquisitions	**(33)**	**(262)**	**–**	**29**	**5**	**(261)**
Recognized on Media divestiture	**(20)**	**177**	**–**	**1**	**(12)**	**146**
Recognized in other comprehensive income:						
Foreign currency translation adjustments	**–**	**2**	**–**	**–**	**–**	**2**
Actuarial gains/losses	**–**	**–**	**–**	**–**	**6**	**6**
Balance at August 31, 2016	**(283)**	**(1,101)**	**56**	**120**	**40**	**(1,168)**

The Company has capital loss carryforwards of approximately $63 for which no deferred income tax asset has been recognized in the accounts. These capital losses can be carried forward indefinitely.

The Company has non-capital loss carryforwards of approximately $472 for which no deferred income tax asset has been recognized in the accounts. The balance expires in varying annual amounts from 2034 to 2036.

The Company has taxable temporary differences associated with its investment in its subsidiaries. No deferred tax liabilities have been provided with respect to such temporary differences as the Company is able to control the timing of the reversal and such reversal is not probable in the foreseeable future.

The income tax expense differs from the amount computed by applying the statutory rates to income before income taxes for the following reasons:

	2016 $	2015 $
Current statutory income tax rate	**26.2%**	25.5%
Income tax expense at current statutory rates	**164**	225
Net increase (decrease) in taxes resulting from:		
Non-taxable portion of capital gains	**–**	(24)
Effect of tax rate changes	**–**	34
Tax benefit of equity loss not recognized	**3**	–
Other	**4**	(17)
Income tax expense	**171**	218

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

The statutory income tax rate for the Company increased from 25.5% in 2015 to 26.2% in 2016 as a result of provincial tax rate increases.

The components of income tax expense are as follows:

	2016 $	2015 $
Current income tax expense	**247**	288
Deferred tax recovery related to temporary differences	**(76)**	(104)
Deferred tax expense from tax rate changes	**–**	34
Income tax expense	**171**	218

24. BUSINESS SEGMENT INFORMATION

The Company's operating segments are Consumer, Business Network Services, Business Infrastructure Services and Wireless. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Management evaluates divisional performance based on revenue and operating income before charges such as restructuring costs and amortization. The Consumer division provides Cable telecommunications services including Video, Internet, WiFi and Digital Phone, and Satellite Video, to Canadian consumers. The Business Network Services segment provides data networking, video, voice and Internet services through a national fibre-optic backbone network and also provides satellite Video services, and fleet tracking services to North American businesses and public sector entities. The Business Infrastructure Services segment was created with the acquisition of ViaWest on September 2, 2014, and provides data centre colocation, cloud and managed services to North American businesses. The Wireless segment was formed by the acquisition of WIND on March 1, 2016, and provides wireless voice and data communications services for customers in Ontario, British Columbia and Alberta with 50MHz of spectrum covering these regions. All of the Company's operations are substantially located in Canada with the exception of ViaWest which is primarily located in the United States.

	2016 $	2015 $
Revenue		
Consumer	**3,752**	3,752
Business Network Services	**548**	520
Business Infrastructure Services	**334**	246
Wireless	**280**	–
	4,914	4,518
Intersegment eliminations	**(30)**	(32)
	4,884	4,486

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

	2016 $	2015 $
Operating income before restructuring costs and amortization		
Consumer	**1,667**	1,686
Business Network Services	**265**	256
Business Infrastructure Services	**123**	95
Wireless	**59**	–
	2,114	2,037
Restructuring costs[1]	**(23)**	(39)
Amortization[1]	**(957)**	(864)
Operating income	**1,134**	1,134
Interest[1]		
Operating	**299**	281
Other/non-operating	**2**	2
	301	283
Current taxes[1]		
Operating	**266**	304
Other/non-operating	**(19)**	(16)
	247	288

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

Capital expenditures

	2016 $	2015 $
Capital expenditures accrual basis		
Consumer and Business Network Services[2]	**826**	870
Business Infrastructure Services	**155**	152
Wireless	**121**	–
	1,102	1,022
Equipment costs (net of revenue)		
Consumer and Business Network Services	**89**	84
Capital expenditures and equipment costs (net)		
Consumer and Business Network Services[2]	**915**	954
Business Infrastructure Services	**155**	152
Wireless	**121**	–
	1,191	1,106
Reconciliation to Consolidated Statements of Cash Flows		
Additions to property, plant and equipment	**1,005**	923
Additions to equipment costs (net)	**83**	72
Additions to other intangibles	**110**	75
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	**1,198**	1,070
Increase (decrease) in working capital and other liabilities related to capital expenditures	**(4)**	53
Decrease in customer equipment financing receivables	**6**	12
Less: Proceeds on disposal of property, plant and equipment	**(6)**	(26)
Less: Satellite equipment profit [2]	**(3)**	(3)
Total capital expenditures and equipment costs (net) reported by segments	**1,191**	1,106

(1) The Company does not report restructuring costs, amortization, interest or cash taxes on a segmented basis.

(2) The profit from the sale of satellite equipment is subtracted from the calculation of segmented capital expenditures and equipment costs (net) as the Company views the profit on sale as a recovery of expenditures on customer premise equipment

25. COMMITMENTS AND CONTINGENCIES

Commitments

(i) The Company owns and leases Ku-band and C-band transponders on the Anik F1R, Anik F2 and Anik G1 satellites. As part of the Ku-band transponder agreements with Telesat Canada, the Company is committed to paying annual transponder maintenance and license fees for each transponder from the time the satellite becomes operational for a period of 15 years.

(ii) The Company has various long-term operating commitments as follows:

	$
2017	310
2018 – 2021	750
Thereafter	323
	1,383

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

Comprised of:	$
Program related agreements	20
Lease of transmission facilities, circuits and premises	705
Lease and maintenance of transponders	565
Other (primarily maintenance and support contracts)	93
	1,383

Included in operating, general and administrative expenses are transponder maintenance expenses of $80 (2015 – $80) and rental expenses of $163 (2015 – $134).

(iii) At August 31, 2016, the Company had capital expenditure commitments in the normal course of business of $151 in respect of fiscal 2017.

Contingencies

The Company and its subsidiaries are involved in litigation matters arising in the ordinary course and conduct of its business. Although resolution of such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be material to these consolidated financial statements.

Guarantees

In the normal course of business the Company enters into indemnification agreements and has issued irrevocable standby letters of credit and commercial surety bonds with and to third parties.

Indemnities

Many agreements related to acquisitions and dispositions of business assets include indemnification provisions where the Company may be required to make payment to a vendor or purchaser for breach of contractual terms of the agreement with respect to matters such as litigation, income taxes payable or refundable or other ongoing disputes. The indemnification period usually covers a period of two to four years. Also, in the normal course of business, the Company has provided indemnifications in various commercial agreements, customary for the telecommunications industry, which may require payment by the Company for breach of contractual terms of the agreement. Counterparties to these agreements provide the Company with comparable indemnifications. The indemnification period generally covers, at maximum, the period of the applicable agreement plus the applicable limitations period under law.

The maximum potential amount of future payments that the Company would be required to make under these indemnification agreements is not reasonably quantifiable as certain indemnifications are not subject to limitation. However, the Company enters into indemnification agreements only when an assessment of the business circumstances would indicate that the risk of loss is remote. At August 31, 2016, management believes it is remote that the indemnification provisions would require any material cash payment.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law.

Irrevocable standby letters of credit and commercial surety bonds

The Company and certain of its subsidiaries have granted irrevocable standby letters of credit and commercial surety bonds, issued by high rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As of August 31, 2016, the guarantee instruments amounted to $12. The Company has not recorded any additional liability with respect to these guarantees, as the Company does not expect to make any payments in excess of what is recorded on the Company's consolidated financial statements. The guarantee instruments mature at various dates during fiscal 2017 and fiscal 2018.

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

26. EMPLOYEE BENEFIT PLANS

Defined contribution pension plans

The Company has defined contribution pension plans for its non-union employees and, for the majority of these employees, contributes 5% of eligible earnings to the maximum amount deductible under the Income Tax Act. For union employees, the Company contributes amounts up to 9.8% of earnings to the individuals' registered retirement savings plans. Total pension costs in respect of these plans were $35 (2015 – $38) of which $23 (2015 – $26) was expensed and the remainder capitalized.

Defined benefit pension plans

The Company has two non-registered retirement plans for designated executives and senior executives and had several registered pension plans for certain employees in the media business until the sale of the business in April 2016. The following is a summary of the accrued benefit liabilities recognized in the statement of financial position.

	2016 $	2015 $
Unregistered plans		
Accrued benefit obligation	**563**	509
Fair value of plan assets	**438**	391
	125	118
Registered plans		
Accrued benefit obligation	–	173
Fair value of plan assets	–	172
	–	1
Accrued benefit liabilities and deficit	**125**	119

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

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

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

Non-registered pension plans

The Company provides a supplemental executive retirement plan ("SERP") for certain of its senior executives. Benefits under this plan are based on the employees' length of service and their highest three-year average rate of eligible pensionable earnings during their years of service. In 2012, the Company closed the plan to new participants and amended the plan to freeze base salary levels at August 31, 2012 for purposes of determining eligible pensionable earnings. The plan was also amended to provide funding of up to 90% of the accrued benefit obligation over a period of six years. Employees are not required to contribute to this plan.

The Company provides an executive retirement plan ("ERP") for certain executives not covered by the SERP. Benefits under this plan are comprised of defined contribution and defined benefit components and are based on the employees' length of service as well as final average earnings during their years of service. Employees are not required to contribute to this plan. Annually the employer is to fund 90% of the accrued benefit obligation.

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

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

	SERP $	ERP $	2016 Total $	SERP $	ERP $	2015 Total $
Accrued benefit obligation, beginning of year	**502**	**7**	**509**	487	6	493
Current service cost	**6**	**3**	**9**	7	2	9
Interest cost	**21**	**–**	**21**	20	–	20
Payment of benefits to employees	**(19)**	**(2)**	**(21)**	(13)	–	(13)
Gain on settlement	**–**	**–**	**–**	–	(1)	(1)
Remeasurements:						
Effect of changes in demographic assumptions	**(5)**	**–**	**(5)**	(11)	–	(11)
Effect of changes in financial assumptions	**46**	**1**	**47**	1	–	1
Effect of experience adjustments	**2**	**1**	**3**	11	–	11
Accrued benefit obligation, end of year	**553**	**10**	**563**	502	7	509
Fair value of plan assets, beginning of year	**387**	**4**	**391**	328	2	330
Employer contributions	**50**	**4**	**54**	55	2	57
Interest income	**17**	**–**	**17**	14	–	14
Payment of benefits	**(19)**	**(2)**	**(21)**	(13)	–	(13)
Return on plan assets, excluding interest income	**(3)**	**–**	**(3)**	3	–	3
Fair value of plan assets, end of year	**432**	**6**	**438**	387	4	391
Accrued benefit liability and plan deficit, end of year	**121**	**4**	**125**	115	3	118

The weighted average duration of the defined benefit obligation of the SERP and ERP at August 31, 2016 is 15.6 years and 23.2 years, respectively.

The underlying plan assets of the SERP and ERP at August 31, 2016 are invested in the following:

	SERP $	ERP $
Cash and cash equivalents	**237**	**4**
Fixed income securities	**100**	**1**
Equity securities – Canadian	**25**	**–**
Equity securities – Foreign	**70**	**1**
	432	**6**

All fixed income and equity securities have a quoted price in active market.

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

The tables below show the significant weighted-average assumptions used to measure the pension obligation and cost for the plans.

Accrued benefit obligation	2016 SERP %	2016 ERP %	2015 SERP %	2015 ERP %
Discount rate	**3.50**	**3.50**	4.10	4.10
Rate of compensation increase	**5.00**[1]	**3.00**	5.00[1]	3.00

Benefit cost for the year	2016 SERP %	2016 ERP %	2015 SERP %	2015 ERP %
Discount rate	**4.10**	**4.10**	4.00	4.00
Rate of compensation increase	**5.00**[1]	**3.00**	5.00[1]	3.00

(1) Applies only to incentive compensation component of eligible pensionable earnings.

The calculation of the accrued benefit obligation is sensitive to the assumptions above. A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2016 by $96. A one percentage point increase in the rate of compensation increase would have increased the accrued benefit obligation by $14.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the present value of the defined benefit obligation has been calculated using the projected benefit method which is the same method that is applied in calculating the defined benefit liability recognized in the statement of financial position. The sensitivity analysis presented above may not be representative of the actual change in the accrued benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some assumptions may be correlated.

The net pension benefit plan expense, which is included in employee salaries and benefits expense, is comprised of the following components:

	SERP $	ERP $	2016 Total $	SERP $	ERP $	2015 Total $
Current service cost	**6**	**3**	**9**	7	2	9
Interest cost	**21**	**–**	**21**	20	–	20
Interest income	**(17)**	**–**	**(17)**	(14)	–	(14)
Pension expense	**10**	**3**	**13**	13	2	15

Registered pension plans

The Company had a number of funded defined benefit pension plans which provided pension benefits to certain unionized and non-unionized employees in the media business. These plans were divested along with the sale of the Media division in April 2016. Benefits under these plans were based on the employees' length of service and final average salary. These plans were regulated by the Office of the Superintendent of Financial Institutions, Canada in accordance with the provisions of the Pension Benefits Standards Act and Regulations. The regulations set out minimum standards for funding the plans.

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

The table below shows the change in the benefit obligations, change in fair value of plan assets and the funded status of these defined benefit plans.

	2016 $	2015 $
Accrued benefit obligation, beginning of year	**173**	171
Current service cost	**3**	6
Interest cost	**4**	7
Employee contributions	**–**	1
Payment of benefits to employees	**(5)**	(8)
Remeasurements:		
Effect of changes in demographic assumptions	**–**	–
Effect of changes in financial assumptions	**7**	(1)
Effect of experience adjustments	**–**	(3)
Divestiture of Shaw Media	**(182)**	–
Accrued benefit obligation, end of year	**–**	173
Fair value of plan assets, beginning of year	**172**	160
Employer contributions	**6**	10
Employee contributions	**–**	1
Interest income	**4**	7
Payment of benefit	**(5)**	(8)
Administrative expenses paid from plan assets	**(1)**	(1)
Return on plan assets, excluding interest income	**(3)**	3
Divestiture of Shaw Media	**(173)**	–
Fair value of plan assets, end of year	**–**	172
Accrued benefit liability and plan deficit, end of year	**–**	1

The tables below show the significant weighted-average assumptions used to measure the pension obligation and cost for these plans.

Accrued benefit obligation	2016 %	2015 %
Discount rate	**3.86**	4.10
Rate of compensation increase	**3.00**	3.00

Benefit cost for the year	2016 %	2015 %
Discount rate	**3.86**	4.09
Rate of compensation increase	**3.00**	3.00

The net pension benefit plan expense, which is included in employee salaries and benefits expense, is comprised of the following components:

	2016 $	2015 $
Current service cost	**3**	6
Interest cost	**4**	7
Interest income	**(4)**	(7)
Administrative expenses	**1**	1
Pension expense	**4**	7

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

Other benefit plans

The Company has post-employment benefits plans that provide post-retirement health and life insurance coverage to certain executive level retirees and retirees in the media business and are funded on a pay-as-you-go basis. The plans for media retirees were divested along with the sale of the Media division in April 2016. The table below shows the change in the accrued post-retirement obligation which is recognized in the statement of financial position.

	2016 $	2015 $
Accrued benefit obligation and plan deficit, beginning of year	**22**	18
Current service cost	**–**	2
Interest cost	**1**	1
Payment of benefits to employees	**–**	(1)
Remeasurements:		
Effect of changes in demographic assumptions	**–**	2
Effect of changes in financial assumptions	**1**	(1)
Effect of experience adjustments	**–**	1
Divestiture of Shaw Media	**(20)**	–
Accrued benefit obligation and plan deficit, end of year	**4**	22

The weighted average duration of the benefit obligation at August 31, 2016 is 18.7 years.

The post-retirement benefit plan expense, which is included in employee salaries and benefits expense, is $1 (2015 – $3) and is comprised of current service and interest cost.

The discount rates used to measure the post-retirement benefit cost for the year and the accrued benefit obligation as at August 31, 2016 were 4.20% and 3.60%, respectively (2015 – 4.00% and 4.20%, respectively). A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2016 by $1.

Employer contributions

The Company's estimated contributions to the defined benefit plans in fiscal 2017 are $28.

27. RELATED PARTY TRANSACTIONS

Controlling shareholder

The majority of the Class A Shares are held by the Shaw Family Living Trust ("SFLT"). The sole trustee of SFLT is a private company owned by JR Shaw and having a board comprised of seven directors, including JR Shaw as chair, Carol Shaw, and four other members of JR Shaw's family. JR Shaw and members of his family are represented as Directors, Senior Executive and Corporate Officers of the Company.

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

Significant investments in subsidiaries

The following are the significant subsidiaries of the Company, all of which are incorporated or partnerships in Canada with the exception of ViaWest, Inc. which is incorporated in the United States.

	Ownership Interest	
	August 31, 2016	**August 31, 2015**
Shaw Cablesystems Limited	**100%**	100%
Shaw Cablesystems G.P.	**100%**	100%
Shaw Cablesystems (VCI) Ltd.	**100%**	100%
Shaw Envision Inc.	**100%**	100%
Shaw Telecom Inc.	**100%**	100%
Shaw Telecom G.P.	**100%**	100%
Shaw Satellite Services Inc.	**100%**	100%
Star Choice Television Network Incorporated	**100%**	100%
Shaw Satellite G.P.	**100%**	100%
Shaw Media Inc.	**–**	100%
Shaw Television Limited Partnership	**–**	100%
ViaWest, Inc.	**100%**	100%
WIND Mobile Corp.	**100%**	–

Key management personnel and Board of Directors

Key management personnel consist of the most senior executive team and along with the Board of Directors, and have the authority and responsibility for planning, directing and controlling the activities of the Company.

Compensation

The compensation expense of key management personnel and Board of Directors is as follows:

	2016 $	**2015 $**
Short-term employee benefits	**32**	38
Post-employment pension benefits	**3**	15
Retirement benefits	**–**	17
Share-based compensation	**3**	1
	38	71

Transactions

The Company paid $2 (2015 – $2) for collection, installation and maintenance services to a company controlled by a Director of the Company.

During the year, the Company paid $8 (2015 – $6) for remote control units to a supplier where Directors of the Company hold positions on the supplier's board of directors.

During the year, network fees of $14 (2015 – $12) were paid to a programmer where a Director of the Company holds a position on the programmer's board of directors.

At August 31, 2016, the Company had $3 owing in respect of these transactions (2015 – $3).

Other related parties

The Company has entered into certain transactions and agreements in the normal course of business with certain of its related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Corus

The Company and Corus are subject to common voting control. During the year, network fees of $118 (2015 – $113), advertising fees of $1 (2015 – $1), programming fees of $1 (2015 – $1), and administrative fees of $1 (2015 – $nil) were paid to various Corus subsidiaries and entities subject to significant influence. In addition, the Company provided administrative, advertising and other services for $7 (2015 – $1), uplink of television signals for $7 (2015 – $6), Internet services and lease of circuits for $1 (2015 – $1) and programming content of $nil (2015 – $2). At August 31, 2016, the Company had a net of $22 owing in respect of these transactions (2015 – $18).

During 2016, the Company's sold its wholly owned subsidiary Shaw Media to Corus. The transaction closed on April 1, 2016 (see note 3).

The Company provided Corus with television advertising spots in return for radio and television advertising. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

Burrard Landing Lot 2 Holdings Partnership

During the year, the Company paid $13 (2015 – $12) to the Partnership for lease of office space in Shaw Tower. Shaw Tower, located in Vancouver, BC, is the Company's headquarters for its lower mainland operations. At August 31, 2016, the Company had a remaining commitment of $93 in respect of the office space lease which is included in the amounts disclosed in note 25.

Joint arrangement

During the year, the Company provided programming content and advertising services of $6 (2015 – $18) and paid $11 (2015 – $6) in subscriber fees. At August 31, 2016, the Company had a net receivable of $nil (2015 – $3) in respect of these transactions.

28. FINANCIAL INSTRUMENTS

Fair values

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

(i) Current assets and current liabilities

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

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

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

(iii) Long-term debt

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

(iv) Other long-term liabilities

The fair value of program rights payable, estimated by discounting future cash flows, approximates their carrying value. The fair value of contingent consideration arising from a business acquisition is determined by calculating the present value of the probability weighted assessment of the likelihood that revenue targets will be met and the estimated timing of such payments.

(v) Derivative financial instruments

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

The carrying values and estimated fair values an investment in a publicly traded company, long-term debt and a contingent liability are as follows:

	August 31, 2016		August 31, 2015	
	Carrying value $	Estimated fair value $	Carrying value $	Estimated fair value $
Assets				
Investment in publicly traded company[1]	–	–	4	4
Liabilities				
Long-term debt[2]	**5,612**	**6,252**	5,669	6,307
Contingent liability[3]	**2**	**2**	2	2

(1) Level 1 fair value – determined by quoted market prices.

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

(3) Level 3 fair value – determined by valuation techniques using inputs that are not based on observable market data.

Risk management

The Company is exposed to various market risks including currency risk and interest rate risk, as well as credit risk and liquidity risk associated with financial assets and liabilities. The Company has designed and implemented various risk management strategies, discussed further below, to ensure the exposure to these risks is consistent with its risk tolerance and business objectives.

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate as a result of changes in market prices, including foreign exchange and interest rates, the Company's share price and market price of publicly traded investments.

Currency risk

Certain of the Company's capital expenditures and equipment costs are incurred in US dollars, while its revenue is primarily denominated in Canadian dollars. Decreases in the value of the Canadian dollar relative to the US dollar could have an adverse effect on the Company's cash flows. To mitigate some of the uncertainty in respect to capital expenditures and equipment costs, the Company regularly enters into forward contracts in respect of US dollar commitments. With respect to 2016, the Company entered into forward contracts to purchase US $12 over a period of 12 months commencing in September 2015 at an average exchange rate of 1.3170 Cdn. At August 31, 2016 the Company had forward contracts to purchase US $112 over a period of 12 months commencing September 2016 at an average exchange rate of 1.2932 Cdn in respect of US dollar commitments.

The Company's net investment in its foreign operation is exposed to market risk attributable to fluctuations in foreign currency exchange rates in respect of changes in the value of the Canadian dollar versus the US dollar. This risk is partially mitigated as a portion of the purchase price of ViaWest was borrowed in US dollars under the Company's credit facility. At August 31, 2016, the investment in ViaWest amounted to US $846. The exchange rate used to convert US dollars into Canadian dollars for the statement of financial position at August 31, 2016 was $1.3116 Cdn. The impact of a 10% change in the exchange rate would change other comprehensive income by $62.

Interest rate risk

Due to the capital-intensive nature of its operations, the Company utilizes long-term financing extensively in its capital structure. The primary components of this structure are a banking facility and various Canadian senior notes with varying maturities issued in the public markets as more fully described in note 13.

Interest on the Company's unsecured banking facility and ViaWest's credit facilities are based on floating rates, while the senior notes are primarily fixed-rate obligations. The Company utilizes its credit facility to finance day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed-rate instruments through public market debt issues. As at August 31, 2016, 79% of the Company's consolidated long-term debt was fixed with respect to interest rates.

Sensitivity analysis

The sensitivity to currency risk has been determined based on a hypothetical change in Canadian dollar to US dollar foreign exchange rates of 10%. Foreign exchange forward contracts would be impacted by this hypothetical change resulting in a change to other comprehensive income by $11 net of tax (2015 – $nil). A portion of the Company's accounts receivables and accounts payable and accrued liabilities is denominated in US dollars; however, due to their short-term nature, there is no significant market risk arising from fluctuations in foreign exchange rates.

Interest on the Company's banking facility is based on floating rates. There is no significant market risk arising from interest rates fluctuating by reasonably possible amounts from their actual values at August 31, 2016.

At August 31, 2016, a one dollar change in the Company's Class B Non-Voting Shares would have had an impact on net income of $1 in respect of the Company's DSU plan.

Credit risk

Accounts receivable in respect of the Consumer, Business Networks Services, Business Infrastructure Services and Wireless divisions are not subject to any significant concentrations of credit risk due to the Company's large and diverse customer base. As at August 31, 2016, the Company had accounts receivable of $268 (August 31, 2015 – $468), net of the allowance for doubtful accounts of $42 (August 31, 2015 – $26). The Company maintains an allowance for doubtful accounts for the estimated losses resulting from the inability of its customers to make required payments. In determining the allowance, the Company considers factors such as the number of days the customer account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances. As at August 31, 2016, $95 (August 31, 2015 – $121) of accounts receivable is considered to be past due, defined as amounts outstanding past normal credit terms and conditions. Uncollectible accounts receivable are charged against the allowance account based on the age of the account and payment history. The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk.

The Company mitigates the credit risk of advertising receivables by performing initial and ongoing credit evaluations of advertising customers. Credit is extended and credit limits are determined based on credit assessment criteria and credit quality. In addition, the Company mitigates credit risk of subscriber receivables through advance billing and procedures to downgrade or suspend services on accounts that have exceeded agreed credit terms and routinely assesses the financial strength of its business customers through periodic review of payment practices.

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

Credit risks associated with US currency contracts arise from the inability of counterparties to meet the terms of the contracts. In the event of non-performance by the counterparties, the Company's accounting loss would be limited to the net amount that it would be entitled to receive under the contracts and agreements. In order to minimize the risk of counterparty default under its swap agreements, the Company assesses the creditworthiness of its swap counterparties.

Liquidity risk

Liquidity risk is the risk that the Company will experience difficulty in meeting obligations associated with financial liabilities. The Company manages its liquidity risk by monitoring cash flow generated from operations, available borrowing capacity, and by managing the maturity profiles of its long-term debt.

The Company's undiscounted contractual maturities as at August 31, 2016 are as follows:

	Accounts payable and accrued liabilities[1] $	Other long-term liabilities $	Long-term debt repayable at maturity $	Interest payments $
Within one year	944	–	412	298
1 to 3 years	–	3	23	540
3 to 5 years	–	1	2,651	361
Over 5 years	–	–	2,582	1,857
	944	4	5,668	3,056

(1) Includes accrued interest and dividends of $228.

29. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

(i) Funds flow from continuing operations

	2016 $	2015 $
Net income from continuing operations	**456**	666
Adjustments to reconcile net income to funds flow from operations:		
Amortization	**962**	868
Deferred income tax recovery	**(76)**	(70)
Share-based compensation	**3**	4
Defined benefit pension plans	**(40)**	(43)
Accretion of long-term liabilities and provisions	**(1)**	(1)
Equity loss of an associate or joint venture	**61**	56
Impairment of goodwill	**17**	15
Gain on sale of spectrum *[note 3]*	**–**	(158)
Loss on write-down of assets *[note 22]*	**16**	61
Loss on write-down of investments *[note 22]*	**74**	27
Distributions from a venture capital fund investment *[note 22]*	**–**	(27)
Other	**11**	
Funds flow from continuing operations	**1,483**	1,398

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

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

	2016 $	2015 $
Interest paid	**306**	283
Income taxes paid (net of refunds)	**242**	488
Interest received	**2**	2

(iii) Non-cash transactions

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

	2016 $	2015 $
Issuance of Class B Non-Voting Shares:		
Dividend reinvestment plan *[note 19]*	**188**	166
Lease transactions	**–**	2

30. CAPITAL STRUCTURE MANAGEMENT

The Company's objectives when managing capital are:

(i) to maintain a capital structure which optimizes the cost of capital, provides flexibility and diversity of funding sources and timing of debt maturities, and adequate anticipated liquidity for organic growth and strategic acquisitions;

(ii) to maintain compliance with debt covenants; and

(iii) to manage a strong and efficient capital base to maintain investor, creditor and market confidence.

The Company defines capital as comprising all components of shareholders' equity (other than non-controlling interests and amounts in accumulated other comprehensive income/loss), long-term debt (including the current portion thereof), and bank indebtedness less cash and cash equivalents.

	August 31, 2016 $	August 31, 2015 $
Cash and cash equivalents	**(405)**	(398)
Long-term debt repayable at maturity	**5,668**	5,726
Share capital	**3,799**	3,500
Contributed surplus	**42**	45
Retained earnings	**2,505**	1,883
	11,609	10,756

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. The Company may also from time to time change or adjust its objectives when managing capital in light of the Company's business circumstances, strategic opportunities, or the relative importance of competing objectives as determined by the Company. There is no assurance that the Company will be able to meet or maintain its currently stated objectives.

The Company's credit facilities are subject to covenants which include maintaining minimum or maximum financial ratios, including total debt to operating cash flow/adjusted earnings before interest, taxes, depreciation and amortization, and operating cash flow to fixed charges. At August 31, 2016, the Company is in compliance with these covenants and based on current business plans and economic conditions, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants.

The Company's overall capital structure management strategy remains unchanged from the prior year.

31. SUBSEQUENT EVENT

Subsequent to the year end, shomi announced a decision to wind down its operations with service ending November 30, 2016. As a result, the Company expects to incur an investment loss of up to $120 million in 2017 relating to an estimated provision for future liabilities in shomi.