2011 ANNUAL REPORT

COGECO

Profile

COGECO Inc. (“COGECO” or “the Corporation”) is a diversified holding corporation with subordinate voting shares listed on the Toronto Stock Exchange (“TSX”), under the symbol CGO. The Corporation’s current holdings are concentrated in various segments of the communications sector.

COGECO’s subsidiary, Cogeco Cable Inc. (“Cogeco Cable” or the “cable subsidiary”) provides its residential customers with Audio, Analogue and Digital Television, as well as High Speed Internet (“HSI”) and Telephony services. Cogeco Cable provides 3,407,460 revenue-generating units (RGU) to the 2,528,162 homes passed by its cable network in the territories it serves.

Cogeco Cable also provides, to its commercial customers, data networking, e-business applications, video conferencing, hosting services, Ethernet, private line, Voice over Internet Protocol (“VoIP”), HSI access, data storage, data security, co-location services, managed IT services, cloud services other advanced communication solutions.

Cogeco Cable focuses its attention on the satisfaction of residential and business customers’ varied electronic communication needs by investing in state-of-the-art broadband network facilities, delivering a wide range of services over these facilities with great speed and reliability at attractive prices, and striving to provide superior customer service and growing profitability.

Cogeco Cable’s subordinate voting shares are listed on the Toronto Stock Exchange (TSX: CCA).

Through its subsidiary, Cogeco Diffusion Acquisitions Inc. (“CDI”), COGECO wholly-owns and operates thirteen (13) radio stations across most of Québec with complementary radio formats serving a wide range of audiences, as well as Cogeco News, its news agency broadcast in close to 30 independent radio stations across Québec.

Annual Report

Financial highlights

(in thousands of dollars, except percentages, RGU growth and per share data)	**2011** **$**	2010 $	Change %
Operations			
Revenue	**1,443,769**	1,321,694	9.2
Operating income before amortization[1]	**579,590**	519,339	11.6
Operating margin[1]	**40.1%**	39.3%	–
Operating income	**330,578**	259,882	27.2
Impairment of goodwill and fixed assets	**225,873**	–	–
Net income (loss)	**(8,979)**	56,264	–
Adjusted net income[1]	**63,700**	46,644	36.6
Cash flow			
Cash flow from operating activities	**527,127**	425,336	23.9
Cash flow from operations[1]	**452,016**	502,219	(10.0)
Capital expenditures and increase in deferred charges	**341,541**	320,962	6.4
Free cash flow[1]	**110,475**	181,257	(39.1)
Financial condition			
Fixed assets	**1,272,610**	1,328,866	(4.2)
Total assets	**2,897,254**	2,744,656	5.6
Indebtedness[2]	**1,056,214**	961,354	9.9
Shareholders' equity	**365,401**	381,635	(4.3)
RGU growth	**228,111**	287,111	(20.5)
Per share data[3]			
Earnings (loss) per share	**(0.54)**	3.36	–
Adjusted earnings per share[1]	**3.81**	2.79	36.6
Weighted average number of outstanding shares	**16,728,863**	16,726,135	–

(1) The indicated terms do not have standardized definitions prescribed by Canadian Generally Accepted Accounting Principles ("GAAP") and therefore, may not be comparable to similar measures presented by other companies. For Further details, please consult the "Non-GAAP financial measures" section on page 45 of the Management's Discussion and Analysis.
(2) Indebtedness is defined as the total of bank indebtedness, promissory note payable, principal on long-term debt, balance due on a business acquisition, and obligations under derivative financial instruments.
(3) Per multiple and subordinate voting share.

(in millions of dollars)	Original projections October 27, 2010 Fiscal 2011 $	Revised projections January 12, 2011[1] Fiscal 2011 $	**Actual Fiscal 2011 $**	Achievement of the revised projections[2] Fiscal 2011
Financial guidelines				
Revenue	1,380	1,442	**1,444**	Achieved
Operating income before amortization	538	560	**580**	Surpassed
Financial expense	70	75	**74**	Surpassed
Current income taxes	65	64	**66**	Under-achieved
Net income (loss)[1]	45	(20)	**(9)**	Surpassed
Capital expenditures and increase in deferred charges	341	341	**342**	Achieved
Free cash flow	60	80	**110**	Surpassed

(1) Net income (loss) and RGU growth guidelines for Fiscal 2011 were revised on July 6, 2011.
(2) Achievement of the projections is defined as within 1% above or below the projected amount.

Message to shareholders

Dear Shareholders,

COGECO Inc. finished fiscal 2011 with results meeting or exceeding most of our objectives. On a consolidated basis, revenue for fiscal 2011 grew 9.2% to reach $1.4 billion and operating income before amortization[1] rose 11.6% to reach $580 million. Due to the $226 million impairment loss recorded on Cogeco Cable's investment in Cabovisão, the net loss amounts to $9 million in fiscal 2011. However, excluding this non-cash impairment loss, adjusted net income[1] amounts to $64 million, a growth of 36.6% over the previous fiscal year. The Corporation also generated free cash flow of $110 million.

On the cable side, Cogeco Cable's strong performance rested primarily on our capacity to renew and enhance our products and services, and satisfy our customers. The main technology initiatives to enhance our services' quality and performance included the first phases in 2011 of our digital migration project for analog packages and the continuous efforts in the deployment of the DOCSIS 3.0 technology.

Highly efficient customer service is of paramount importance as we aspire to excellence. Cogeco Cable is proud to say that commitment to customers is a core corporate value, and every team member strives to walk the talk every day. For the third time in four years, Cogeco Cable customer service earned an award from Service Quality Measurement ("SQM") Group, which recognizes North American call centres with the highest customer service satisfaction scores in the telecommunications industry. In fact, our new brand image and advertising campaign were built around the excellence of our customer service. Launched in mid-2010, Cogeco Cable's advertising signature "How can we help you?" effectively evokes our unique capacity for pinpointing customer needs and responding with perfectly tailored service offerings. The campaign was not only very successful; it was even awarded the Silver Award for its acquisition tactics and Bronze Award for its brand image by the Cable Telecommunication Association of Marketing ("CTAM") in October 2011.

Together, these initiatives and upgrades translated into a growth of 225,218 revenue-generating units (RGUs) in Canada in 2011.

In 2011, COGECO intensified its environmental initiatives, including a focus on decreasing Cogeco Cable's fleet carbon emissions, which led to a reduction of 36% of idle time over fiscal 2010. We also implemented several waste management initiatives with the results that one-third of our waste is now diverted from landfill through reuse, recycling or composting. These new initiatives have also had positive financial impacts on our Corporation's results. For fiscal 2012, we will widen our focus from environmental initiatives to corporate social responsibility ("CSR"), with efforts built around the three CSR pillars – environmental, social and economic. 2012 will also be the first year that COGECO will publish Carbon Disclosure Project and Global Reporting Initiative reports.

Cogeco Cable ended fiscal 2011 on a high note with two major acquisitions in the medium and large enterprise telecommunications service industry. The acquisitions of Toronto-area company Quiettouch Inc. ("Quiettouch") and Greater-Montréal firm MTO Telecom Inc. ("MTO") will enhance our data communications subsidiary Cogeco Data Services LP ("CDS"). Quiettouch allows CDS to broaden its enterprise services, while MTO expands CDS's geographic coverage to the Greater Montréal area, a first for Cogeco Cable. CDS enjoyed another solid year with a positive contribution to COGECO's results.

In Portugal, the economic crisis facing the country and Europe as a whole did not spare our subsidiary Cabovisão. The Portuguese government's various reforms put extra pressure on consumer spending. The resulting net customer losses led us to write-off Cogeco Cable's investment in Cabovisão in the fiscal year. However, Cabovisão will make every effort to hold its own until conditions return to normal.

On the regulatory front, the Canadian Radio-television and Telecommunications Commission ("CRTC") determined that the competitive environment had undergone enormous changes in the past few years, particularly with the creation of large conglomerates integrating both cableor satellite distribution and programming services arms. As a result, the CRTC held major public hearings on vertical integration regulation in telecommunications and broadcasting. This consultation resulted in a decision that favours independent distributors and programming services, as well as consumers. In its decision, the CRTC accepted most of the proposals presented by Cogeco Cable for a framework governing operations of vertically integrated entities. In the end, this decision will support healthy competition and benefit consumers directly, which we applaud.

With our cable subsidiary's continued growth and stability, Cogeco Cable's reputation is sound in the financial markets, whose trust it continues to enjoy. On November 16, 2010, Cogeco Cable completed the issuance of Senior Secured Debentures Series 2 amounting to $200 million and maturing in 2020, giving the Corporation the flexibility it needs to support future growth.

Cogeco Diffusion Acquisitions Inc. ("CDI"), COGECO's radio broadcasting subsidiary, successfully completed the acquisition of Corus radio stations in Québec. Since February 1, 2011, CDI wholly-owns and operates 13 radio stations, with various formats and target audiences, as well as a news agency, Cogeco News, making CDI one of Québec radio leaders. The focus put on consolidating our strong positions in most markets while carefully integrating our new radio stations have proven to be very successful.

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(1) The indicated terms do not have standardized definitions prescribed by Canadian Generally Accepted Accounting Principles ("GAAP") and therefore, may not be comparable to similar measures presented by other companies. For further details, please consult the "Non-GAAP financial measures" section on page 45.

For fiscal 2012, our primary focus will be the integration of our new acquisitions, strengthening our competitive positioning and continuously improving our processes and practices to spark sales growth, further enhance customer service and achieve higher customer retention. We expect to generate $1.567 billion in revenue, $615 million in operating income before amortization and $80 million in net income, driven by growth of 225,000 RGU and the impact of the integration of the Corus radio activities.

We wish to recognize the contribution of our Board of Directors. Their valuable support and commitment to the development of COGECO are key contributors to the continued growth of the Corporation. We also wish to thank Mr. Mario Bertrand, who is leaving our Board of Directors. Mr. Bertrand joined COGECO's Board of Directors in 2007 and was a member of the Strategic Opportunities Committee. On behalf of the Board and the COGECO family, we want to express our gratitude to Mr. Bertrand for his excellent contribution.

In closing, we must recognize the great performance of our 3,424 employees. We extend our heartfelt thanks to all of them for their dedication and efforts throughout 2011. At COGECO, we always strive to satisfy our customers and audiences by being attentive to their needs, by offering them the best products and services, and by always providing them with excellent customer service. Our employees have become our best spokespersons and for that, we thank them very sincerely.

Louis Audet
President and Chief Executive Officer

Jan Peeters
Board Chair

Management's Discussion and Analysis (MD&A)

Management's Discussion and Analysis (MD&A)

Forward-looking statements

Certain statements in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to COGECO's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. In particular, statements regarding the Corporation's future operating results and economic performance and its objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which COGECO believes are reasonable as of the current date. While management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. The Corporation cautions the reader that the economic downturn experienced over the past few years makes forward-looking information and the underlying assumptions subject to greater uncertainty and that, consequently, they may not materialize, or the results may significantly differ from the Corporation's expectations. It is impossible for COGECO to predict with certainty the impact that the current economic uncertainties may have on future results. Forward-looking information is also subject to certain factors, including risks and uncertainties described in the "Uncertainties and main risk factors" section starting on page 23 of the MD&A that could cause actual results to differ materially from what COGECO currently expects. These factors include technological changes, changes in market and competition, governmental or regulatory developments, general economic conditions, the development of new products and services, the enhancement of existing products and services, and the introduction of competing products having technological or other advantages, many of which are beyond the Corporation's control. Therefore, future events and results may vary significantly from what management currently foresee. The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While management may elect to, the Corporation is under no obligation (and expressly disclaims any such obligation), and does not undertake to update or alter this information before the next quarter.

This MD&A should be read in conjunction with the Corporation's consolidated financial statements and the notes thereto, prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Throughout this discussion, all amounts are in Canadian dollars unless otherwise indicated.

Acronyms

DTA	Digital Terminal Adapter
DOCSIS	Data Over Cable Service Interface Specifications
DVR	Digital Video Recorder (Same as Personal Video Recorder or PVR)
€	Euro Currency
HD	High Definition
HSI	High Speed Internet
IP	Internet Protocol
Mbps	Megabits per second
MHz	Megahertz
RGU	Revenue-Generating Units include Basic Cable, HSI, Digital Television and Telephony Service Customers
SVOD	Subscription Video on Demand Services
VOD	Video on Demand Services
VoIP	Voice-over-Internet Protocol

Overview of the business

COGECO Inc. ("COGECO" or the "Corporation") is a diversified holding corporation that provides Cable Television, High Speed Internet ("HSI"), Telephony services and other telecommunications services to its residential and commercial customers in Canada and in Portugal through Cogeco Cable Inc. ("Cogeco Cable" or the "cable subsidiary") and is engaged in Radio broadcasting in Canada through Cogeco Diffusion Acquisitions Inc. ("CDI").

Cogeco Cable is the second largest hybrid fibre coaxial cable system operator in Ontario, Québec and Portugal. Cogeco Cable's operations are supported by hybrid fibre and co-axial cable and fibre optic broadband networks. Cogeco Cable provides its residential customers with Audio, Analogue and Digital Television as well as HSI and Telephony services. In Canada, Cogeco Cable provides, as at August 31, 2011, Basic Cable service to 877,985 customers, Digital Television service to 678,326 customers, HSI service to 601,214 customers and Telephony service to 418,270 customers. In Portugal, through its indirect subsidiary Cabovisão – Televisão por Cabo, S.A. ("Cabovisão"), Cogeco Cable provides, as at August 31, 2011, Basic Cable service to 255,777 customers, Digital Television service to 164,580 customers, HSI service to 162,436 customers and Telephony service to 248,872 customers. Cogeco Cable provides its Canadian business customers data networking, e-business applications, video conferencing, hosting services, Ethernet, private line, VoIP, HSI access, dark fibre, data storage, data security and co-location services, managed IT services, cloud services and other advanced communications services.

Through its subsidiary, CDI, COGECO wholly-owns and operates thirteen (13) radio stations across Québec: Rythme FM, CKOI FM, 98.5 FM, 92.5 The Beat and Radio Circulation 730 AM in Montréal; FM 93 and 102.9 FM in Québec City; CKOI FM in Ottawa-Gatineau; CIME FM in Saint-Jérôme; Rythme FM and CKOI FM in Sherbrooke as well as Rythme FM and CKOI FM in Trois Rivières. Cogeco Diffusion also operates Cogeco News, one of Québec's largest news agencies, feeding close to 30 affiliates, independent and community radio stations.

On April 30, 2010, COGECO concluded an agreement with Corus Entertainment Inc. ("Corus") to acquire its Québec radio stations ("Québec Radio Stations Acquisition") for $80 million, subject to customary closing adjustments and conditions, which was concluded on February 1, 2011

On June 27, 2011, Cogeco Cable concluded an agreement to acquire all of the shares of Quiettouch Inc. ("Quiettouch"), a leading independent provider of outsourced managed information technology and infrastructure services to mid-market and larger enterprises in Canada. Quiettouch offers a full suite of differentiated services that allow customers to outsource their mission-critical information technology infrastructure and application requirements, including managed infrastructure and hosting, virtualization, firewall services, data backup with end-to-end monitoring and reporting, and enhanced and traditional co-location services. Quiettouch operates three data centres in Toronto and Vancouver, as well as a fibre network within key business areas of downtown Toronto. The transaction was completed on August 2, 2011.

On August 31, 2011, Cogeco Cable concluded and completed an agreement to acquire all the shares of MTO Telecom Inc. ("MTO"). With over 1,500 kilometres of network, MTO, the largest private telecommunications provider in the Greater Montréal Area and the Province of Québec, offers high-performance Ethernet broadband connectivity services to carrier, enterprise and public sector customers.

Corporate objectives and strategies

COGECO's business objective is to maximize shareholder value by increasing profitability, notably operating income before amortization[1], and by ensuring continued revenue growth. To achieve these objectives, COGECO uses strategies, specific to each activity sector which, in turn, are supported by tight controls over the Corporation's costs and improved business processes.

The main strategies used to reach COGECO's objectives in the cable sector focus on sustained corporate growth and continuous improvement of networks and equipment.

The radio activities focus on continuous improvement of its programming in order to increase its market share and thereby its profitability.

Tight control over costs and improved business processes

The Corporation maximizes profitability and shareholder value by maintaining strict controls over spending. In order to achieve this, COGECO has to become more efficient with its processes making its offer more attractive to customers. In addition, tight controls over processes ensure that shareholders receive timely information on the Corporation's development.

(1) Operating income before amortization does not have a standardized definition prescribed by Canadian Generally Accepted Accounting Principles ("GAAP") and therefore, may not be comparable to similar measures presented by other companies. For further details, please consult the "Non-GAAP financial measures" section on page 45.

Cable sector

Cogeco Cable's business objectives are to ensure corporate growth through the expansion of its service offering and its customer base while maximizing shareholder value through profitability, notably operating income before amortization.

To achieve these objectives, Cogeco Cable has developed strategies that focus on expanding its service offering, enhancing its existing services and bundles, improving customer experience and business processes as well as keeping a sound capital management and a strict control over spending. These strategies will be supported by developing continuously the infrastructure network in accordance with sound capital expenditures management. Genuine customer service will arise by focusing on customer needs with services at attractive prices while taking into account the competitive landscape and the economic environment, using a variety of sales channels, simplifying and tightening customer-related processes thus providing better cost controls.

Anticipated results of these strategies

The successful implementation of the previously described strategies should result in heightened profitability and ensure continued growth that will be measured based on the following criteria (these criteria are described in greater detail on page 44 in "Fiscal 2012 financial guidelines"):

- COGECO expects to achieve operating income before amortization(1) of $615 million in fiscal 2012 as a result of RGU growth, the rate increases implemented in fiscal 2011 and in the beginning of fiscal 2012 in the Canadian operations of the cable sector and the fiscal 2011 business acquisitions. However management anticipates that the decline in the customer base of the European operations of the cable sector, which began during the second half of fiscal 2011, is likely to continue in the next year. Net losses are expected in Basic Cable and Digital Television service customers partly offset by net additions coming from HSI and Telephony service customers. Management is expected to maintain its retention strategies and marketing initiatives implemented over the last few years, but the economic difficulties being experienced by the European market at large and the competitive environment which has plagued the Portuguese telecommunications industry for the past years are continuing to negatively impact the financial results of the European operations;
- The Corporation expects to generate a free cash flow(1) of $110 million as a result of increases in capital expenditures and increase in deferred charges and in current income tax expense, which are expected to offset the growth in operating income before amortization. Generated free cash flow should be used primarily to reduce Indebtedness, thus improving the Corporation's leverage ratios;
- Cable sector RGU are expected to grow by approximately 225,000 in the coming year, stemming from targeted marketing initiatives to improve penetration rates of the Digital Television, HSI and Telephony services. Furthermore, the Digital Television service should continue to benefit from the customers' ongoing strong interest in the Corporation's growing HD service offerings. Canadian operations revenue will also benefit from the impact of rate increases implemented in April 2011 in Ontario and Québec, averaging $2 per Basic Cable service customer, and in October 2011, averaging $1.75 per HSI customer.

Please refer to the "Key performance indicators" section on page 10 for further details on the fiscal 2011 results and achievements.

Cable networks

Canada

The Corporation's subsidiary, Cogeco Cable provides its residential and business customers cable, data and telecommunication services in Canada through state-of-the-art fibre optic and two-way broadband distribution networks. It is Cogeco Cable's general policy to fully own its distribution networks, head-ends and data centres as well as its transmission equipment and access facilities. As at August 31, 2011, Digital Television, VOD and Telephony services were available to approximately 99%, 97% and 93% of homes passed, respectively, and approximately 97% of homes passed were served by a two-way cable plant.

Cogeco Cable's inter-city optical fibre network extends over 10,779 kilometres and includes 111,227 kilometres of optical fibre. Cogeco Cable has deployed optical fibre to nodes serving clusters of typically 1,000 or less homes passed, with multiple fibres per node in most cases, which allows Cogeco Cable to rapidly extend the capacity of the fibre plant to clusters of 500 homes or less if and when necessary. This process, known as "Node Splitting", leads to further improvement in the quality and reliability while increasing the capacity of two-way services such as HSI, VOD and Telephony.

Cogeco Cable currently uses DOCSIS 1.1, DOCSIS 2.0 and DOCSIS 3.0 standards within its IP platform. The DOCSIS standard includes numerous features including the prioritization of packets to ensure a continuous transmission and quality. This prioritization is important for services that need to be transmitted in real time, such as those of the Telephony service. In addition, when required, DOCSIS 2.0 and DOCSIS 3.0 features can be activated to achieve increased speed and capacity in the return path by using advanced modulation or features that can allow the use of portions of the spectrum that are not otherwise usable. This gives Cogeco Cable a flexible and expandable platform for providing other products like symmetrical services, which are particularly well suited for commercial customer applications. The DOCSIS 3.0 standard, while still compatible with the earlier versions, makes it possible to further increase IP transmission speeds up to 160 Mbps and beyond. Cogeco Cable upgraded most of its headends to DOCSIS 3.0 and is in the process of a gradual deployment of DOCSIS 3.0 customer premise equipment.

(1) The indicated terms do not have standardized definitions prescribed by Canadian GAAP and therefore, may not be comparable to similar measures presented by other companies. For further details, please consult the "Non-GAAP financial measures" section on page 45.

Cogeco Cable has implemented an infrastructure with 550 MHz and 750 MHz capacity, depending on the cable system and customer needs. The infrastructure with 550 MHz capacity allows for the transmission of up to 80 analogue channels and the 750 MHz infrastructure allows for the transmission of up to 110 analogue channels. For reference purposes, each analogue channel (representing 6 MHz of bandwidth), with the current compression, multiplexing and modulation technologies used by Cogeco Cable, allows for the transmission of up to 15 standard definition digital television signals, or of up to 3 HD signals.

Cogeco Cable is in the process of deploying the Switched Digital Video ("SDV") technology and the Digital Terminal Adapter ("DTA") technology in its systems where and when bandwidth capacity is required. SDV technology allows Cogeco Cable to selectively broadcast only the Digital Television channels that are currently being viewed by customers, effectively allowing Cogeco Cable to offer a greater selection of digital channels, and is used particularly for low viewership content and channels. DTA technology converts Digital Television signals to analogue signals in the viewer's home through a device installed on the television set. Deployment of this technology allows for a broader use of Digital Television service and for the further conversion of analogue channel capacity and is expected to be completed by the end of fiscal 2012 in most of Cogeco Cable's markets.

Cogeco Cable is deploying the Fibre to the Home ("FTTH") technology in new residential subdivision developments which meet specific criteria of size, proximity to the existing plant and service penetration rate. The FTTH topology selected is Radio Frequency Over Glass ("RFoG"). The primary benefit of RFoG is the ability to leverage existing Cable Modem Termination Systems ("CMTS"), cable modem investments and back-office systems, all while maintaining service continuity with existing video, VoIP, and preparing for higher speed Internet services.

In addition, Cogeco Data Services LP ("CDS") operates a 665 kilometre fibre optic network that extends throughout the Greater Toronto Area. The multiple facilities based infrastructure (Ethernet, Dense Wave Division Multiplexing ("DWDM") and Multiprotocol Label Switching ("MPLS")) connects over 680 commercial buildings within the city and enables high bandwidth services. With the recent acquisitions of Quiettouch and MTO, the CDS fibre optic network now extends to 2,250 km in the Greater Toronto Area and in the Greater Montreal Area, and connects over 1,075 commercial buildings within these two areas.

Portugal

The Corporation's indirect Portuguese cable subsidiary, Cabovisão provides its cable services through state-of-the-art 750 MHz broadband distribution networks. Cabovisão fully owns its distribution networks, head-ends and drops. HSI service is offered to 100% of homes passed and served by a two-way cable plant. Telephony service is also offered to 100% of homes passed, with standard based embedded Multimedia Terminal Adapters ("e-MTA"). Cabovisão currently uses class-5 circuit switches and class-5 advanced softswitches.

Cabovisão's intercity fibre optic network extends over 3,414 kilometres and includes approximately 232,000 kilometres of optical fibre. Cabovisão has deployed optical fibre to nodes serving clusters of typically 1,200 homes passed, with many fibres per node in most cases, which allows Cabovisão to further extend the fibre plant to smaller clusters of 500 homes rapidly with relative ease if and when necessary. Node splitting leads to further improvements in the quality and reliability of the network and services and allows for increasing the capacity of two-way services, such as HSI, VOD and Telephony.

Cabovisão currently uses DOCSIS 1.1, DOCSIS 2.0 and DOCSIS 3.0 standards within its IP platform. DOCSIS 3.0 has been deployed in all major centres and expansion to all homes will continue in the coming years, providing up to 160 Mbps for HSI service.

In Portugal and in most of Europe, Phase Alternated Line ("PAL") B and PAL G television standards are used and each analogue channel requires 7 MHz (PAL B is used up to 300 MHz) and 8 MHz (PAL G is used above 300 MHz) of bandwidth compared to 6 MHz in North America, which uses the National Television System Committee ("NTSC") standards. An infrastructure with 750 MHz capacity in Portugal allows for the transmission of up to 83 analogue channels. For reference purposes, each analogue channel (representing 7 or 8 MHz of bandwidth), with the current compression, multiplexing and modulation technologies used by Cabovisão, allows for the transmission of up to 13 standard definition Digital Television signals, or of up to 6 HD signals.

Key performance indicators

(in millions of dollars, except RGU growth)	Original projections October 27, 2010 Fiscal 2011 $	Revised projections January 12, 2011[1] Fiscal 2011 $	**Actual Fiscal 2011 $**	Achievement of the revised projections[2] Fiscal 2011
Financial guidelines				
Operating income before amortization	538	560	**580**	Surpassed
Operating margin[3]	39.0%	38.9%	**40.1%**	Surpassed
Free cash flow	60	80	**110**	Surpassed
RGU growth[1]	250,000	250,000	**228,111**	Under-achieved

(1) RGU growth guidelines for Fiscal 2011 were revised on July 6, 2011.
(2) Achievement of the projections is defined as within 1% above or below the projected amount.
(3) Operating margin does not have a standardized definition prescribed by Canadian GAAP and therefore, may not be comparable to similar measures presented by other companies. For further details, please consult the "Non-GAAP financial measures" section on page 45.

COGECO is dedicated to increasing shareholder value and consequently focuses on optimizing profitability while efficiently managing its use of capital without jeopardizing future growth. The following key performance indicators are closely monitored to ensure that business strategies and objectives are closely aligned with shareholder value creation. The key performance indicators are not measurements in accordance with Canadian GAAP and should not be considered an alternative to other measures of performance in accordance with GAAP. The Corporation's method of calculating key performance indicators may differ from other companies and, accordingly, these key performance indicators may not be comparable to similar measures presented by other companies.

Operating income before amortization and operating margin

Operating income before amortization and operating margin are benchmarks commonly used in the telecommunications industry, as they allow comparisons with companies that have different capital structures and are more current measures since they exclude the impact of historical investments in assets. Operating income before amortization evolution assesses COGECO's ability to seize growth opportunities in a cost effective manner, to finance its ongoing operations and to service its debt. Operating income before amortization is a proxy for cash flow from operations(1) excluding the impact of the capital structure chosen. Consequently, operating income before amortization is one of the key metrics used by the financial community to value the business and its financial strength. Operating margin is calculated by dividing operating income before amortization by revenue. In the 2010 Annual Report, the Corporation projected operating income before amortization of $538 million for the 2011 year, which was then increased to $560 million in the revised projections issued on January 12, 2011 in order to reflect improved performance of the Corporation during the first quarter, the Québec Radio Stations Acquisition and the expected trend for fiscal 2011. Operating income before amortization for the 2011 fiscal year amounted to $580 million, surpassing the Corporation's revised projections, mainly as a result of strong RGU growth in the Canadian operations of the cable subsidiary, partly offset by the impact on RGU of the difficult economic conditions in Portugal. The operating margin reached 40.1% for the fiscal year, compared to the revised projection of 38.9%. The favourable results for operating income before amortization and the operating margin are discussed in further detail in the "Operating and financial results" section on page 29.

Free cash flow

Free cash flow is defined as cash flow from operations less capital expenditures (including assets acquired under capital leases that are disclosed in note 15 B) of the consolidated financial statements on page 74, which are not reflected in the consolidated statements of cash flows) and the increase in deferred charges. The financial community also closely follows this indicator since it measures the Corporation's ability to repay debt, distribute capital to its shareholders and finance its growth. On January 12, 2011, COGECO issued revised fiscal 2011 free cash flow projections of $80 million, up from the initial projection of $60 million issued in the 2010 Annual Report. COGECO surpassed the revised projections for the 2011 year with free cash flow of $110 million mainly due to the growth in operating income before amortization in the 2011 fiscal year.

Cable sector

RGU growth and penetration of service offerings

RGU expansion is an important driver of revenue growth and measures the success of the marketing strategy and the competitiveness of the service offerings and pricing. For the 2011 fiscal year, Cogeco Cable's RGU growth amounted to 228,111, or 7.2% over August 31, 2010, below the July 6, 2011 revised projection of 250,000 RGU, as a result of lower customer growth in the European operations resulting primarily from the impact of further austerity measures announced by the Portuguese government in recent months which adversely impact consumer spending and increase the intensity of the competitive environment. RGU growth in the Canadian operations remains strong, with net additions of 225,218 RGU, growth of 9.6% when compared to August 31, 2010, mainly as a result of targeted marketing initiatives, the continuing interest for high definition ("HD") television service and the deployment of the DTA technology in most of Cogeco Cable's markets. Penetration statistics measure Cogeco Cable's market share. Cogeco Cable computes the penetration for Basic Cable services as a percentage of homes passed and, in the case of all other services, as a percentage of Basic Cable service customers in the areas where the service is offered. For further details please consult the customer statistics in the "Operating and financial results" section.

Other

Radio operations

CDI, COGECO's radio broadcasting subsidiary, acquired the Corus radio stations located in the province of Québec on February 1, 2011. The integration of the newly acquired radio stations with the existing radio operations was successfully completed in the following months, and CDI is well positioned for future growth. With its 13 radio stations, CDI provides its announcers with a range of advertising opportunities to reach a wide array of target audiences through its various radio formats in major markets of the province of Québec. CDI also operates Cogeco News, an important news agency close to 30 affiliate and community radio stations across Québec.

On September 6, 2011, CKAC 730 AM changed its sports radio format to Radio Circulation 730, a French-language all-traffic, road work and weather radio station in the Montréal area. Much of CKAC's sports programming, including the Montréal Canadiens hockey games broadcast, was transferred to the 98.5 FM radio station. To cover the Montréal English-language market, a subsidiary of CDI has filed with the CRTC an application for a licence to operate an equivalent Traffic Radio service in the English language.

(1) Cash flow from operations does not have a standardized definition prescribed by Canadian GAAP and therefore, may not be comparable to similar measures presented by other companies. For further details, please consult the "Non-GAAP financial measures" section on page 45.

In fiscal 2011, CDI, now a leading force in the Québec radio industry, has worked at building on its existing strong local market positions while fully integrating its newly acquired radio stations and unleashing their growth potential. This included the rebranding of CDI's Montreal English-language FM station, formerly known as Q92, as The Beat and better focusing the CKOI brand and stations towards an adult French-language male demographic. The Rythme FM brand and stations appeal remain very successful in reaching an adult French-language female demographic.

Critical accounting policies and estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to adopt accounting policies and to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities and revenue and expenses during the reporting year. A summary of the Corporation's significant accounting policies is presented in note 1 on page 55 of the Consolidated financial statements. The following accounting policies were identified as critical to COGECO's business operations.

Revenue recognition

The Corporation considers revenue to be earned as services are rendered, provided that ultimate collection is reasonably assured. The Corporation earns revenue from several sources. The recognition of revenue from the principal sources is as follows:

- Revenue from Cable Television, HSI, Telephony, managed information technology and infrastructure, and other telecommunications services are recognized when services are rendered;
- Revenue generated from sales of home terminal devices is recorded as equipment revenue upon activation of services as management considers the sale of home terminal devices as a single unit of accounting of a multiple element arrangement;
- Installation revenue is deferred and amortized over the average life of a customer's subscription for residential customers, not exceeding four years, and over the term of the contract for business customers. Management considers that installation revenue is part of a multiple element arrangement and has no standalone value. Accordingly, installation revenue is deferred and amortized at the same pace as revenue from Cable Television, HSI, Telephony, managed information technology and infrastructure, and other telecommunications services are earned;
- Promotional offers are accounted for as deductions from revenue when customers take advantage of such offers;
- Advertising revenue is recognized when aired.

Amounts received or invoiced that do not comply with these criteria are accounted for as deferred and prepaid revenue.

Allowance for doubtful accounts

The Corporation's revenue is earned mostly from residential and business customers in the cable sector. Accordingly, allowance for doubtful accounts is calculated based on the specific credit risk of its customers by examining such factors as the number of overdue days of the customer's balance owing as well as the customer's collection history with the Corporation. As a result, conditions causing fluctuations in the aging of customer accounts will directly impact the reported amount of bad debt expense.

Accrued liabilities

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of accrued liabilities at the date of the financial statements and the reported amounts expensed during the year. Actual results could differ from those estimates.

Amortization policies and useful lives

COGECO amortizes fixed assets and intangible assets with finite useful lives over the estimated useful lives of the items. In estimating useful lives, the Corporation considers such factors as life expectancy of the assets, changing technologies and industry trends. The Corporation reviews its estimated useful lives on a regular basis. If changes in the above-mentioned factors happen more quickly than anticipated, COGECO may have to shorten the estimated lives of certain assets, which could result in a higher amortization expense in future periods.

Purchase price allocation

The allocation of the purchase prices for the Corporation's acquisitions involves considerable judgement in determining the fair values assigned to the tangible and intangible assets acquired and the liabilities assumed on acquisition. Among other things, the determination of these fair values involves the use of discounted cash flow analyses, estimated future margins and estimated future customer counts. Should actual rates and cash flows differ from these estimates, revisions to the carrying value of the related assets and liabilities acquired may be required, including revisions that may impact net income in future periods.

Impairment of fixed assets and intangible assets with finite useful lives

The Corporation reviews, when a triggering event occurs, the carrying values of its fixed assets and intangible assets with finite useful lives by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flows to be generated by the asset or group of assets. An impairment loss is recognized when the carrying amount of an asset or group of assets held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. The impairment loss is measured as the amount by which the asset or group of assets' carrying amount exceeds its fair value. Future cash flows are based on internal forecasts and consequently, considerable management judgement is necessary to determine if a triggering event has occurred and to estimate future cash flows. Significant changes in assumptions could result in an impairment of these assets.

Impairment of intangible assets with indefinite useful lives and goodwill

The valuation of customer base, broadcasting licences and goodwill are subject to review for impairment annually or whenever significant events or changes in circumstances occur, to determine if the carrying value can be recovered. In conducting impairment testing, the Corporation compares the carrying value to the sum of the expected future discounted cash flows. Future cash flows are based on internal forecasts and discounted by using a weighted average cost of capital rate. Considerable management judgement is necessary to estimate future cash flows. Significant changes in assumptions could result in an impairment of these assets. The Corporation's annual impairment tests are performed as at August 31 of each fiscal year.

Income taxes

The Corporation uses assumptions to estimate income tax expense as well as future income tax liabilities. This process includes estimating the actual amount of income taxes payable and evaluating income tax loss carryforwards and temporary differences as a result of differences between the values of the items reported for accounting and tax purposes. Realization of future income tax assets is dependent upon generating sufficient taxable income during the period in which temporary differences are expected to be recovered or settled. The likelihood of realization of future income tax assets is evaluated by considering such factors as estimated future earnings based on internal forecasts, prudent and feasible tax planning strategies and reversal of temporary differences that result in future income tax liabilities. Future income tax assets and liabilities are calculated according to enacted or substantively enacted income tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Accordingly, changes in assumptions will directly impact the reported amount of income tax expense.

Foreign currency translation

Financial statements of self-sustaining foreign subsidiaries are translated into Canadian dollars using the exchange rate in effect at the balance sheet date for asset and liability items, and using the average exchange rates during the period for revenue and expenses. Adjustments arising from this translation are deferred and recorded in the foreign currency translation adjustment in accumulated other comprehensive income and are included in income only when a reduction in the investment in these foreign subsidiaries is realized.

Other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the balance sheet date for monetary items and at the transaction date for non-monetary items. Revenue and expenses are translated at average exchange rates prevailing during the period except for transactions being hedged, which are translated using the terms of the hedges. Amounts payable or receivable from cross-currency swap agreements, all of which are used to hedge foreign currency debt obligations, are recorded concurrently with the unrealized gains and losses on the obligations being hedged. Other foreign exchange gains and losses are recognized as financial expense, except for unrealized foreign exchange gains and losses on foreign-denominated long-term debt that is designated as a hedge of a net investment in self-sustaining foreign subsidiaries, which are included in the foreign currency translation adjustment in accumulated other comprehensive income, net of income taxes and non-controlling interest.

Financial instruments

Classification, recognition and measurement

All of the Corporation's financial assets are classified as held-for-trading or loans and receivables. The Corporation has classified its cash and cash equivalents as held-for-trading. Held-for-trading assets and liabilities are carried at fair value on the consolidated balance sheet, with changes in fair value recorded in the consolidated statements of income. Accounts receivable have been classified as loans and receivables. All of the Corporation's financial liabilities are classified as other liabilities, except for the cross-currency swap and interest rate swap agreements. Loans and receivables instruments and all financial liabilities, except for the cross-currency swap and interest rate swap agreements, are carried at amortized cost using the effective interest rate method. The Corporation has determined that none of its financial assets are classified as available-for-sale or held-to-maturity.

Transaction costs

Transaction costs are capitalized on initial recognition and presented as a reduction of the related financing, except for transaction costs on the revolving loan and the swingline facility, which are presented as deferred charges. These costs are amortized over the term of the related financing using the effective interest rate method, except for transaction costs on the revolving loan and the swingline facility, which are amortized over the term of the related financing on a straight-line basis.

Derivative financial instruments and hedge accounting

The Corporation uses cross-currency swap and interest rate swap agreements as derivative financial instruments to manage risk in fluctuation in interest and foreign exchange rates related to its long term debt. All derivatives are measured at fair value with changes in fair value recorded in the consolidated statements of income unless they are effective cash flow hedging instruments. The changes in fair value of cash flow hedging derivatives are recorded in other comprehensive income, to the extent effective, until the variability of cash flows relating to the hedged asset or liability is recognized in the consolidated statements of income. Any hedge ineffectiveness is recognized in the consolidated statements of income immediately. Accordingly, the Corporation's cross-currency swap and interest rate swap agreements must be measured at fair value in the consolidated financial statements. Since these cross-currency swap and interest rate swap agreements are used to hedge cash flows on Senior Secured Notes Series A denominated in US dollars and a portion of the Euro-denominated loans outstanding under the Term Revolving Facility and previously the Term Facility, the changes in fair value are recorded in other comprehensive income. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Net receipts or payments arising from cross-currency and interest rate swap agreements are recognized as financial expense.

Embedded derivatives

All embedded derivatives that are not closely related to the host contracts are measured at fair value, with changes in fair value recorded in the consolidated statements of income. At August 31, 2011 and 2010, there were no significant embedded derivatives or non-financial derivatives that required separate fair value recognition on the consolidated balance sheets.

Contingencies and commitments

The Corporation is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. The contractual and other commercial obligations primarily relate to network fees and operating lease agreements for use of transmission facilities. The Corporation recognizes liabilities for contingencies and commitments when a loss is probable and can be reasonably estimated based on currently available information. Significant changes in assumptions as to the likelihood and estimates of a loss could result in the recognition of an additional liability.

Cable sector

Capitalization of direct labour and overhead

Capitalization of costs includes the expenditures to acquire, construct, develop or improve an item of property, plant or equipment, as well as all costs directly attributable to those activities. The cost of an item includes direct construction or software development costs, such as materials, labour and overhead costs directly attributable to the construction or software development activity. The cost to enhance the service potential of an item is considered an improvement and as a result is capitalized. Costs incurred in the maintenance of service potential are expensed.

Cogeco Cable capitalizes direct labour and direct overhead costs incurred to construct new assets, enhance existing assets and connect new customers. Although capitalization of financial expense is permitted for construction activities, it is Cogeco Cable's policy not to capitalize financial expense for construction activities.

Capitalization of costs to acquire customers

Cogeco Cable incurs significant costs to reconnect or activate additional services for Basic Cable, HSI, Digital Television and Telephony service customers. These costs include material and labour costs incurred to reconnect or activate additional services for customers. Reconnect and additional service activation costs are capitalized up to a maximum amount not exceeding the revenue generated by the reconnect activity. These costs are amortized over the average life of a customer's subscription, not exceeding four years. The average life of a customer's subscription is reviewed annually and changes could have a significant impact on the amortization expense.

Adoption of new accounting standards

Future accounting pronouncements

Harmonization of Canadian and International accounting standards

In March 2006, the Canadian Accounting Standards Board ("AcSB") of the Canadian Institute of Chartered Accountants ("CICA") released its new strategic plan, which proposed to abandon Canadian GAAP and effect a complete convergence to the International Financial Reporting Standards ("IFRS") for Canadian publicly accountable entities. This plan was confirmed in subsequent exposure drafts issued in April 2008, March 2009 and October 2009. The changeover will occur no later than fiscal years beginning on or after January 1, 2011. Accordingly, the Corporation's first interim consolidated financial statements presented in accordance with IFRS will be for the quarter ending November 30, 2011, and its first annual consolidated financial statements presented in accordance with IFRS will be for the year ending August 31, 2012.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements. The Corporation has established a project team including representatives from various areas of the organization to plan and complete the transition to IFRS. This team reports periodically to the Audit Committee, which oversees the IFRS implementation project on behalf of the Board of Directors. The Corporation is assisted by external advisors as required.

The implementation project consists of three primary phases, which may occur concurrently as IFRS are applied to specific areas of operations:

Phase	Area of impact	Key activities	Status
Scoping and diagnostic	Pervasive	Perform a high-level impact assessment to identify key areas that are expected to be impacted by the transition to IFRS. Rank IFRS impacts in order of priority to assess the timing and complexity of transition efforts that will be required in subsequent phases.	Completed
Impact analysis, evaluation and design	For each area identified in the scoping and diagnostic phase	Identify the specific changes required to existing accounting policies. Analyse policy choices permitted under IFRS. Present analysis and recommendations on accounting policy choices to the Audit Committee.	Completed
	Pervasive	Identify impacts on information systems and business processes. Prepare draft IFRS consolidated financial statement template. Identify impacts on internal controls over financial reporting and other business processes.	Completed
Implementation and review	For each area identified in the scoping and diagnostic phase	Test and execute changes to information systems and business processes. Obtain formal approval of required accounting policy changes and selected accounting policy choices. Communicate impact on accounting policies and business processes to external stakeholders.	Completed
	Pervasive	Gather financial information necessary for opening balance sheet and comparative IFRS financial statements. Update and test internal control processes over financial reporting and other business processes.	Completed
		Collect financial information necessary to compile IFRS-compliant financial statements. Provide training to employees and end-users across the organization. Prepare IFRS compliant financial statements. Obtain the approval from the Audit Committee of the IFRS consolidated financial statements.	In progress - to be completed during fiscal 2012
		Continually review IFRS and implement changes to the standards as they apply to the Corporation.	To be completed throughout transition and post-conversion periods

The Corporation has completed all activities included in the scoping and diagnostic and impact analysis, evaluation and design phases. The Corporation has also completed its implementation of a new financial suite under an integrated Oracle platform in order to adequately support the implementation of IFRS. This financial suite will facilitate the completion of the Corporation's transition project and the conversion of the results of operations for fiscal 2011 to be presented as comparative figures to the fiscal 2012 IFRS financial statements. The effects on other information technology, data systems, and internal controls have also been assessed, and as a result, no significant modifications are necessary on conversion.

The Corporation's project for the transition from Canadian GAAP to IFRS is progressing according to the established plan in order to meet the target date for migration.

Upon conversion to IFRS, an entity is required to apply the guidance contained in these standards retrospectively without limitation unless there is a specific exemption which modifies this requirement. IFRS 1 – *First-time adoption of international financial reporting standards* applies only for first-time adopters of IFRS and contains several mandatory exceptions and optional exemptions to be applied to these entities' first IFRS financial statements. Management has completed its analysis of the impact of the significant transitional optional exemptions, and COGECO's elections to be applied at the date of transition to IFRS for these exemptions are as follows:

International standard	Summary of the optional IFRS 1 exemption	Application and impact for the Corporation
IFRS 3 – Business combinations	A first-time adopter may elect not to apply IFRS 3 retrospectively to past business combinations.	The Corporation has elected not to restate business combinations completed prior to September 1, 2010.
IFRS 2 – Share-based payments	A first-time adopter may elect to apply IFRS 2 only to equity instruments that were granted after November 7, 2002 and which vested after the date of transition to IFRS.	The Corporation has elected to apply the requirements of IFRS 2 only to equity instruments granted after November 7, 2002 and which vested after the date of transition to IFRS.
IAS 16 – Property, plant and equipment	A first-time adopter may elect to measure an item of property, plant and equipment at its fair value at the date of transition to IFRS and use that fair value as its deemed cost at that date.	The Corporation has elected not to use the fair value of any of its property, plant and equipment as their deemed cost at the date of transition to IFRS.
IAS 19 – Employee benefits	A first-time adopter may elect to recognise all cumulative actuarial gains and losses at the date of transition to IFRS.	The Corporation has elected to recognise all actuarial gains and losses at the date of transition to IFRS.
IAS 23 – Borrowing costs	A first-time adopter may elect to apply IAS 23 only to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the date of transition to IFRS.	The Corporation has elected to apply the requirements of IAS 23 only to borrowing costs relating to assets for which the commencement date for capitalisation is on or after the date of transition to IFRS.
IAS 21 – The effects of changes in foreign exchange rate	A first-time adopter may avoid retroactive restatement translation differences on monetary and non-monetary items by opting to reset the cumulative translation differences for all foreign operations to zero at the date of transition.	The Corporation has elected not to reset the cumulative translation differences for all foreign operations to zero at the date of transition. IAS 21 will be applied retroactively for all foreign operations.

Reconciliation of Canadian GAAP to IFRS

The Corporation has completed the evaluation of the differences between IFRS and Canadian GAAP. The preliminary financial statement impacts of the most significant differences in accounting policies adopted on and after transition to IFRS with respect to the recognition, measurement, presentation and disclosure of financial information are as follows:

Consolidated statement of income (loss) for the year ended August 31, 2011

(In thousands of dollars, except per share data)	Note	Canadian GAAP	Preliminary IFRS Adjustments	Preliminary IFRS
Revenue		1,443,769	(4,206)	1,439,563
Operating costs	ii., iii., vi.	864,179	7,051	871,230
Operating income before amortization		579,590	(11,257)	568,333
Amortization	i.	249,012	(4,805)	244,207
Operating income		330,578	(6,452)	324,126
Financial expense	viii.	74,080	(541)	73,539
Impairment of goodwill and fixed assets		225,873	–	225,873
Income before income taxes and the following items		30,625	(5,911)	24,714
Income taxes	i., ii., vi., viii.	71,992	(461)	71,531
Gains on dilution resulting from the issuance of shares by a subsidiary		(60)	–	(60)
Non-controlling interest	i., ii., iii., vi., viii.	(32,328)	1,417	(30,911)
Net income (loss)		(8,979)	(6,847)	(15,846)
Earnings (loss) per share				
Basic		(0.54)	(0.41)	(0.95)
Diluted		(0.54)	(0.41)	(0.95)

Consolidated statement of comprehensive income (loss) for the year ended August 31, 2011

(In thousands of dollars)	Note	Canadian GAAP	Preliminary IFRS Adjustments	Preliminary IFRS
Net income (loss)		(8,979)	(6,847)	(15,846)
Other comprehensive income (loss)				
Unrealized losses on derivative financial instruments designated as cash flow hedges, net of income tax recovery		(4,943)	–	(4,943)
Reclassification to financial expense of unrealized losses on derivative financial instruments designated as cash flow hedges, net of income tax recovery		4,650	–	4,650
Unrealized gains on translation of a net investment in self-sustaining foreign subsidiaries		2,330	–	2,330
Unrealized losses on translation of long-term debts designated as hedges of a net investment in self-sustaining foreign subsidiaries		(1,255)	–	(1,255)
Actuarial losses on defined benefit plans	ii.	–	(4,282)	(4,282)
		782	(4,282)	(3,500)
Comprehensive income (loss)		(8,197)	(11,149)	(19,346)

Consolidated balance sheet at August 31, 2011

(In thousands of dollars)	Note	Canadian GAAP	Preliminary IFRS Adjustments	Preliminary IFRS
Assets				
Current				
Cash and cash equivalents		55,216	–	55,216
Accounts receivable		100,297	–	100,297
Income taxes receivable		38,480	–	38,480
Prepaid expenses and other		14,020	–	14,020
Future income tax assets	ix.	5,350	(5,350)	–
Assets held for sale		1,365	–	1,365
		214,728	(5,350)	209,378
Investments		539	–	539
Fixed assets	i., viii.	1,272,610	(359)	1,272,251
Deferred charges		26,847	–	26,847
Intangible assets		1,121,422	(16,867)	1,104,555
Goodwill	v., vi.	239,664	(14,993)	224,671
Future income tax assets	vi.	15,558	10,832	26,390
Long-term assets held for sale	ii., ix.	5,886	–	5,886
		2,897,254	(26,737)	2,870,517
Liabilities and shareholders' equity				
Liabilities				
Current				
Accounts payable and accrued liabilities	x.	285,804	(14,766)	271,038
Provisions	x.	–	14,766	14,766
Income tax liabilities		59,935	–	59,935
Deferred and prepaid revenue		43,520	–	43,520
Promissory note payable		5,000	–	5,000
Current portion of long-term debt		2,119	–	2,119
Future income tax liabilities	ix.	85,201	(85,201)	–
Liabilities related to assets held for sale		1,747	–	1,747
		483,326	(85,201)	398,125
Long-term debt		1,016,663	–	1,016,663
Balance due on a business acquisition		11,400	–	11,400
Derivative financial instruments		14,408	–	14,408
Deferred and prepaid revenue and other liabilities		19,390	–	19,390
Pension plans liabilities and accrued employee benefits	ii.	13,215	20,503	33,718
Future income tax liabilities	i., v., vi., viii., ix.	252,958	67,177	320,135
Long-term liabilities related to assets held for sale		518	–	518
		1,811,878	2,479	1,814,357
Non-controlling interest	i., ii., iii., v., vi., viii., ix.	719,975	(11,073)	708,902
Shareholders' equity				
Capital stock		119,318	–	119,318
Contributed surplus	iii.	3,488	(3,488)	–
Retained earnings	i., ii., iii., v., vi., viii., ix.	235,879	(14,285)	221,594
Accumulated other comprehensive income	ii.	6,716	(4,282)	2,434
Reserves	iii.	–	3,912	3,912
		365,401	(18,143)	347,258
		2,897,254	(26,737)	2,870,517

Consolidated balance sheet at September 1, 2010

(In thousands of dollars)	Note	Canadian GAAP	Preliminary IFRS Adjustments	Preliminary IFRS
Assets				
Current				
Cash and cash equivalents		35,842	–	35,842
Accounts receivable		74,560	–	74,560
Income taxes receivable		45,400	–	45,400
Prepaid expenses and other		14,189	–	14,189
Future income tax assets	ix.	6,133	(6,133)	–
		176,124	(6,133)	169,991
Investments		739	–	739
Fixed assets	i.	1,328,866	(5,705)	1,323,161
Deferred charges		27,960	–	27,960
Intangible assets	v., vi.	1,042,998	(16,867)	1,026,131
Goodwill		144,695	–	144,695
Derivative financial instruments		5,085	–	5,085
Future income tax assets		18,189	9,803	27,992
		2,744,656	(18,902)	2,725,754
Liabilities and shareholders' equity				
Liabilities				
Current				
Bank indebtedness		2,328	–	2,328
Accounts payable and accrued liabilities	x.	248,775	(12,695)	236,080
Provisions	x.	–	12,695	12,695
Income tax liabilities		558	–	558
Deferred and prepaid revenue		45,602	–	45,602
Derivative financial instrument		1,189	–	1,189
Current portion of long-term debt		2,329	–	2,329
Future income tax liabilities	ix.	78,267	(78,267)	–
		379,048	(78,267)	300,781
Long-term debt		952,741	–	952,741
Deferred and prepaid revenue and other liabilities		12,234	–	12,234
Pension plans liabilities and accrued employee benefits	ii.	10,568	13,767	24,335
Future income tax liabilities	i., v., vi., ix.	238,699	63,675	302,374
		1,593,290	(825)	1,592,465
Non-controlling interest	i., ii., iii., v., vi., ix.	769,731	(11,106)	758,625
Shareholders' equity				
Capital stock		119,527	–	119,527
Contributed surplus	iii.	3,005	(3,005)	–
Retained earnings	i., ii., iii., v., vi., ix.	253,169	(7,418)	245,751
Accumulated other comprehensive income	ii.	5,934	–	5,934
Reserves	iii.	–	3,452	3,452
		381,635	(6,971)	374,664
		2,744,656	(18,902)	2,725,754

Consolidated statements of retained earnings

(In thousands of dollars)	Note	August 31, 2011	September 1, 2010
Retained earnings under Canadian GAAP		235,879	253,169
Preliminary IFRS adjustments:			
Property, plant and equipment	i.	(217)	(1,368)
Employee benefits	ii.	(7,324)	(7,879)
Share-based payment	iii.	(742)	(736)
Impairment of assets	iv.	–	–
Intangible assets	v.	19,846	19,846
Business combinations	vi.	(12,619)	(3,922)
Financial instruments: recognition and measurement	vii.	–	–
Borrowing costs	viii.	130	–
Income taxes	ix.	(13,359)	(13,359)
Provisions, contingent liabilities and contingent assets	x.	–	–
Effects of changes in foreign exchange rates	xi.	–	–
		(14,285)	(7,418)
Preliminary Equity under IFRS		221,594	245,751

i. IAS 16 – Property, plant and equipment:

IFRS requires that each significant component of an asset be depreciated separately. The Corporation will apply IAS 16 retroactively to all items of property, plant and equipment. The impact of the retroactive application on the Corporation's opening IFRS balance sheet at the date of transition will reduce fixed assets by an amount of approximately $5.7 million, reduce future income tax liabilities by an amount of $1.5 million, reduce non-controlling interest by an amount of approximately $2.9 million and reduce retained earnings by an amount of approximately $1.4 million. For fiscal 2011, amortization expense under IFRS would have been $4.8 million lower than the amount recorded under Canadian GAAP.

ii. IAS 19 – Employee benefits:

IAS 19 requires an entity to recognize the expense related to past service cost on an accelerated basis compared to Canadian GAAP. Furthermore, IAS 19 allows an entity a policy choice for the recognition of actuarial gains and losses on defined benefit pension plans. One of these choices permits the immediate recognition of actuarial gains and losses as a component of other comprehensive income, which was not permitted under Canadian GAAP.

The Corporation has elected to recognize actuarial gains and losses immediately as a component of other comprehensive income. The impact of this policy choice will depend on the future fluctuations in market interest rates and actual returns on plan assets. In addition, at the date of transition, the IFRS 1 optional election described above will result in an increase in pension plan liabilities and accrued employee benefits of approximately $13.8 million, an increase in future income tax assets of $3.7 million, a decrease of non-controlling interest by approximately $2.2 million and a decrease in opening retained earnings of approximately $7.9 million. For fiscal 2011, operating costs related to pension plans under IFRS would have been $0.9 million lower than the amount recorded under Canadian GAAP.

iii. IFRS 2 – Share-based payments:

IFRS 2 requires the graded-vesting method for the recognition of stock-based compensation awards, while Canadian GAAP permitted the straight-line method. IFRS 2 also requires that an entity measure cash-settled stock-based payments at their fair value based on an option pricing model.

The requirement to use the graded-vesting method for the recognition of stock-based compensation awards will result in an accelerated recognition of the expense for the Corporation. At the date of transition to IFRS, and reflecting the IFRS 1 exemption described above, this difference in accounting policies will result in an increase in contributed surplus by an amount of approximately $0.4 million (equity settled employee compensation reserve in the Corporation's IFRS financial statements), a decrease in opening retained earnings of $0.7 million and an increase in non-controlling interest of $0.3 million. As a result of this adjustment, operating costs related to stock-based plans for fiscal 2011 would have been slightly lower under IFRS than under Canadian GAAP.

iv. IAS 36 – Impairment of assets:

For the purposes of impairment testing, IFRS requires that assets be grouped into cash generating units ("CGUs"). IFRS then requires a one-step approach whereby the carrying value of the CGUs is compared to the higher of fair value less costs to sell and the value in use. Canadian GAAP required grouping at the lowest level of independent cash flows and used a two-step approach for impairment testing whereby the carrying values were first compared to the undiscounted future cash flows in order to determine the existence of an impairment, and subsequently compared to the fair value to determine the amount of the impairment.

IFRS also requires the reversal of a previous impairment loss on assets other than goodwill in the event a change in circumstances indicates that the impairment no longer exists or has decreased.

The Corporation has tested its CGUs at the date of transition to IFRS and no impairment was identified. In addition, the impairment of goodwill and fixed assets recorded in the third quarter of fiscal 2011 under Canadian GAAP would have been the same under IFRS.

v. IAS 38 – Intangible assets:

Intangible assets with indefinite lives are not amortized under IFRS or Canadian GAAP. However, IFRS requires full retrospective application, including the reversal of amortization which was not reversed under the transitional provisions of Canadian GAAP.

On transition to IFRS, the Corporation will reverse all amortization recorded on intangible assets with indefinite lives. The impact will increase intangible assets by an amount of approximately $58 million, increase future income tax liabilities by an amount of approximately $8.8 million, increase non-controlling interest by an amount of approximately $29.3 million and increase opening retained earnings by an amount of approximately $19.8 million, on the opening IFRS balance sheet.

vi. IFRS 3 – Business combinations:

Acquisition-related costs, which the Corporation capitalized under Canadian GAAP, are expensed under IFRS. In accordance with the IFRS 1 election described above, the Corporation will apply the requirements of IFRS 3 prospectively from the date of transition. As part of the application of IFRS 3, the Corporation will be required to expense acquisition-related costs capitalized on acquisitions completed since the date of transition to IFRS. The application of IFRS 3 to the business acquisitions completed in fiscal 2011 will increase operating costs by an amount of $12.3 million, decrease future income tax expense by an amount of $2.1 million, decrease non-controlling interest by an amount of $1.5 million and reduce goodwill at August 31, 2011 by an amount of $10.2 million.

Also as a result of the IFRS 1 election described above, the Corporation will be required to reverse the retroactive adjustment to intangible assets acquired in prior business acquisition stemming from the recognition of future income taxes upon application of CICA Handbook section 3465, *Income taxes*. As a result, intangible assets will be decreased by an amount of approximately $74.8 million, future income tax liabilities by an amount of approximately $63.1 million, non-controlling interest by an amount of approximately $7.8 million and retained earnings by an amount of approximately $3.9 million.

vii. IAS 39 – Financial instruments: recognition and measurement:

The criteria and method used for assessing hedge effectiveness may be different under IFRS compared to Canadian GAAP.

Upon transition to IFRS, the Corporation will continue to apply hedge accounting under IFRS to all hedging arrangements which the Corporation recorded under Canadian GAAP. The hedging documentation and hedge effectiveness tests have been updated and conform to the requirements of IAS 39. As a result, it is expected that there will be no impact on the opening IFRS balance sheet and on fiscal 2011 operating results.

viii. IAS 23 – Borrowing costs:

IFRS requires that borrowing costs be capitalized on qualifying assets purchased or constructed by the entity. Canadian GAAP permitted a policy choice to capitalize or expense these costs, which the Corporation elected to expense.

In light of the Corporation's election under IFRS 1, this difference will have no impact on the Corporation's opening IFRS balance sheet. Borrowing costs will be capitalized on any qualifying assets purchased or constructed after the date of transition to IFRS. The application of IAS 23 in fiscal 2011 will reduce financial expense and increase fixed assets by an amount of approximately $0.5 million, increase future income tax liabilities by approximately $0.1 million, with an increase of approximately $0.1 million to retained earnings, net of $0.3 million of non-controlling interest.

ix. IAS 12 – Income taxes:

Recognition and measurement criteria for deferred tax assets and liabilities may differ. IFRS also requires that temporary differences relating to current assets and current liabilities be presented as non-current liabilities and non-current assets, whereas these were classified as current under Canadian GAAP. The impact of retrospective application of IAS 12 will increase future income tax liabilities by an amount of approximately $41.1 million with a decrease in opening retained earnings by an amount of approximately $13.4 million, and net of non-controlling interest of approximately $27.8 million.

x. IAS 37 – Provisions, contingent liabilities and contingent assets:

The threshold for the recognition of a provision is different under IFRS than Canadian GAAP. There are presentation differences between the two accounting standards.

For the Corporation, these differences will not have any financial impact upon transition to IFRS. The presentation of provisions, contingent liabilities and contingent assets will be aligned with the IFRS in the Corporation's first IFRS financial statements.

xi. IAS 21 – Effects of changes in foreign exchange rates

IAS 21 requires an entity to recognize the effect of revaluing monetary and non-monetary items to the functional currency at period end, as well as the effect of translating a subsidiary's financial statements to the consolidated reporting entity's presentation currency as a separate component of other comprehensive income until they are realized through settlement or disposal. These differences will have no financial impact for the Corporation on transition to IFRS. The presentation of the effects of changes in foreign exchange rates on the Corporation's foreign subsidiaries will be aligned with the requirements of IFRS in the Corporation's first IFRS financial statements.

xii. IAS 1 – Presentation of financial statements:

Additional disclosures are required under IFRS. There are differences between IFRS and Canadian GAAP financial statement presentation, the most notable of which are presentation choices for the statement of income, the statement of comprehensive income, and statement of cash flows.

The Corporation has elected to present items of revenue and expense on its consolidated statement of income according to the nature of the item. In addition, the Corporation has elected to present the consolidated statement of comprehensive income separately from the consolidated statement of income.

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Section 1582, *Business combinations*, which replaces Section 1581 of the same name, and Sections 1601, *Consolidated Financial Statements* and 1602, *Non-controlling interests*, which together replace Section 1600, *Consolidated Financial Statements*. These new sections harmonize significant aspects of Canadian accounting standards with the IFRS that will be mandated for publicly accountable entities with fiscal years beginning on or after January 1, 2011.

Section 1582 requires that all business acquisitions be measured at the fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100% of the equity interest in the acquiree is owned at the acquisition date, and expands the definition of a business subject to an acquisition. The section also establishes new guidance on the measurement of consideration given and the recognition and measurement of assets acquired and liabilities assumed in a business combination. Furthermore, under this new guidance, acquisition costs, which were previously included as a component of the consideration given, and any negative goodwill resulting from the allocation of the purchase price, which was allocated as a reduction of non-current assets acquired under the previous standard, will be recorded in earnings in the current period. This new section will be applied prospectively and will only impact the Corporation's consolidated financial statements for future acquisitions concluded in periods subsequent to the date of adoption.

Sections 1601 and 1602 dealing with consolidated financial statements require an entity to measure non-controlling interest upon acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new sections also require non-controlling interest to be presented as a separate component of shareholders' equity.

The new standards will apply as of the beginning of the first annual reporting period beginning on or after January 1, 2011, with simultaneous early adoption permitted. Early adoption may reduce the amount of restatement required upon conversion to IFRS. The Corporation has elected not to early-adopt these sections, and in light of the adoption of International accounting standards taking effect at that same date, these sections will not be applicable to the Corporation.

Multiple deliverable revenue arrangements

In December 2009, the Emerging Issues Committee ("EIC") of the Canadian AcSB issued a new abstract concerning multiple deliverable revenue arrangements, EIC-175, *Multiple deliverable revenue arrangements*, which amended EIC-142, Revenue *arrangements with multiple deliverables*. EIC-175 requires a vendor to allocate arrangement consideration at the inception of the arrangement to all deliverables using the relative selling price method, thereby eliminating the use of the residual value method. The amendment also changes the level of evidence of the standalone selling price required to separate deliverables when more objective evidence of the selling price is not available. EIC-175 should be adopted prospectively to revenue arrangements entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011, with early adoption permitted. The Corporation has elected not to early-adopt this EIC, and in light of the adoption of International accounting standards taking effect at that same date, this EIC will not be applicable to the Corporation.

Adopted during fiscal 2010

Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, *Goodwill and intangible assets*, replacing Section 3062, *Goodwill and other intangible assets* and Section 3450, *Research and development costs*. The new section established standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill remained unchanged from the standards included in the previous Section 3062. The new section was applicable to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, with retroactive application. The adoption of Section 3064 resulted in the elimination of the deferral of new service launch costs which are now recognized as operating costs when they are incurred. Reconnect and additional service activation costs are capitalized up to an amount not exceeding the revenue generated by the reconnect activity. The retroactive application of Section 3064 reduced the fiscal 2010 opening retained earnings by an amount of $7.9 million net of non-controlling interest of $16.4 million.

Financial instrument disclosures

In 2009, the Canadian AcSB amended CICA Handbook Section 3862, *Financial instruments – disclosures*, to require enhanced disclosures about the relative reliability of the data, or inputs, that an entity uses in measuring the fair values of its financial instruments. The new requirements are effective for annual financial statements for fiscal years ending after September 30, 2009. The adoption of this amendment did not have any impact on the classification and measurement of the Corporation's financial instruments. The new disclosures pursuant to this amendment are included in note 17 of the Corporation's consolidated financial statements.

Controls and procedures

The President and Chief Executive Officer ("CEO") and the Senior Vice President and Chief Financial Officer ("CFO"), together with management, are responsible for establishing and maintaining adequate disclosure controls and procedures and internal controls over financial reporting, as defined in National Instrument 52-109. COGECO's internal control framework is based on the criteria published in the report "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission and is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

The CEO and CFO, supported by management, evaluated the design and operation of the Corporation's disclosure controls and procedures and internal controls over financial reporting as of August 31, 2011, and have concluded that they are effective. Furthermore, no significant changes to the internal controls over financial reporting occurred during the year ended August 31, 2011.

However, in the first quarter of fiscal 2011, the Corporation introduced a new financial suite under an integrated Oracle platform. This project was required in order to adequately support the implementation of IFRS and to remain current with the operational platform used by the Corporation. Following the introduction of this new financial suite, internal controls over financial reporting have been updated and tested in order to support adequate disclosure controls and procedures.

Uncertainties and main risk factors

This section outlines general as well as more specific risks faced by COGECO and its subsidiaries that could significantly affect the financial condition, operating results or business of the Corporation. It does not purport to cover all contingencies, or to describe all possible factors that might have an influence on the Corporation or its activities at any point in time. Furthermore, the risks and uncertainties outlined in this section may or may not materialize in the end, may evolve differently than expected or may have different consequences than those that are being presently anticipated.

COGECO applies an on-going risk management process that includes a quarterly assessment of risks for the Corporation and its subsidiaries, under the oversight of the Audit committee. As part of this process, the Corporation endeavours to identify risks that are liable to have a major impact on the Corporation's financial situation, revenue or activities, and to mitigate such risks proactively as may be reasonable and appropriate in the circumstances. This section reflects management's current views on uncertainties and the main risk factors.

Risks pertaining to markets and competition

Electronic communications markets continue to evolve rapidly and are very competitive in both Canada and Portugal. Competitors offer video distribution, broadband HSI access, fixed telephone, mobile telephone and fixed and mobile data services through various means of telecommunications facilities, including terrestrial wireline and wireless networks as well as satellite. Rivalry extends over several elements comprising the value proposition, including the features of individual services, the composition of service bundles, the range of content or service options, quality of service, speed of delivery, regular introductory and promotional pricing or offers, duration of the commitment by the customer, terminal devices and customer service. Service bundles offered by competitors include up to "quadruple-play" offers combining television, HSI, fixed and mobile telecommunications to residential and commercial customers.

Cogeco Cable provides “double-play” and “triple-play” service bundles both in Canada and in Portugal, with various combinations of Telephony, HSI and Television distribution services being offered at attractive bundle prices, but does not offer “quadruple-play” service bundles that include mobile communications. Cogeco Cable does not offer mobile Internet service. The Corporation continues to focus on its existing lines of service with a view to capturing the remaining growth opportunities for HSI, Digital Television and Telephony services in its footprint, making the most efficient use of its own hybrid fibre-coaxial (“HFC”) plant. As markets evolve and mobility becomes a more cost-effective substitute to wireline communications, Cogeco Cable may need to add mobility components to its service offerings, through suitable mobile virtual network (“MVNO”) arrangements with existing or future mobile operators, or otherwise through new wireless alternatives. There is no assurance that appropriate MVNO arrangements will be concluded by the Corporation when needed, and their impact on the financial results cannot be assessed at this time. Also, the capital and operating expenditures eventually required to offer quadruple-play service bundles and mobile services may not be offset by the incremental revenue that such new bundles or mobile services would generate, thus resulting in downward pressure on operating margins.

In Canada, Cogeco Cable currently faces competition in its service areas mainly from a few large integrated telecommunications service providers. The largest, Bell Canada (“Bell”), offers through its various operating entities a full range of competitive voice, data and video services to residential, as well as to business customers in the Provinces of Québec and Ontario through a combination of fixed wireline, mobile terrestrial wireless and satellite platforms. Bell is actively marketing Internet Protocol Television (“IPTV”) services over its fixed copper and optical fibre wireline network. Telus Communications Company (“Telus”) competes with all of Cogeco Cable’s services in the Lower St. Lawrence area of the Province of Québec through the use of its copper and optical fibre wireline network, and throughout Cogeco Cable’s Canadian footprint through the use of its mobile telecommunications network. However, Cogeco Cable’s Telephony service is provided with the assistance of certain Telus carrier services through a long-term contractual arrangement. Shaw Direct, the direct-to-home satellite service of Shaw Communications Inc. (“Shaw”), competes for video and audio distribution services throughout Cogeco Cable’s Canadian footprint. Rogers Wireless Communications Inc., a subsidiary of Rogers Communications Inc. (“Rogers”), operates a mobile telecommunications network in Ontario and Québec and is the owner of the Inukshuk broadband wireless network in partnership with Bell. Rogers Cablesystems Inc., the cable subsidiary of Rogers, is licensed to extend its services in the Burlington, Oakville and Milton areas, which are part of Cogeco Cable’s footprint in Ontario, although there has not been any significant cable overwiring to date. Videotron Ltd. (“Videotron”), an indirect subsidiary of Quebecor Inc., offers competitive telecommunications services in Cogeco Cable’s Québec footprint and is actively marketing its mobile telecommunications services in Québec. Other advanced wireless service mobile telecommunications service operators, including Wind and Public Mobile, are also operating in the market in Ontario and Québec. Incumbents Rogers, Bell and Telus are responding to new entrants with more attractive pricing and flexible service options, which may cause substitution between wireline and wireless telecommunications services to accelerate. Cogeco Cable also competes within its network footprint with other telecommunications service providers, including third parties using Cogeco Cable’s wireline network facilities pursuant to its third party Internet access tariff.

In Portugal, Cogeco Cable’s indirect subsidiary Cabovisão faces competition for all its lines of business mainly from incumbent telecommunications carrier Portugal Telecom, SGPS, S.A. (“PT”), Zon Multimedia, SGPS, S.A. (“Zon”), Vodafone, Sonaecom, SGPS, S.A. (“Sonaecom”), a subsidiary of diversified Portuguese conglomerate Sonae, SGPS, S.A. (“Sonae”) and AR Telecom. Zon, the largest cable telecommunications operator in Portugal, also offers a direct-to-home satellite distribution service to the Portuguese market. Zon’s cable plant overlaps the major part of Cabovisão’s footprint in Portugal. Zon also owns extensive program content interests, including equity interests in several pay television channels distributed by Cabovisão. PT’s national telephone network, PT Communicações, which offers a full range of fixed and mobile telecommunications services throughout Portugal, is aggressively marketing MEO, its competitive IPTV service, over its wireline plant, and is offering its own direct-to-home satellite service. In addition, PT has launched in Portugal a new digital terrestrial television service available directly over-the-air. Sonaecom owns and operates the Clix (residential fixed telephony, HSI and IPTV), Novis (business telephony solutions) and Optimus (wireless telephony and wireless HSI) services, which provide voice, data, HSI, video and mobile services to the residential and business markets. Vodafone offers its own video distribution service for bundling with its mobile telephone and Internet services. Cabovisão, Zon, PT, Sonaecom, Vodafone and AR Telecom all have competitive triple-play offers available in the Portuguese market. Cabovisão continues to aggressively market its Digital Television services, which include HD channels, throughout its footprint. Operating margins are under pressure due to the addition of programming services and promotional price discounts required to meet the competition mainly from large incumbents PT and Zon. Cabovisão and Zon continue to carry a legacy video service on less bandwidth-efficient analog channels. The competitive television service offerings of the other competitors in the Portuguese market are all digital. PT, Zon and Vodafone each have a significantly larger overall customer base, and both Zon and PT have a larger video customer base, than Cabovisão. While several competitors in the Portuguese market are deploying optical fibre facilities to the premises of customers, Cabovisão continues to focus its investments for network upgrades on completing the deployment of DOCSIS 3.0 technology over its existing HFC platform.

The Portuguese market is facing very difficult times as a result of the government’s austerity program to stem its rising annual public accounts deficit and bring its national debt to a more manageable level. The austerity measures, including income and sales tax initiatives, are having a negative impact on net disposable income and discretionary consumer spending. General economic conditions are not expected to improve in the near term. It is anticipated that the prevailing situation will continue to adversely affect customer acquisition, and RGU gains, and bad debt experience for the Corporation’s Portuguese operations.

The level of piracy of television signals and the actual penetration of illicit reception of television distribution services in households within the Corporation’s service areas may also have a significant effect on the Corporation’s business and the competitiveness of its service offerings.

Technological risks

The rapid evolution of telecommunications technologies is fuelled by a highly competitive global market for digital content, consumer electronics and broadband products and services. The Corporation continues to monitor the development of technologies used for the transmission, distribution, reception and storage of data and their deployment by various existing or potential competitors in the broadband telecommunications markets.

There are now several terrestrial and satellite transmission technologies available to deliver a range of electronic communications services to homes and to commercial establishments with varying degrees of flexibility and efficiencies, and thus compete with cable telecommunications. On the other hand, cable telecommunications also continue to benefit from rapid improvements, particularly in the areas of modulation, digital compression, fractioning of optoelectronic links, multiplexing, HD distribution, switched video distribution and ultra high speed passive optical networks.

Management of the Corporation believes that broadband wireline distribution over fibre and coaxial cable continues to be an efficient, reliable, economical and competitive platform for the distribution of a full range of electronic communications products and services. However, competitive market forces drive the further deployment of fibre optic facilities right up to the user premises, both for business and residential customers. The competitiveness of the cable broadband telecommunications platform will therefore continue to require substantial additional capital investment on a timely basis in an increasingly competitive and uncertain market environment.

The pervasiveness of high speed broadband connections, the rapid increase in transmission speeds offered by competitors in the market, and the deployment of the more powerful and efficient MPEG-4 video compression standard and of other similar compression technologies, promote the increased distribution and consumption of video content directly over the Internet. The widespread deployment of smart phones and television sets directly connected to the Internet, more efficient applications and larger data processing capabilities, and the proliferation of video content available directly over the Internet through fixed and mobile high speed broadband connexions will eventually lead to fragmentation of the retail market for existing Analogue and Digital Television distribution services provided by the Corporation, and to a gradual disintermediation through direct transactions between video content suppliers and the Corporation's customers. In this context, revenue and margins derived from the Corporation's HSI access services may not entirely compensate for the eventual loss of revenue or margin derived from the Corporation's Television services in the future. Alternative voice and data communications services are proliferating over the Internet, resulting in the risk that fragmentation and disintermediation may also occur in the future with respect to the Corporation's Telephony service.

Electronic communications increasingly rely on advanced security technology, terminal devices, control systems and software to ensure conditional access, appropriate billing and service integrity. Security and business systems technology is provided worldwide by a small pool of global suppliers on a proprietary basis. As other providers of electronic communications, the Corporation depends on the effectiveness of such technology for many of its services and the ability of technological solutions providers to offer cost-effective and timely solutions to deal with security breaches or new developments required in the marketplace.

Regulatory risks

In Canada, electronic communications facilities and services are subject to regulatory requirements depending mainly on the type of facilities involved, the incumbent status of service providers and their relative market power, the technology used and whether the activities are categorized as telecommunications or broadcasting. Canadian cable telecommunications facilities and services are subject to various requirements, mainly under federal legislation governing broadcasting, radiocommunication, telecommunications, copyright and privacy, and under provincial legislation governing consumer protection and access to certain municipal electrical power utility support structures. Broadcasting licences and broadcasting certificates are required for the operation of larger cable systems. Various licence and licence exemption conditions apply in Canada. Canadian cable operators are also subject to Canadian ownership and control requirements. Changes in the regulatory framework or licences, which are subject to periodic renewal, may affect the Corporation's existing business activities or future prospects.

The government of Canada issued a consultation paper in June 2010 on options for reform of Canadian ownership and control requirements for the telecommunications industry in Canada. The three options under consideration are an increase of the direct limit on foreign ownership to 49%, removal of the limit for start-up telecommunications companies and telecommunications companies with less than 10% of total telecommunications market revenues, and complete removal of the limit. The government is expected to announce its position in conjunction with the rules for the next spectrum auction for mobile services in 2012.

On September 21, 2011, the CRTC issued a new broadcasting regulatory policy dealing with the issues arising from vertical integration in the industry. The CRTC has decided to prohibit companies from offering television programs on an exclusive basis to their mobile or Internet customers and to make programs available on television available to competitors under fair and reasonable terms. The CRTC also adopted a code of conduct to prevent anti-competitive behaviour. In order to protect Canadians from losing a television service during negotiations, broadcasters are required to continue providing the service to distributors, and distributors must continue to offer it to their subscribers.

In Broadcasting Regulatory Policy CRTC 2010-167, the CRTC proposed to establish a value-for-signal ("VFS") regime providing the right for Canadian private local television stations to opt for either continued regulatory protection for the carriage of their signal and simultaneous program substitution by Broadcasting Distribution Undertakings ("BDUs"), or the negotiation of compensation for the value of the distribution of their service by BDUs with the possibility to require deletion on all other distributed signals of all programs for which they have respectively acquired exclusive contractual exhibition rights. Concurrently with this policy announcement, the CRTC issued Broadcasting Order CRTC 2010-168 referring a question to the Federal Court of Appeal on the CRTC's authority under the *Broadcasting Act* to establish the proposed VFS regime. The Federal Court of Appeal, by majority decision, ruled earlier this year that the CRTC had the statutory authority under the *Broadcasting Act* to implement the VFS regime. On September 29,, 2011, the Corporation obtained leave to appeal this decision to the Supreme Court of Canada, who is expected to make a final determination on the appeal by the end of 2012.

In another reference initiated by the CRTC, the Federal Court of Appeal unanimously ruled in 2010 that the CRTC does not have the statutory authority under the *Broadcasting Act* to regulate the transmission of program content by Internet service providers (ISPs). Four cultural groups have obtained leave to appeal this decision to the Supreme Court of Canada, with a final ruling expected also in 2012.

In Portugal, Cabovisão has prevailed in its complaint to *Autoridade da Concorrência* ("AdC") against the anticompetitive practices of PT concerning access to support structures and ducts of the incumbent telephone company. AdC has imposed a fine of €38 million to PT, but the AdC decision has since been quashed by the Portuguese Commercial Court. Following complaints by other parties, AdC imposed a further record-breaking €45 million fine to PT as well as an €8 million fine to its former subsidiary Zon for abuse of dominance and margin squeezing of competitors in the broadband Internet access market in Portugal. PT and Zon have both decided to challenge this AdC decision in court and the matter is still pending. Cabovisão has filed with AdC complaints against Zon that raise further issues of abuse of dominant position by that incumbent cable, satellite and content service provider. In the absence of any significant remaining *ex ante* regulation of Portuguese incumbents by *Autoridade Nacional das Communicações* ("Anacom"), the effective enforcement of the decisions issued by AdC, the Portuguese competition watchdog, is essential to discipline the dominant Portuguese incumbents. Cabovisão's complaint to the Competition Directorate of the European Commission concerning the fact that the dominant Portuguese incumbents have been given access to funding from the European Investment Bank for debt-financing at favourable terms with the backing of the Portuguese government, with the stated objective of helping these dominant Portuguese incumbents to further deploy fibre optic next generation networks ("NGN") in Portugal, has been unsuccessful.

Risks pertaining to operating costs

COGECO applies itself to keeping its cost of goods sold in check so as to secure continued operating margin growth. The two largest drivers of cost of sales are network fees paid to audio and video programming service suppliers as well as data transport and connectivity charges, mostly for Telephony and HSI traffic.

The market for audio and video content services in Canada is characterized by high levels of supplier integration and structural rigidities imposed by the CRTC's regulatory framework for broadcasting distribution. While Cogeco Cable has been able to conclude satisfactory distribution agreements with Canadian and foreign programming service suppliers to date, there is no assurance that network fees will not increase by larger increments in future years. There is also no assurance that programming service suppliers will not change other material terms of distribution agreements or extend preferences for the distribution of their content to competing distributors, or push for the distribution of their content over the Internet in the future.

The level of horizontal and vertical integration of the television and broadcasting distribution industries in Canada has increased significantly with the acquisition of CanWest Global Communications Corp.'s television stations and specialty television services by Shaw Communications Inc., and the acquisition of CTVglobemedia Inc. ("CTV") by BCE Inc. ("Bell"). The renewal of the affiliation agreements for the programming services provided by Bell Media is currently under negotiation. The renewal of affiliation agreements for the services provided by the Astral group of companies, another major Canadian program service supplier, is also under negotiation. It is not possible at this time to quantify the impact of these affiliation agreement renewals on cost of sales. The CRTC's new regulatory framework respecting vertical integration in the industry should however ensure that Cogeco Cable will not be exposed to denial of service or charged unreasonable or anticompetitive terms of carriage for television programs controlled by these Canadian players.
In Portugal, there is also a significant degree of vertical integration between programming content and the distribution or theatrical exhibition of programs, with the largest cable, satellite and theatrical program distributor ZON controlling or having equity interests in various programming services distributed by Cabovisão, including premium pay television sports and movie programming services.

Since the markets for data transport and connectivity remain very competitive in Canada and Portugal, Cogeco Cable and Cabovisão have negotiated cost effective arrangements in the past for voice and data traffic. However, as overall traffic increases and capacity on existing broadband telecommunications facilities becomes more widely used, the Corporation may not be able to secure further cost efficiencies in the future.

Risks pertaining to information systems

Flexible, reliable and cost-effective information systems are an essential requirement for the handling of sophisticated service options, customer account management, internal controls, provisioning, billing and the rollout of new services. The Corporation uses different customer relations management tools and databases for its operations respectively in Ontario, Québec and Portugal. There is no assurance that these or other information systems will be able to adequately meet future business or competitive requirements, that current licensing agreements can be extended without material changes, or that new agreements can be successfully concluded on a timely and cost effective basis in order to replace existing systems as, if and when needed.

The implementation of a new version of the Oracle financial management and accounting system in order to implement the transition from Canadian GAAP to IFRS has been successfully completed in September 2010 and is now fully operational.

Risks pertaining to disasters and other contingencies

The Corporation has disaster recovery and business continuity plans for dealing with the occurrence of natural disasters, quarantine, power failures, terrorist acts, intrusions, computer hacking or data corruption. Cabovisão is still working on the development of its disaster recovery and business continuity plan, which will not be completed by the end of the current calendar year as originally planned. Cabovisão's insurance coverage has been integrated into COGECO's insurance coverage. COGECO is not insured against the loss of data, hacking or malicious interference with its electronic communications and systems, or against losses resulting from natural disasters affecting the cable or fibre network. In Canada, it relies on in-house and third-party service providers for data protection and recovery systems. In Portugal, similar arrangements with third parties have not been implemented as yet. The Corporation completed the implementation of a comprehensive business continuity program for its Canadian operations and has tested the implementation of this plan in Ontario and in Quebec. The emergency plans and procedures that are in place cannot provide the assurance that the effect of any actual disaster can and will be mitigated as planned.

Financial risks

Cable telecommunications is a very capital-intensive business that requires substantial and recurring investment in property, plant, equipment and customer acquisition. Cogeco Cable depends on capital markets for the availability of additional capital that it must deploy to support its internal and external growth. There is no assurance that future capital requirements will be met when needed, or that the cost to secure such needed incremental capital will not increase the Corporation's weighted average cost of capital. The Corporation entered into cross-currency and interest rate swap agreements to fix the liability for interest and principal payments on certain of its long-term debts. The volatility of global financial markets may constrain the Corporation's ability to meet its future financing requirements, both internal and external, increase its weighted average cost of capital and cause other cost increases from counterparties also faced with liquidity problems and higher cost of capital.

COGECO's debt financing structure involves the borrowing of money from third parties by COGECO and the subsequent investment of equity and debt by the Corporation into its direct and indirect subsidiaries. This financing structure requires that COGECO be able to receive upstream flows of funds from its subsidiaries through capital repayments, interest payments, dividend payments, management fees or other distributions that are sufficient to meet its corporate debt obligations. Future changes to corporate tax, currency exchange and other legal requirements applicable to the Corporation, or to its direct or indirect subsidiaries could adversely affect such upstream flows of funds or the effectiveness of the Corporation's existing debt financing structure.

The Corporation's leverage and corporate risk profile is liable to vary from time to time as a result of new developments in its business activities and the investments required to support internal growth as well as external growth through acquisitions. More particularly, leverage may fluctuate as the Corporation completes further business acquisitions domestically or abroad, and the risk profile may differ from one acquisition to the other depending on the characteristics of the acquired business and its relevant market. The development of new services or additional lines of business, and the acquisition of new business properties, may not necessarily generate the anticipated results or benefits. There is no assurance that COGECO will be able to maintain or increase distributions to shareholders by way of dividends or otherwise.

The net investment in Cabovisão is financed through the Term Revolving Facility. The impact of the exchange rate fluctuations between the Euro and the Canadian dollar, from the conversion of the net investment and the Euro-denominated debt outstanding, is deferred in the shareholders' equity under the caption "Accumulated other comprehensive income". Since currency fluctuations may be significant from time to time, the impact on the shareholders' equity can be material. In addition, Cogeco Cable has set up a structure involving one of its Canadian subsidiaries and intermediate holding and financing entities located in Luxembourg with a view to maximizing returns. The objective of this structure is to support the payment of interest of the Euro-denominated debt of the Term Revolving Facility by the European subsidiaries. However, the inter-company debt of Cabovisao and accrued interest thereon was replaced by equity in the capital of Cabovisao, considering Cabovisao's inability to make the required interest payments in the foreseeable future. Cabovisão may require additional capital funding from time to time as available free cash flow from its operations in Portugal may not be sufficient to support its capital or operating needs. Finally, Cogeco Cable continues to evaluate various options to extend the Term Revolving Facility with alternate sources of Euro-denominated financing.

The Corporation is exposed to interest rate risks for fixed interest rate instruments as they mature, and for floating interest rate instruments in the normal course. The Corporation's debt is however very predominantly subject to fixed rates and its debt maturities are staggered over several years.

Market conditions may have an impact on the Corporation's defined benefit pension plans as there is no assurance that the actual rate of return on plan assets will approximate the assumed rate of return used in the most recent actuarial valuation. Market driven changes may impact the assumptions used in future actuarial valuations and could result in the Corporation being required to make contributions in the future that differ significantly from the current contributions to the Corporation's defined benefit pension plans.

Human resources

COGECO maintains satisfactory labour relations with its unionized employees and no collective agreements are outstanding. COGECO also maintains satisfactory relations with its key personnel. The Corporation's success depends to a significant extent on its ability to attract and retain its managers and skilled employees in an increasingly competitive market. The Corporation's inability or failure to recruit, retain or adequately train its human resources may have a materially adverse effect on the Corporation's business and future prospects.

Controlling shareholder and holding structure

Cogeco Cable is controlled by COGECO through the holding of multiple voting shares of Cogeco Cable, and COGECO is in turn controlled by Gestion Audem Inc., a company controlled by Mr. Henri Audet and members of his family (the "Audet Family"), through the holding of multiple and subordinate voting shares of COGECO. Both Cogeco Cable and COGECO are reporting issuers with subordinate voting shares listed on the Toronto Stock Exchange. Pursuant to the Conflicts Agreement in effect between Cogeco Cable and COGECO, all cable properties must be owned or controlled by Cogeco Cable. COGECO is otherwise free to own and operate any other business or invest as it deems appropriate. It is possible that situations could arise where the respective interests of the controlling shareholder, COGECO, and other shareholders of Cogeco Cable, or the respective interests of the Audet Family and other shareholders of COGECO, could differ.

Environmental policy

Overview

COGECO's environmental policy provides that respect for the environment is one of the fundamental principles set out in the COGECO group Corporate Code of Ethics. COGECO makes a point of adhering to this key principle in all its activities, business relationships and dealings with other stakeholders. It contributes to the broader application of this principle primarily through the delivery of efficient electronic communication.

The policy has four main objectives: to ensure a more efficient and responsible use of resources, including energy, water and materials; to eliminate, reduce and control pollution and waste as much as possible; to make continual improvements by remaining abreast of best practices applied through benchmarking; and to be an agent of change by collaborating with other stakeholders (partners, suppliers, clients, employees) in a coordinated implementation of environmentally responsible practices.

The responsibility of COGECO's environmental footprint is assigned to an officer of the Corporation and is supported by leaders throughout the organization. A committee-based approach is in place for corporate as well as for regionally-oriented initiatives in furtherance of the policy.

Fiscal 2011 activities and achievements

COGECO's 2011 program focused on initiatives in several key areas including carbon calculation and reduction, waste management and recycling, awareness and communications campaigns, as well as Earth Week and Earth Hour activities. In 2010, the Corporation laid the ground work that enabled it to measure our progress against subsequent years. Some examples of COGECO's programs and initiatives include:

- A waste management process in the Corporation's facilities that diverted one-third of its waste from landfills;
- A decrease of the Corporation's fleet fuel consumption by over 411,000 litres through three mechanisms, which will also decrease green house gas emissions;
- The Corporation has calculated its Green House Gas emissions and identified targets for emission reduction;
- The new facility in Trois-Rivières (Québec), scheduled to open in November 2011, has many energy and water saving technologies such as thermal energy heating and cooling, low flush toilets, eco-friendly lighting. The Corporation's retrofit of its Burlington (Ontario) facility includes many environmentally friendly products such as carpets and paints;
- Refreshed a portion of the fleet with more fuel efficient vehicles;
- 20% of COGECO's facilities underwent environmental assessments provided by a third party.

Many other activities were undertaken by the Corporation's regional green committees, focused on internal initiatives in order to reduce COGECO's carbon footprint, such as awareness and communications campaigns, campaigns promoting the reduction of consumables and opting for environmentally sensitive options where possible.

Fiscal 2012 Corporate Social Responsibility focus

In fiscal 2012, the Corporation will continue to monitor its environmental performance and decrease its carbon footprint. In addition, the environmental program will evolve to take on a more inclusive approach. COGECO will expand its responsibility towards the societies in which it operates by strengthening the Corporate Social Responsibility program. The program is based on the three pillars: Environment responsibility, Social responsibility and Economic responsibility. COGECO's 2012 program will include initiatives and performance indicators for each of the three categories.

In fiscal 2012, COGECO will make public its greenhouse gas emissions and values and file a Carbon Disclosure Project report. The Corporation will also produce its first Corporate Social Responsibility report which will adhere to the Global Reporting Initiative framework.

Measurement

To achieve its environmental goal of continually reducing energy consumption and improving energy efficiency, COGECO has developed key performance indicators, which are tracked and reported on monthly or quarterly, as appropriate.

The Corporation continues to believe that cable telecommunications has a smaller environmental impact as compared to many other industries. However, COGECO is committed to progressively reducing its environmental footprint in respect of the communities in which it operates and achieving an improved balance between its environmental and economic objectives.

Further, the Corporation anticipates that, once the key performance indicators have been implemented for its cable operations in Canada, similar indicators will be implemented at CDS in Canada and Cabovisão in Portugal.

Operating and financial results

Operating results

Years ended August 31, *(in thousands of dollars, except percentages)*	**2011** **$**	2010 $	Change %
Revenue	**1,443,769**	1,321,694	9.2
Operating costs	**864,179**	802,355	7.7
Operating income before amortization	**579,590**	519,339	11.6
Operating margin	**40.1%**	39.3%	

Revenue

The Corporation's revenue totalled $1,443.8 million, an increase of $122.1 million, or 9.2% compared to the prior year. Cable sector revenue increased by $79.8 million, or 6.2%, for fiscal 2011, primarily due to strong RGU growth in the Canadian operations which offset the decline in Basic Cable service customers in the European operations and the depreciation of the Euro in relation to the Canadian dollar. Revenue from the radio activities increased by $42.3 million, mainly due to the Québec Radio Stations Acquisition.

Operating costs

Fiscal 2011 operating costs amounted to $864.2 million compared to $802.4 million in fiscal 2010, an increase of $61.8 million, or 7.7%. The increase in operating costs was mainly due to servicing additional RGU, the launch of new HD channels and additional marketing initiatives in the Canadian operations of the cable sector, and by the Québec Radio Stations Acquisition. The increase in operating costs was partly offset by the lower value of the Euro in relation to the Canadian dollar combined with the lower cost of servicing fewer Basic Cable service customers in the European operations.

Operating income before amortization

As a result of the increase in revenue which surpassed the increase in operating costs, operating income before amortization increased to $578.6 million in fiscal 2011 from $519.3 million in 2010, an increase of $60.3 million, or 11.6%. The cable sector contributed $55.9 million to the consolidated increase.

Fixed charges

Years ended August 31, *(in thousands of dollars, except percentages)*	**2011** **$**	2010 $	Change %
Amortization	**249,012**	259,457	(4.0)
Financial expense	**74,080**	65,499	13.1

Fiscal 2011 amortization amounted to $249 million compared to $259.5 million in fiscal 2010, a decrease of $10.4 million or 4%. Amortization expense mainly decreased from the impairment loss in the third quarter of fiscal 2011 in the European operations, partly offset by capital expenditures and deferred charges related to RGU growth and other fiscal 2010 and 2011 initiatives in the Canadian operations of the cable sector.

Fiscal 2011 financial expense increased by $8.6 million, or 13.1%, to $74.1 million, and includes the payment, by Cogeco Cable, of a make-whole premium amounting to $8.8 million on the early repayment of its $175 million Senior Secured Notes Series B. Excluding this payment, the decrease in financial expense is mainly attributable to the cost of debt from the fluctuations in the level of bank indebtedness, combined with the impact of the lower interest rate on the $200 million Senior Secured Debentures Series 2 issued on November 16, 2010 in the cable sector. The average interest rate was 5.7% at August 31, 2011 compared to 6.2% at August 31, 2010. The decrease in the average interest rate is discussed in the "Capital structure" section on page 36.

Impairment of goodwill and fixed assets

During the third quarter of fiscal 2011, the economic environment in Portugal continued to deteriorate, with the Country ultimately requiring financial assistance from the International Monetary Fund and the European Central Bank. As part of the negotiated financial assistance package, the Portuguese government has committed to financial reforms which include increases in sales and income taxes combined with reductions in government spending on social programs. These measures are expected to put further downwards pressure on consumer spending capacity. The rate of growth for Cogeco Cable's services has diminished in this environment, with net customer losses and service downgrades by customers in the European operations in the third quarter of fiscal year 2011. Please refer to the "Cable sector" section for further details. In accordance with current accounting standards, Cogeco Cable's management considered that this situation combined with net customer losses in the third quarter, which were significantly more important and persistent than expected, will continue to negatively impact the financial results of the European operations and indicate a decrease in the value of Cogeco Cable's investment in its Portuguese subsidiary. As a result, Cogeco Cable tested goodwill and all long-lived assets for impairment at May 31, 2011.

Goodwill is tested for impairment using a two step approach. The first step consists of determining whether the fair value of the reporting unit to which goodwill is assigned exceeds the net carrying amount of that reporting unit, including goodwill. In the event that the net carrying amount exceeds the fair value, a second step is performed in order to determine the amount of the impairment loss. The impairment loss is measured as the amount by which the carrying amount of the reporting unit's goodwill exceeds its fair value. Cogeco Cable completed its impairment test on goodwill and concluded that goodwill was impaired at May 31, 2011. As a result, a non-cash impairment loss of $29.3 million was recorded in the third quarter of the 2011 fiscal year. Fair value of the reporting unit was determined using the discounted cash flow method. Future cash flows were based on internal forecasts and consequently, considerable management judgement was necessary to estimate future cash flows.

Long-lived assets with finite useful lives, such as fixed assets, are tested for impairment by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flows to be generated by the asset or group of assets. The impairment loss is measured as the amount by which the asset's carrying amount exceeds its fair value. Accordingly, Cogeco Cable completed its impairment test on the fixed assets of the Portuguese subsidiary at May 31, 2011, and determined that the carrying value of these assets exceeded the expected future undiscounted cash flows to be generated by these assets. As a result, a non-cash impairment loss of $196.5 million was recognized in the third quarter of the 2011 fiscal year.

The impairment of goodwill and fixed assets (the "impairment loss"), of Cogeco Cable's net investment in Cabovisão affected the Corporation's financial results as follows for the third quarter and 2011 fiscal year:

(in thousands of dollars)	
Impairment of goodwill	29,344
Impairment of fixed assets	196,529
Impairment loss	225,873
Income taxes	–
Non-controlling interest	(153,194)
Impairment loss net of income taxes and non-controlling interest	72,679

Income taxes

For fiscal 2011, income tax expense amounted to $72 million compared to $31.7 million in 2010. The income tax expense in the prior year included a favourable impact of $29.8 million from the reduction in corporate income tax rates announced on March 26, 2009 by the Ontario provincial government and considered substantively enacted on November 16, 2009 (the "reduction of Ontario provincial corporate income tax rates"). Excluding this impact in the prior year, income tax expense would have amounted to $61.4 million. Fiscal 2011 income tax expense increase is mainly due to operating income before amortization growth and the decrease in amortization, partly offset by the increase in financial expense and the previously announced declines in the enacted Canadian federal and provincial income tax rates.

The Corporation's indirect subsidiary, Cabovisão, also has income tax losses amounting to approximately €73 million ($102.8 million), the benefits of which have not been recognized in these financial statements. These losses may be used to reduce future years' taxable income. In accordance with the Portuguese Companies Income Tax Code ("CIRC"), tax losses incurred in a financial year can be carried forward and deducted from taxable profits of one or more of the following six taxation years for tax losses incurred before 2010 and for the following four taxation years for tax losses incurred in 2010 and beyond. However, the CIRC provides for certain exceptions whereby the general rule stated above ceases to apply. One such exception is that tax losses cannot be deducted if the ownership of at least 50% of the social capital changes from the moment when the tax losses were generated, unless a request is filed before such change in the ownership takes place, subject to approval by the Portuguese tax authorities. To this effect, a request for preservation of tax losses for the years preceding the 2006 taxation year was filed by Cabovisão on July 28, 2006 and approved by the Portuguese tax authorities on November 25, 2009. As part of their review, the Portuguese tax authorities have audited Cabovisão's tax returns for the 2003 to 2005 taxation years, which have resulted in notices of assessment to reduce tax losses by €7.3 million in 2003, €29.6 million in 2004 and €17.1 million in 2005, respectively. However, Cabovisão does not agree with the assessments and has initiated legal proceedings against the Portuguese tax authorities. In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during a four-year period.

These periods can be extended or suspended when there are tax losses, tax benefits granted, tax inspections, claims or appeals in progress. Consequently, Cabovisão's tax returns for the taxation years 2006 to 2011 are still subject to review by the tax authorities and therefore, the amount of available tax losses could be significantly reduced based on past experience.

A Notice of Ways and Means Motion and Explanatory Notes to implement certain tax measures of the 2011 federal budget were tabled on October 3, 2011. The Motion received First Reading as part of Bill C-13, on October 4, 2011, resulting in measures limiting the tax deferrals for corporations with a significant interest in a partnership being considered substantively enacted from that day. Under the transitional relief measures, some income will be taxed over a period of five years rather than being taxed all in fiscal 2012. Decreasing income tax rates over the next five years will reduce the income tax expense by approximately $4 million in the first quarter of fiscal 2012.

Gains on dilution resulting from the issuance of shares by a subsidiary

During fiscal 2011, the Corporation's subsidiary, Cogeco Cable issued 188,319 subordinate voting shares pursuant to its Employee Stock Option Plan for cash consideration of $4.7 million. In the prior year, Cogeco Cable issued 17,911 subordinate voting shares pursuant to its Employee Stock Option Plan for cash consideration of $0.5 million. As a result of these share issuances, COGECO's interest in Cogeco Cable remained essentially the same at 32.2% compared to 32.3% in the prior year, and gains on dilution of $60,000 were recorded in fiscal 2011, compared to $26,000 in fiscal 2010.

Non-controlling interest

The non-controlling interest represents a participation of approximately 67.8% in Cogeco Cable's results. During fiscal 2011, the net loss attributable to non-controlling interest amounted to $32.3 million due to the impairment loss recorded in the cable sector. In the prior year, the net income attributable to non-controlling interest amounted to $106.5 million.

Net income (loss)

Net loss amounted to $9 million, or $0.54 per share, for the 2011 fiscal year due to the impairment loss recorded in the third quarter of the year. Net of related income taxes and non-controlling interest, the impairment loss reduced fiscal 2011 net income by $72.7 million. In the previous fiscal year, the Corporation reported net income of $56.3 million, or $3.36 per share, which included a favourable income tax adjustment of $9.6 million, net of non-controlling interest, from the reduction of the Ontario provincial corporate income tax rates. Excluding the effect of these items, adjusted net income for fiscal 2011 would have amounted to $63.7 million, or $3.81 per share[(1)], compared to $46.6 million, or $2.79 per share in 2010, increases of 36.6% in both cases.

In fiscal 2011, the Corporation obtained a negative return on equity[(2)] of 2.4% due to the impairment loss recorded on Cogeco Cable's investment in Cabovisão, compared to a return on equity of 15.8% in the prior year.

Cable sector

Customer statistics

	August 31,	Net additions (losses) Years ended August 31,		% of penetration[(1)] August 31,	
	2011	**2011**	2010	**2011**	2010
RGU	**3,407,460**	**228,111**	287,111		
Basic Cable service customers	**1,133,762**	**(1,010)**	10,487		
HSI service customers	**763,650**	**41,406**	63,578	**68.9**	65.4
Digital Television service customers	**842,906**	**123,636**	118,119	**75.0**	64.0
Telephony service customers	**667,142**	**64,079**	94,927	**62.3**	56.6

(1) As a percentage of Basic Cable service in areas served.

During fiscal 2011, the number of RGU grew by 228,111, or 7.2% when compared to August 31, 2010, to reach 3,407,460, compared to a growth of 287,111 RGU, or 9.9% in fiscal 2010. The RGU growth is mainly attributable to the Canadian operations which continue to generate RGU growth despite higher penetration rates, category maturity and aggressive competition. The increase in RGU for the Canadian operations stems from expansions in the network and the bundling effect of Cable Television, HSI and Telephony services, and promotional activities. Cogeco Cable also continues to benefit from targeted marketing initiatives to improve penetration of the Digital Television service, the launch of new HD channels, the continuing strong interest for HD television services and the deployment of the DTA technology in most of Cogeco Cable's markets.

(1) The indicated terms do not have standardized definitions prescribed by Canadian GAAP and therefore, may not be comparable to similar measures presented by other companies. For further details, please consult the "Non-GAAP financial measures" section on page 45.
(2) Return on equity is defined as net income divided by average shareholders' equity (computed on the basis of the beginning and ending balance for a given fiscal year).

The growth in the Canadian operations offset lower RGU growth in the European operations, reflecting the difficult economic conditions which continued to curtail RGU growth in Portugal in fiscal 2011. During the third quarter of fiscal 2011, and as part of the negotiated financial assistance package, the Portuguese government has committed to financial reforms which include increases in sales and income taxes combined with reductions in government spending on social programs. Please consult the "Impairment of goodwill and fixed assets" section for further details. These measures are expected to put further downwards pressure on consumer spending and increase the intensity of the competitive environment. The rate of growth for our services has diminished in this environment, with net customer losses in Basic Cable and HSI services in the European operations in fiscal 2011.

On a consolidated basis, net additions of Basic Cable service customers decreased by 1,010 in fiscal 2011, compared to growth of 10,487 customers in fiscal 2010. The number of HSI service customers increased by 41,406 in fiscal 2011, compared to 63,578 in fiscal 2010. Net additions of Digital Television service customers stood at 123,636 in fiscal 2011 compared to 118,119 in fiscal 2010, and Telephony service customers grew by 64,079 in fiscal 2011 compared to 94,927 in fiscal 2010.

Operating results

Years ended August 31, *(in thousands of dollars, except percentages)*	**2011** **$**	2010 $	Change %
Revenue	**1,361,166**	1,281,376	6.2
Operating costs	**786,011**	762,261	3.1
Management fees – COGECO Inc.	**9,172**	9,019	1.7
Operating income before amortization	**565,983**	510,096	11.0
Operating margin	**41.6%**	39.8%	

Revenue

Fiscal 2011 cable sector revenue increased by $79.8 million, or 6.2%, compared to the same period last year to reach $1,361.2 million.

Driven by RGU growth combined with an increase in rentals of home terminal devices stemming from the strong growth in Digital Television services and rate increases implemented in April 2011 and in the second half of fiscal 2010, Canadian operations' revenue rose by $95.3 million, or 8.7%, at $1,188.9 million. The revenue related to the levy amounting to 1.5% of gross Cable Television service revenue imposed by the Canadian Radio-television and Telecommunications Commission ("CRTC") in order to finance the Local Programming Improvement Fund ("LPIF") also contributed to the revenue growth in fiscal 2011.

For the European operations, fiscal 2011 revenue amounted to $172.3 million, $15.5 million, or 8.2%, less than in the prior year. Basic Cable service customer losses combined with the lower value of the Euro in relation to the Canadian dollar were the main contributors to the revenue decline. Revenue from the European operations in the local currency for fiscal 2011 amounted to €125.4 million, representing a decrease of €5.5 million, or 4.2%, when compared to the prior year.

Operating costs and management fees

For fiscal 2011, the cable sector's operating costs in the cable sector increased by $23.8 million, or 3.1%, at $786 million.

The Canadian operations' operating costs increased by $27.7 million, or 4.6%, at $634.7 million. The increase in operating costs is mainly attributable to servicing additional RGU, the launch of new HD channels and additional marketing initiatives.

For fiscal 2011, European operations' operating costs decreased by $3.9 million, or 2.5%, at $151.3 million, primarily due to the lower value of the Euro in relation to the Canadian dollar combined with the lower cost of servicing fewer Basic Cable service customers. These decreases in operating costs offset increases related to additional marketing initiatives and the launch of new HD channels by Cabovisão. Operating costs of the European operations for fiscal 2011 in the local currency amounted to €110.2 million, €1.8 million, or 1.7% higher when compared to €108.4 million in the prior year.

Management fees paid to COGECO Inc. amounted to $9.2 million, an increase of 1.7% when compared to $9 million in fiscal 2010.

Operating income before amortization and operating margin

Operating income before amortization for fiscal 2011, in the cable sector, increased by $55.9 million, or 11%, to reach $566 million.

As a result of revenue growth exceeding the increase in operating costs, fiscal 2011 operating income before amortization in the Canadian operations amounted to $545 million, $67.4 million, or 14.1%, higher than in the prior year. The operating margin increased to 45.8% from 43.7% when compared to fiscal 2010. The growth in the operating margin stems from rate increases and RGU growth.

European operations' operating income before amortization decreased to $21 million in fiscal 2011 from $32.6 million in fiscal 2010, representing a decrease of $11.6 million, or 35.5%, mainly due to a decrease in revenue which outpaced the decrease in operating costs. European operations' operating margin decreased to 12.2% from 17.3% in fiscal 2010. Operating income before amortization in the local currency amounted to €15.3 million for the year compared to €22.6 million for the previous year, representing a decrease of 32.6%.

Cash flow analysis

Years ended August 31, *(in thousands of dollars)*	**2011** **$**	2010 $
Operating activities		
Cash flow from operations	**452,016**	502,219
Changes in non-cash operating items	**75,111**	(76,883)
	527,127	425,336
Investing activities(1)	**(549,544)**	(320,653)
Financing activities(1)	**41,203**	(106,955)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**588**	(1,344)
Net change in cash and cash equivalents	**19,374**	(3,616)
Cash and cash equivalents, beginning of year	**35,842**	39,458
Cash and cash equivalents, end of year	**55,216**	35,842

(1) Excludes assets acquired under capital leases.

Operating activities

Fiscal 2011 cash flow from operations reached $452 million, a decrease of 10% compared to the year before. This reduction is primarily due to the recognition of current income tax expense relating to the fiscal 2010 modifications to the corporate structure which reduced the future income tax expense accordingly and to the payment of a make-whole premium amounting to $8.8 million on the early repayment of the Senior Secured Notes Series B, both in the cable sector, partly offset by the increase in operating income before amortization. Changes in non-cash operating items generated cash inflows of $75.1 million, primarily attributable to the cable sector and resulting from increases in income tax liabilities and accounts payable and accrued liabilities and a decrease in income taxes receivable, partly offset by an increase in accounts receivable. The cash outflows of $76.9 million in the prior year were mainly attributable to the cable sector and resulted from a decrease in income tax liabilities combined with increases in income taxes receivable and accounts receivable, partly offset by an increase in deferred and prepaid revenue and other liabilities.

Investing activities

Business acquisitions in fiscal 2011

On April 30, 2010, COGECO concluded an agreement with Corus to acquire its Québec radio stations for $80 million, subject to customary closing adjustments and conditions, including approval by the CRTC. On June 30, 2010, the Corporation submitted its application for approval of the Québec Radio Stations Acquisition to the CRTC. On December 17, 2010, the CRTC approved the transaction essentially as proposed. On January 11, 2011, the Corporation was served with an application by Astral to the Court for leave to appeal the CRTC decision approving the transaction, and a related application by Astral for a stay of execution of that decision until final judgement of the Court. On February 21, 2011 the Court has rejected applications filed by Astral in the matter of the Québec Radio Stations Acquisition. The transaction with Corus was concluded on February 1, 2011.

Pursuant to this acquisition, and as part of the CRTC's decision on the Corporation's transfer application, the Corporation has put up for sale two radio stations acquired in the transaction, CFEL-FM in the Québec City market and CJTS-FM in the Sherbrooke market. Accordingly, the assets and liabilities of the two acquired radio stations put up for sale have been classified as held for sale in the preliminary purchase price allocation presented below. In addition to the two acquired radio stations above, and also as part of the CRTC's decision, the Corporation has put up for sale radio station CJEC-FM, which it owned prior to the Québec Radio Stations Acquisition, in the Québec City market. Radio stations for which divestiture has been required by the CRTC, and the sale process, are managed by a trustee approved by the CRTC pursuant to a voting trust agreement.

On June 27, 2011, Cogeco Cable concluded an agreement to acquire all of the shares of Quiettouch, a leading independent provider of outsourced managed information technology and infrastructure services to mid-market and larger enterprises in Canada. Quiettouch offers a full suite of differentiated services that allow customers to outsource their mission-critical information technology infrastructure and application requirements, including managed infrastructure and hosting, virtualization, firewall services, data backup with end-to-end monitoring and reporting, and enhanced and traditional co-location services. Quiettouch operates three data centres in Toronto and Vancouver, as well as a fibre network within key business areas of downtown Toronto. The transaction was completed on August 2, 2011.

On August 31, 2011, Cogeco Cable concluded and completed an agreement to acquire all the shares of MTO. With over 1,500 kilometres of network, MTO, the largest private telecommunications provider in the Greater Montréal Area and the Province of Québec, offers high-performance Ethernet broadband connectivity services to carrier, enterprise and public sector customers.

These acquisitions were accounted for using the purchase method. The results have been consolidated as of the acquisition dates. The preliminary allocation of the purchase price of these acquisitions, pending the completion of the valuation of the net assets acquired, is as follows:

(In thousands of dollars)	$ Québec radio stations	$ Other	$ Total
Consideration			
Paid			
Purchase of shares	**75,000**	**133,600**	**208,600**
Preliminary working capital adjustment	**–**	**(1,034)**	**(1,034)**
Acquisition costs	**1,723**	**1,111**	**2,834**
	76,723	**133,677**	**210,400**
Promissory note payable(1)	**5,000**	**–**	**5,000**
Balance due on a business acquisition(2)	**–**	**11,400**	**11,400**
Investment previously accounted for	**200**	**–**	**200**
Working capital adjustment payable	**4,000**	**–**	**4,000**
Preliminary working capital adjustment payable	**–**	**1,429**	**1,429**
Acquisition costs payable	**–**	**713**	**713**
Acquisition costs previously recorded as deferred charges	**436**	**–**	**436**
	86,359	**147,219**	**233,578**
Net assets acquired			
Cash and cash equivalents	**647**	**1,409**	**2,056**
Accounts receivable	**14,103**	**4,619**	**18,722**
Income taxes receivable	**189**	**–**	**189**
Prepaid expenses and other	**760**	**1,036**	**1,796**
Current future income tax assets	**1,303**	**–**	**1,303**
Fixed assets	**11,497**	**27,195**	**38,692**
Deferred charges and other	**13**	**615**	**628**
Customer relationships	**–**	**34,305**	**34,305**
Broadcasting licenses	**48,893**	**–**	**48,893**
Goodwill	**28,678**	**94,743**	**123,421**
Long-term future income tax assets	**678**	**–**	**678**
Long-term assets held for sale	**5,506**	**–**	**5,506**
Accounts payable and accrued liabilities assumed	**(9,942)**	**(3,626)**	**(13,568)**
Current deferred and prepaid revenue	**(379)**	**–**	**(379)**
Current liabilities related to assets held for sale	**(498)**	**–**	**(498)**
Long-term deferred and prepaid revenue and other liabilities	**(4,467)**	**(1,538)**	**(6,005)**
Long-term future income tax liabilities	**(10,132)**	**(11,539)**	**(21,671)**
Long-term liabilities related to assets held for sale	**(490)**	**–**	**(490)**
	86,359	**147,219**	**233,578**

(1) Non-interest bearing and due on February 1, 2012.
(2) Bearing interest at bank prime rate plus 1% and payable in February 2013.

Capital expenditures and increase in deferred charges

In fiscal 2011, capital expenditures, including assets acquired under capital leases, decreased by $20.8 million compared to the prior year at $330.7 million mainly as a result of the following factors in the cable sector:

- An increase in scalable infrastructure in the Canadian operations to improve network capacity in existing areas served;
- An increase in support capital spending stemming from the construction of new facilities and the acquisition of new service vehicles in the Canadian operations;
- An increase in customer premise equipment spending mainly due to the timing of equipment purchases to support RGU growth in the Canadian operations. This increase was partly offset by the decrease in customer premise equipment spending reflecting lower RGU growth in the European operations combined with the impact of the lower value of the Euro relative to the Canadian dollar when compared to the prior year;
- Decreases in upgrades and rebuilds and in line extensions stemming from the timing of the various initiatives undertaken by the Corporation in order to expand its network and improve its capacity.

Cogeco Cable incurs significant costs to reconnect or activate additional services for Basic Cable, HSI, Digital Television and Telephony customers. The increase in deferred charges remained essentially the same in fiscal 2011 at $10.9 million when compared to $11.1 million in fiscal 2010.

Free cash flow and financing activities

For fiscal 2011, free cash flow of $110.5 million was generated, $70.8 million, or 39.1%, lower than in fiscal 2010. The decline in free cash flow when compared to fiscal 2010 is due to an increase of $105.5 million in current income tax expense stemming primarily from the fiscal 2010 modifications to Cogeco Cable's corporate structure, the increase in financial expense, and the increase in capital expenditures, which offset the increase in operating income before amortization in the current fiscal year.

During fiscal 2011, the level of Indebtedness affecting cash increased by $71.7 million, mainly due to the business acquisitions for a total of $208.3 million, the dividend payments of $31.7 million described below and the increase in cash and cash equivalents of $19.4 million, offset by the free cash flow of $110.5 million and the cash inflows of $75.1 million from the changes in non-cash operating items. Indebtedness mainly increased through the issuance on November 16, 2010, in the cable sector, of Senior Secured Debentures Series 2 ("Fiscal 2011 debentures") for net proceeds of $198.3 million, combined with a net increase of $53.5 million on the Corporation's Term Revolving Facilities. The proceeds of issuance from the Fiscal 2011 debentures were used to repay on December 22, 2010, the $175 million Senior Secured Notes Series B due on October 31, 2011 and the related make-whole premium on early repayment.

In fiscal 2010, Indebtedness affecting cash decreased by $73.8 million, mainly due to the free cash flow of $181.3 million, partly offset by the outflows related to non-cash operating items of $76.9 million, the payment of dividends totalling $25.1 million described below and an increase in deferred transaction costs of $5.8 million. Indebtedness mainly decreased through net repayments on the cable subsidiary's term and revolving loans of $62.4 million and the Corporation's revolving loans of $9.5 million.

Total dividends of $0.50 per share, comprised of quarterly dividends of $0.12 per share in the first three quarters of the year and a dividend of $0.14 per share in the last quarter, were paid during fiscal 2011, for a total of $8.4 million. In fiscal 2010, quarterly dividends of $0.10 per share, totalling $0.40 per share were paid, for an amount of $6.7 million. Dividends paid by a subsidiary to non-controlling interests were $23.4 million during fiscal 2011 compared to $18.4 million in fiscal 2010, bringing the consolidated dividend payments to $31.7 million for the current year compared to $25.1 million in the prior year.

Financial position

During the year ended August 31, 2011, there have been major changes to the balances of "fixed assets", "goodwill", "intangible assets", "income tax liabilities", "future income tax liabilities", "income taxes receivable", "cash and cash equivalents", "long-term debt", "accounts payable and accrued liabilities", "derivative financial instruments", "balance due on a business acquisition", "accounts receivable" and "non-controlling interest".

The decrease of $56.3 million in fixed assets reflects the impairment loss recorded in Cogeco Cable's European operations in fiscal 2011. This decrease was partly offset by the capital expenditures discussed in the "Cash flow analysis" section which surpassed the amortization expense, the assets acquired through the business acquisitions completed in the year and the impact of the depreciation of the Euro in relation to the Canadian dollar. The increases of $95 million in goodwill, $78.4 million in intangible assets and $11.4 million in balance due on a business acquisition primarily reflect the business acquisitions in fiscal 2011, with the increase in goodwill partly offset by the impairment loss recorded in Cogeco Cable's European operations. The increases of $59.4 million in income taxes liabilities and $21.2 million in future income tax liabilities and the decrease of $6.9 million in income taxes receivable primarily reflect the timing of the recognition of income tax liabilities as a result of the fiscal 2010 modifications made to Cogeco Cable's corporate structure combined with the increase in operating income before amortization and the impact of the fiscal 2011 business acquisitions. The increases of $63.7 million in long-term debt and $19.4 million in cash and cash equivalents are due to the factors previously discussed in the "Cash flow analysis" section combined with the fluctuations in foreign exchange rates. The $37 million increase in accounts payable and accrued liabilities is related to the timing of supplier payments and the impact of the business acquisitions in the year. The $18.3 million decrease in derivative financial instruments is due to the factors discussed in the "Financial management" section. The increase of $25.7 million in accounts receivable is mainly attributable to the business acquisitions and the growth in revenue in fiscal 2011. Non-controlling interest has decreased by $49.8 million due to the impairment loss recorded in the European operations of the cable sector, partly offset by improvements in the operating results of the cable subsidiary's Canadian operations in the current fiscal year.

Capital resources and liquidity

Capital structure

The table below summarizes COGECO's debt-related financial ratios over the last two fiscal years and the fiscal 2012 guidelines.

Years ended August 31,	2012 Guidelines(1)	**2011**	2010
Average cost of indebtedness	6.0%	**5.7%**	6.2%
Fixed rate indebtedness(2)	92%	**81%**	96%
Average term: long-term debt (in years)	4.1	**4.8**	4.2
Net senior indebtedness(3) / operating income before amortization	1.3	**1.5**	1.6
Net indebtedness(4) / operating income before amortization	1.5	**1.7**	1.8
Operating income before amortization / financial expense	8.8	**7.8**	7.9

(1) See the "Fiscal 2012 financial guidelines" section on page 44 for further details.
(2) Taking into consideration the interest rate swap in effect at August 31, 2010.
(3) Net senior indebtedness is defined as the total of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents and principal on Senior Unsecured Debenture.
(4) Net indebtedness is defined as the total of bank indebtedness, principal on long-term debt, balance due on a business acquisition and obligations under derivative financial instruments, less cash and cash equivalents.

In 2011, the average cost of Indebtedness decreased due to the lower interest rate on the Cogeco Cable's $200 million Senior Secured Debentures Series 2 issued on November 16, 2010, the proceeds of which were used to repay the $175 million Senior Notes Series B on December 22, 2010. This decrease was partly offset by the higher prevailing rate on the Term Revolving Facility. Please consult the "Financing" section for further details. For fiscal 2011, the average tenure of the long-term debt increased as a result of the issuance of the Senior Secured Debentures Series 2 described above.

In fiscal 2012, the financial leverage ratios relating to net indebtedness and net senior indebtedness over operating income before amortization should decline slightly due to the projected increase in operating income before amortization, combined with a reduction in Indebtedness from the free cash flow. The financial expense coverage ratio should increase as a result of the projected increase in operating income before amortization and the projected decrease in financial expense. See "Fiscal 2012 financial guidelines" section on page 44 for further details.

Outstanding share data

A description of COGECO's share data as at September 30, 2011 is presented in the table below. Additional details are provided in note 13 of the consolidated financial statements on page 70.

	Number of shares	Amount (in thousands of dollars)
Common shares		
Multiple voting shares	1,842,860	12
Subordinate voting shares	14,989,338	121,976

During fiscal year 2011, the Corporation issued 30,000 subordinate voting shares pursuant to its Employee Stock Option Plan for a cash consideration of $0.6 million, compared to 16,868 voting shares issued in 2010 for cash consideration of $0.4 million.

During fiscal 2011 and 2010, COGECO did not award any stock options, and its subsidiary, Cogeco Cable, granted 71,090 stock options in fiscal 2011 (66,174 in fiscal 2010). The Corporation recorded compensation expense for options granted on or after September 1, 2003.

Financing

The Corporation benefits from a Term Revolving Facility of up to $100 million with a group of financial institutions led by a large Canadian bank, which acts as agent for the banking syndicate. The Term Revolving Facility of up to $100 million includes a swingline limit of $7.5 million, is extendable by additional one-year periods on an annual basis, subject to lenders' approval, and if not extended, matures three years after its issuance or the last extension, as the case may be. The Term Revolving Facility is composed of two tranches of $50 million each, one of which was subject to the completion of the Québec Radio Stations Acquisition and which became available on February 1, 2011 with the conclusion of the transaction. The Term Revolving Facility was extended at that same date and currently matures on February 1, 2014. The Term Revolving Facility can be repaid at any time without penalty. The Term Revolving Facility is indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries, excluding the capital stock and assets of the Corporation's subsidiary, Cogeco Cable, and guaranteed by its subsidiaries excluding Cogeco Cable. Under the terms and conditions of the credit agreement, the Corporation must comply with certain restrictive covenants. Generally, the most significant restrictions are related to permitted investments, dividends on multiple and subordinate voting shares and reimbursement of long-term debt as well as incurrence and maintenance of certain financial ratios primarily linked to the operating income before amortization, financial expense and total indebtedness. The Term Revolving Facility bears interest, at the Corporation's option, on bankers' acceptance, LIBOR in Euros or in US dollars, bank prime rate or US base rate plus the applicable margin, and commitment fees are payable on the unused portion. At August 31, 2011, the Corporation was in compliance with all of its covenants and had used $70 million of its $100 million Term Revolving Facility for a remaining availability of $30 million.

The Corporation's cable subsidiary, Cogeco Cable, benefits from a $750 million Term Revolving Facility with a group of financial institutions led by two large Canadian banks, which became effective on July 12, 2010. This Term Revolving Facility has an option to be increased up to $1 billion subject to lenders' participation. The Term Revolving Facility is available in Canadian, US or Euro currencies and includes a swingline of $25 million available in Canadian or US currencies. The Term Revolving Facility may be extended by additional one-year periods on an annual basis, subject to lenders' approval, and, if not extended, matures four years after its issuance or the last extension, as the case may be. The Term Revolving Facility can be repaid at any time without penalty. The Term Revolving Facility requires commitment fees, and interest rates are based on bankers' acceptance, LIBOR in Euros or in US dollars, bank prime rate loan or US base rate loan plus the applicable margin. The Term Revolving Facility is indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable and certain of its subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under this facility provides for restrictions on the operations and activities of Cogeco Cable. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to operating income before amortization, financial expense and total Indebtedness. At August 31, 2011, Cogeco Cable was in compliance with all of its covenants and had used $125 million of its $750 million Term Revolving Facility for a remaining availability of $625 million.

On November 16, 2010, Cogeco Cable completed, pursuant to a public debt offering, the issue of $200 million Senior Secured Debentures Series 2 for net proceeds of $198.3 million, net of discounts and transaction costs. These debentures mature on November 16, 2020 and bear interest at 5.15% per annum, payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable and certain of its subsidiaries. The net proceeds of sale of the debentures were used to redeem in full, on December 22, 2010, the Senior Secured Notes Series B due October 31, 2011 for an amount of $175 million plus accrued interest and make-whole premium, and the remainder for working capital and general corporate purposes.

As at August 31, 2011, the Corporation had a working capital deficiency of $268.6 million compared to $202.9 million as at August 31, 2010. The increase in the deficiency is mainly attributable to the increases in income tax liabilities, accounts payable and accrued liabilities and future income tax liabilities and the decrease in income taxes receivable described in the “Financial position” section. The increase was partly offset by the increases in accounts receivable and cash and cash equivalents. As part of the usual conduct of its cable business, COGECO maintains a working capital deficiency due to a low level of accounts receivable since the majority of the cable subsidiary’s customers pay before their services are rendered, unlike accounts payable and accrued liabilities, which are paid after products are delivered or services are rendered, thus enabling Cogeco Cable to use cash and cash equivalents to reduce Indebtedness.

During the next five years, the required principal repayments on COGECO’s long-term debt and the related cross-currency swaps, excluding those under capital leases, will amount to $681.9 million. Cogeco Cable’s Senior Secured Debentures Series 1 for $300 million and the amount of $110 million drawn on the Term Revolving Facility will mature in 2014. The amount of $70 million drawn on COGECO’s Term Revolving Facility will also mature in 2014. In addition, the US$190 million Senior Secured Notes Series A will mature in fiscal 2016. Based on the aggregate availability of $654.9 million as at August 31, 2011 under its committed Term Revolving Facilities and the anticipated free cash flow of $110 million for fiscal 2012, the Corporation has the ability to manage its long-term debt maturities until the expiry of its Term Revolving Facilities. In the years to come, management expects to use most of its annual free cash flows after dividend payments to reduce Indebtedness. Management believes that the committed Term Revolving Facilities will provide sufficient liquidity to manage the maturities of its long-term debt and satisfy working capital requirements and that the next key refinancing milestones are related to the maturities of both the Corporation and Cogeco Cable’s respective Term Revolving Facilities in February 2014 and July 2014. Refer to page 27 for a detailed description of financial risks.

On October 6, 2010, Dominion Bond Rating Service (“DBRS”) confirmed their rating on Cogeco Cable’s Senior Secured Debentures and Notes to “BBB (low)”. Obligations rated in the “BBB” category are in the fourth highest category and are regarded as of adequate credit quality, where the degree of protection afforded interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its rated securities.

On November 9, 2010, Standard & Poor’s Ratings Services (“S&P”) raised their rating on Cogeco Cable’s Senior Secured Debentures and Notes to “BBB”, which was then confirmed on September 27, 2011. The “BBB” rating is two notches above the corporate credit ratings of “BB+” and reflects very high recovery prospects of first lien secured issues. Obligations rated in the “BBB” category are in the fourth highest category and are regarded as investment-grade. Such obligations show adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. The ratings may be modified by the addition of a plus “(+)” or minus “(–)” sign to show relative standing within the major rating categories. S&P has assigned a recovery rating of “1” to Cogeco Cable’s credit facility and other senior secured first-priority debt. The “1” recovery rating indicates expectations of very high recovery (90%-100%) of principal in the event of payment default.

On September 29, 2011, Fitch Ratings (“Fitch”) affirmed the Issuer Default Rating (“IDR”) of Cogeco Cable at “BBB-” and their rating on the Senior Secured Debentures and Notes at “BBB-”. Obligations rated in the “BBB” category are regarded as of good credit quality, where the capacity for payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this capacity. This is the lowest investment grade category.

The table below shows Cogeco Cable’s credit ratings:

As at August 31, 2011	DBRS	Fitch	S&P
Senior secured notes and debentures	**BBB (low)**	**BBB–**	**BBB**

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization

Financial management

The Corporation has established guidelines whereby swap agreements can be used to manage risks associated with fluctuations in interest and exchange rates related to its long-term debt. All such agreements are exclusively used for hedging purposes. In order to minimize the risk of counter-party default, COGECO completes transactions with financial institutions that carry a credit rating equal or superior to its own credit rating.

Cogeco Cable has entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to a portion of the Euro-denominated loans outstanding under the Term Revolving Facility, and previously the Term Facility, for a notional amount of €111.5 million, which has been reduced to €95.8 million on July 28, 2009, and to €69.6 million on July 28, 2010. The interest rate swap to hedge these loans has been fixed at 2.08% until the settlement of the swap agreement on June 28, 2011. In addition to the interest rate swap of 2.08%, Cogeco Cable continued to pay the applicable margin on these loans in accordance with its Term Revolving Facility.

Cogeco Cable has also entered into cross-currency swap agreements to set the liability for interest and principal payments on its US$190 million Senior Secured Notes Series A maturing on October 1, 2015. These agreements have the effect of converting the U.S. interest coupon rate of 7.00% per annum to an average Canadian dollar interest rate of 7.24% per annum. The exchange rate applicable to the principal portion of the debt has been fixed at $1.0625 per US dollar. In fiscal 2011, amounts due under the US$190 million Senior Secured Notes Series A decreased by $16.5 million due to the US dollar’s depreciation relative to the Canadian dollar. The fair value of cross-currency swaps decreased by a net amount of $19.5 million, of which a decrease of $16.5 million offsets the foreign exchange gain on the debt denominated in US dollars. The difference of $2.9 million was recorded as a decrease of other comprehensive income (loss), net of income taxes and non-controlling interest. In fiscal 2010, amounts due under the US$190 million Senior Secured Notes Series A decreased by $5.4 million due to the US dollar's depreciation relative to the Canadian dollar. The fair value of cross-currency swaps increased by a net amount of $0.8 million, of which a decrease of $5.4 million offsets the foreign exchange gain on the debt denominated in US dollars. The difference of $6.3 million was recorded as an increase of other comprehensive income (loss), net of income taxes and non-controlling interest.

Furthermore, the Corporation's net investment in self-sustaining foreign subsidiaries is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the Euro. This risk is mitigated since the major part of the purchase price for Cabovisão was borrowed directly in Euros. This debt is designated as a hedge of a net investment in self-sustaining foreign subsidiaries and, accordingly, the Corporation recorded a foreign exchange gain of $3.3 million in fiscal 2011, compared to a foreign exchange loss of $8.2 million in fiscal 2010, which is deferred and recorded in the consolidated statement of comprehensive income (loss). The exchange rate used to convert the Euro currency into Canadian dollars for the balance sheet accounts as at August 31, 2011 was $1.4071 per Euro compared to $1.3515 per Euro as at August 31, 2010. The average exchange rate prevailing during fiscal 2011 used to convert the operating results of the European operations was $1.3735 per Euro compared to $1.4316 per Euro for fiscal 2010. Since the Corporation's consolidated financial statements are expressed in Canadian dollars but a portion of its business is conducted in the Euro currency, exchange rate fluctuations can increase or decrease revenue, operating income before amortization, net income and the carrying value of assets and liabilities.

The following table shows the Canadian dollar equivalents of the Euro-denominated results of operations. Based on the Corporation's fiscal 2011 results of operations, a 10% change in the average exchange rate of the Euro currency into Canadian dollars would increase or decrease the full-year revenue and operating income before amortization by the following amounts:

Year ended August 31, 2011	As reported	Exchange rate impact
(in thousands of dollars)	$	$
Revenue	**172,277**	**17,228**
Operating income before amortization	**21,015**	**2,102**
Impairment of goodwill and fixed assets,	**225,873**	**22,587**

Commitments and guarantees

COGECO and its subsidiaries' contractual obligations as at August 31, 2011 are shown in the table below:

Years ended August 31,	2012	2013	2014	2015	2016	Thereafter	Total
(in thousands of dollars)	$	$	$	$	$	$	$
Long-term debt(1)	3	–	480,000	–	201,875	355,000	1,036,878
Balance due on a business acquisition	–	11,400	–	–	–	–	11,400
Promissory note payable	5,000	–	–	–	–	–	5,000
Capital lease obligations(2)	2,277	897	13	–	–	–	3,187
Operating lease agreements and other long-term contracts	39,052	33,109	24,573	22,239	21,858	48,004	188,835
Other long-term obligations(3)	–	–	–	–	–	–	13,215
Total contractual obligations(4)	46,332	45,406	504,586	22,239	223,733	403,004	1,258,515

(1) Includes principal repayments and the impact of cross-currency swap agreements but excludes capital lease obligations.
(2) Includes principal repayments and financial expense.
(3) Other long-term obligations reflected on COGECO's balance sheet include pension plan liabilities and accrued employee benefits. The nature of those obligations prevents the company from estimating an annual breakdown.
(4) Annual breakdown excludes other long-term obligations.

In the normal course of business, the Corporation and its subsidiaries enter into agreements containing features that meet the criteria for a guarantee.

In connection with the acquisition or sale of a business or assets, in addition to possible indemnification relating to failure to perform covenants and breach of representations and warranties, the Corporation's subsidiaries, Cogeco Cable and CDI, have agreed to indemnify the seller or the purchaser against claims related to events that occurred prior to the date of acquisition or sale. The term and amount of such indemnification will sometimes be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability required to be paid to guaranteed parties. In management's opinion, the likelihood that a significant liability will be incurred under these obligations is low. The Corporation has purchased directors and officers' liability insurance with a deductible per loss. As at August 31, 2011 and 2010, no liability has been recorded associated with these indemnifications.

Under the terms of the Senior Secured Notes, the Corporation's cable subsidiary, Cogeco Cable, has agreed to indemnify the other parties against changes in regulation relative to withholding taxes and costs incurred by the lenders due to changes in laws. These indemnifications extend for the term of the related financings and do not provide any limit on the maximum potential liability. The nature of the indemnification agreement prevents Cogeco Cable from estimating the maximum potential liability it could be required to pay. As at August 31, 2011 and 2010, no liability associated with these indemnifications has been recorded.

During fiscal 2008, 2010, 2011, the Corporation issued letters of credit amounting to €1.7 million, €2.2 million and €6.8 million to guarantee the payment by Cabovisão of stamp taxes for the 2000 through 2002 years and stamp taxes and withholding taxes for the year 2005 and 2006 assessed by the Portuguese tax authorities, which are all currently being challenged by Cabovisão. Even though the principal amounts in dispute are recorded as necessary in the books of its subsidiary Cabovisão, the Corporation may be required to pay the amounts following final judgements, up to a maximum aggregate amount of €10.6 million ($15 million), should Cabovisão fail to pay such required amounts.

The Corporation's subsidiary, CDI, indemnifies certain of its on-air hosts against charges, costs and expenses as a result of any lawsuit, resulting from judicial or administrative proceedings in which they are named as defending party and arising from the performance of their services. The claims covered by such indemnification are subject to statutory or other legal limitation periods. The nature of the indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements. The Corporation has purchased employees' and contractual's liability insurance with a deductible per loss. As at August 31, 2011 and 2010, no liability associated with these indemnifications has been recorded.

Three-year annual financial highlights and quarterly financial highlights

Three-year annual financial highlights

Years ended August 31, *(in thousands of dollars, except percentages and per share data)*	**2011** **$**	2010 $	2009 $
Revenue	**1,443,769**	1,321,694	1,252,794
Operating income before amortization	**579,590**	519,339	515,494
Operating margin	**40.1%**	39.3%	41.1%
Operating income	**330,578**	259,882	258,867
Impairment losses(1)	**225,873**	–	399,648
Net income (loss)	**(8,979)**	56,264	(79,014)
Adjusted net income(2)	**63,700**	46,644	36,406
Cash flow from operating activities	**527,127**	425,336	420,704
Cash flow from operations	**452,016**	502,219	390,288
Capital expenditures and increase in deferred charges	**341,541**	320,962	289,270
Free cash flow	**110,475**	181,257	101,018
Total assets	**2,897,254**	2,744,656	2,670,128
Long-term financial liabilities(3)	**1,055,686**	963,309	1,031,879
Per share data(4)			
Earnings (loss) per share(4)			
Basic	**(0.54)**	3.36	(4.73)
Diluted	**(0.54)**	3.35	(4.73)
Adjusted earnings per share(4)			
Basic	**3.81**	2.79	2.18
Diluted	**3.78**	2.78	2.17
Dividends	**0.50**	0.40	0.32

(1) Impairment losses include the impairment of goodwill and fixed assets recorded in fiscal 2011 and the impairment of goodwill and intangible assets recorded in fiscal 2009.
(2) In addition to the adjustments described in the "Non-GAAP financial measures" section on page 45, net income for the 2009 fiscal year has been adjusted to remove the impairment of goodwill and intangible assets, net of related income taxes, of $124 million, the reduction of withholding and stamp tax contingent liabilities of $5.2 million, the utilization of pre-acquisition tax losses of $2 million and the Part II licence fee favourable settlement agreement, net of related income taxes, of $5.3 million, all net of non-controlling interest.
(3) Long-term financial liabilities include long-term debt, balance due on a business acquisition, derivative financial instrument liabilities and pension plan liabilities and accrued employee benefits.
(4) Per multiple and subordinate voting share.

Quarterly financial highlights

Quarters ended[1] *(in thousands of dollars, except percentages and per share data)*	Fiscal 2011 Nov. 30 $	Feb. 28 $	May 31 $	Aug. 31 $	Fiscal 2010 Nov. 30 $	Feb. 28 $	May 31 $	Aug. 31 $
Revenue	**342,766**	**350,644**	**374,957**	**375,402**	328,003	329,087	330,933	333,671
Operating income before amortization	**137,031**	**135,952**	**147,807**	**158,800**	129,263	124,363	127,928	137,785
Operating margin	**40.0%**	**38.8%**	**39.4%**	**42.3%**	39.4%	37.8%	38.7%	41.3%
Operating income	**73,892**	**70,525**	**81,535**	**104,626**	63,562	58,370	64,008	73,942
Impairment of goodwill and fixed assets	**–**	**–**	**225,873**	**–**	–	–	–	–
Net income (loss)	**15,975**	**10,645**	**(56,672)**	**21,073**	22,748	10,511	10,740	12,265
Adjusted net income	**15,975**	**10,645**	**16,007**	**21,073**	13,128	10,511	10,740	12,265
Cash flow from operating activities	**57,572**	**96,664**	**147,244**	**225,647**	(1,410)	117,498	110,756	198,492
Cash flow from operations	**42,499**	**120,675**	**135,161**	**153,681**	135,518	120,331	119,140	127,230
Capital expenditures and increase in deferred charges	**66,799**	**72,462**	**71,587**	**130,693**	68,387	74,549	69,511	108,515
Free cash flow	**(24,300)**	**48,213**	**63,574**	**22,988**	67,131	45,782	49,629	18,715
Earnings (loss) per share[2]								
Basic	**0.95**	**0.64**	**(3.39)**	**1.26**	1.36	0.63	0.64	0.73
Diluted	**0.95**	**0.63**	**(3.39)**	**1.26**	1.35	0.63	0.64	0.73
Adjusted earnings per share[2]								
Basic	**0.95**	**0.64**	**0.96**	**1.26**	0.79	0.63	0.64	0.73
Diluted	**0.95**	**0.63**	**0.95**	**1.26**	0.78	0.63	0.64	0.73

(1) The addition of quarterly information may not correspond to the annual total due to rounding.
(2) Per multiple and subordinate voting share.

Seasonal variations

Cogeco Cable's operating results are not generally subject to material seasonal fluctuations. However, the customer growth in the Basic Cable and HSI service are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television seasons, and students leaving their campuses at the end of the school year. Cogeco Cable offers its services in several university and college towns such as Kingston, Windsor, St. Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski in Canada, and Aveiro, Covilhã, Evora, Guarda and Coimbra in Portugal.

Furthermore, the third and fourth quarter operating margins of the cable subsidiary are usually higher as no management fees are paid to COGECO Inc. Under the management Agreement, Cogeco Cable pays a fee equal to 2% of its total revenue subject to a maximum amount. As the maximum amount has been reached in the second quarters of fiscal 2011 and fiscal 2010, Cogeco Cable did not pay management fees in the second halves of either year.

Fourth-quarter operating results

Cable sector customer statistics

	Canada	Europe	August 31, 2011 Consolidated	Canada	Net additions (losses) Quarter ended August 31, 2011 Europe	Consolidated
RGU	**2,575,795**	**831,665**	**3,407,460**	**49,204**	**(10,860)**	**38,344**
Basic Cable service customers	**877,985**	**255,777**	**1,133,762**	**(1,369)**	**(2,350)**	**(3,719)**
HSI service customers	**601,214**	**162,436**	**763,650**	**7,746**	**(2,556)**	**5,190**
Digital Television service customers	**678,326**	**164,580**	**842,906**	**29,464**	**(5,182)**	**24,282**
Telephony service customers	**418,270**	**248,872**	**667,142**	**13,363**	**(772)**	**12,591**
	Canada	Europe	August 31, 2010 Consolidated	Canada	Net additions Quarter ended August 31, 2010 Europe	Consolidated
RGU	2,350,577	828,772	3,179,349	43,707	20,596	64,303
Basic Cable service customers	874,505	260,267	1,134,772	433	1,591	2,024
HSI service customers	559,057	163,187	722,244	8,904	2,778	11,682
Digital Television service customers	559,418	159,852	719,270	17,472	12,017	29,489
Telephony service customers	357,597	245,466	603,063	16,898	4,210	21,108

In Canada, fiscal 2011 fourth-quarter RGU net additions were higher than in the comparable periods of the prior year, and the Canadian operations continue to generate RGU growth despite higher penetration rates, category maturity and aggressive competition. Basic Cable service customer net losses stood at 1,369 for the quarter, compared to net additions of 433 in the fourth quarter of the prior year. Fourth quarter Basic Cable service customer losses are usual and due to the end of the school year for college and university students. In the quarter, Telephony service customers grew by 13,363 compared to 16,898 for the same period last year, and the number of net additions to the HSI service stood at 7,746 customers compared to 8,904 customers in the fourth quarter of the prior year. HSI and Telephony net additions continue to stem from the enhancement of the product offering, the impact of the bundled offer (Cogeco Complete Connection) of Television, HSI and Telephony services, and promotional activities. For the three-month period ended August 31, 2011, additions to the Digital Television service stood at 29,464 customers, compared to 17,472 for the comparable period of the prior year. Digital Television service net additions are due to targeted marketing initiatives to improve penetration, the launch of new HD channels, the continuing interest for HD television service and the deployment of the DTA technology in most of Cogeco Cable's markets.

Economic conditions in Portugal continued to be difficult. During the second half of fiscal 2011, and as part of the negotiated financial assistance package, the Portuguese government has committed to financial reforms which include increases in sales and income taxes combined with reductions in government spending on social programs. Please consult the "Impairment of goodwill and fixed assets" section for further details. These measures are expected to put further downwards pressure on consumer spending. The rate of growth for our services has diminished in this environment, with net customer losses across all of the Corporation's services in the European operations in the fourth quarter of fiscal 2011. The number of Basic Cable service customers decreased by 2,350 in the fourth quarter, compared to an increase of 1,591 customers in the comparable period of the prior year. HSI service customers decreased by 2,556 for the quarter compared to an increase of 2,778 in the fourth quarter of the prior year. The number of Digital Television service customers decreased by 5,182 customers in the fourth quarter of fiscal 2011, compared to a growth of 12,017 customers in the same quarter of fiscal 2010. The number of Telephony service customers fell by 772 in the three months ended August 31, 2011, compared to a growth of 4,210 customers in the same period of the prior year.

Consolidated operating results

Quarters ended August 31,	**2011**	2010
(in thousands of dollars, except percentages)	**$**	$
Revenue	**375,402**	333,671
Operating costs	**216,602**	195,886
Operating income before amortization	**158,800**	137,785
Operating margin	**42.3%**	41.3%

Consolidated revenue for the fourth quarter rose by $41.7 million, or 12.5% compared to the corresponding period last year. Cable revenue, driven by RGU growth combined with an increase in rentals of home terminal devices stemming from the strong growth in Digital Television services and rate increases in the Canadian operations, increased by $25.8 million, or 8%. Other sector revenue increased by $15.9 million in the fourth quarter of 2011 due to the Québec Radio Stations Acquisition.

Operating costs increased by $20.7 million, or 10.6%, at $216.6 million compared to the fourth quarter of fiscal 2010 mainly due to the Québec Radio Stations Acquisition. The operating cost increase in the cable sector, resulting from servicing additional RGU, the launch of new HD channels, additional marketing initiatives in the Canadian operations, combined with the impact in the European operations of the higher value of the Euro in relation to the Canadian dollar.

Operating income before amortization increased by $21 million, or 15.3%, at $158.8 million in the fourth quarter of fiscal 2011, compared to $137.8 million for the corresponding period last year. As a result, the Corporation's fourth-quarter operating margin increased to 42.3% from 41.3% for the corresponding period of the prior year. The operating margin increased year over year as a result of rate increases and RGU growth in the Canadian operations of the cable sector which offset the decline in the operating margin of the European operations.

Cash flow analysis

Quarters ended August 31,	**2011**	2010
(in thousands of dollars)	**$**	$
Operating activities		
Cash flow from operations	**153,681**	127,230
Changes in non-cash operating items	**71,966**	71,262
	225,647	198,492
Investing activities(1)	**(263,029)**	(108,492)
Financing activities(1)	**1,714**	(75,671)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**150**	402
Net change in cash and cash equivalents	**(35,518)**	14,731
Cash and cash equivalents, beginning of period	**90,734**	21,111
Cash and cash equivalents, end of period	**55,216**	35,842

(1) Excludes assets acquired under capital leases.

During the fourth quarter of 2011, cash flow from operations reached $153.7 million, 20.8% higher than the comparable period last year, primarily due to the growth in operating income before amortization and the increase in current income tax recovery stemming from the fiscal 2010 modifications to Cogeco Cable's corporate structure which reduced the future income tax expense accordingly. Changes in non-cash operating items generated cash inflows of $72 million, mainly as a result of increases in accounts payable and accrued liabilities, partly offset by a decrease in income tax liabilities. In the fourth quarter of the prior year, cash inflows of $71.3 million mainly stemmed from an increase in accounts payable and accrued liabilities.

Investing activities in the fourth quarter of 2011 amounted to $263 million compared to $108.5 million for the same period the year before. Fourth-quarter fiscal 2011 investing activities include the acquisitions, by Cogeco Cable, of Quiettouch and MTO for a total amount of $132.3 million. The remaining increase of $22.3 million is mainly due to the following factors in the cable sector:

- An increase in support capital spending stemming from the construction of new facilities and the acquisition of new service vehicles in the Canadian operations;
- An increase in customer premise equipment spending mainly due to the timing of equipment purchases to support RGU growth in the Canadian operations. This increase was partly offset by the decrease in customer premise equipment spending reflecting lower RGU growth in the European operations.

In the fourth quarter of 2011, the Corporation generated free cash flows of $23 million compared to $18.7 million in the prior year. The increase in free cash flow is the result of an increase in cash flow from operations outpacing the increase in capital expenditures.

In the fourth quarter of 2011, Indebtedness affecting cash increased by $11.2 million, mainly due to the business acquisitions by Cogeco Cable for a total amount of $132.3 million and the total dividend payment of $8.9 million described below, partly offset by the cash inflows of $72 million from the changes in non-cash operating items, the decrease in cash and cash equivalents of $35.5 million and the free cash flow of $23 million. Indebtedness was reduced mainly through net repayments on Cogeco Cable's Term Revolving Facility of $11.2 million. In the fourth quarter of 2010, Indebtedness affecting cash decreased by $63.8 million mainly due to the inflows generated by changes in non-cash operating items of $71.3 million and the free cash flow of $18.7 million, partly offset by the increase in cash and cash equivalents of $14.7 million and the payment of dividends totalling $6.3 million described below and an increase in deferred transaction costs of $5.8 million. Indebtedness mainly reduced through a decrease of $52.2 million in bank indebtedness and net repayments on Cogeco Cable's term and revolving loans of $7.6 million.

During the fourth quarter of fiscal 2011, the Corporation paid a dividend of $0.14 per share to the holders of subordinate and multiple voting shares totalling $2.3 million, compared to a quarterly dividend of $0.10 per share totalling $1.7 million in fiscal 2010. Dividends paid by a subsidiary to non-controlling interests amounted to $6.6 million during the fourth quarter of fiscal 2011 compared to $4.6 million in the fourth quarter of fiscal 2010, bringing the consolidated dividend payments to $8.9 million in the current year compared to $6.3 million in the prior year.

Fiscal 2012 financial guidelines

Consolidated financial guidelines

The preliminary financial guidelines for COGECO, as issued on July 6, 2011, have been updated to reflect the fiscal 2011 business acquisitions in the cable sector. The Corporation now expects revenue of approximately $1,567 million and operating income before amortization of approximately $615 million. Free cash flow should generate approximately $110 million and net income of approximately $80 million should be earned as a result of growth in operating income before amortization outpacing fixed charges.

(in millions of dollars)	Projections Fiscal 2012 $	Preliminary Projections July 6, 2011 Fiscal 2012 $	Actual Fiscal 2011 $
Financial guidelines			
Revenue	1,567	1,530	1,444
Operating income before amortization	615	595	580
Financial expense	67	63	74
Current income taxes	76	76	66
Net income (loss)	80	80	(9)
Capital expenditures and increase in deferred charges	362	351	342
Free cash flow	110	105	110

Cable sector

Cogeco Cable's fiscal 2012 preliminary financial guidelines, as issued on July 6, 2011, have been updated to reflect the acquisitions of Quiettouch and MTO completed in the last quarter of fiscal 2011. Cogeco Cable now expects to achieve revenue of $1,455 million, representing growth of $94 million, or 6.9% when compared to fiscal 2011. The guidelines take into consideration the current uncertain global economic environment. In Canada, while the recovery phase seems sustainable, recent reforms to the mortgage market and further tightening from the Bank of Canada will nonetheless constrain housing market activity and should coincide with a contraction in consumer spending. In previous recessionary periods, demand for cable telecommunications services has generally proven to be resilient; however there is no assurance that demand would remain resilient in a prolonged difficult economic environment. In Portugal, during the third quarter of fiscal 2011, the unfavourable economic environment continued to deteriorate, with the Country ultimately requiring financial assistance from the International Monetary Fund and the European Central Bank. As part of the negotiated financial assistance package, the Portuguese government has committed to financial reforms which include increases in sales and income taxes combined with reductions in government spending on social programs. These measures are expected to put further downwards pressure on consumer spending and the rate of growth for our services has diminished and is expected to continue to slow down in this environment. These guidelines also take into consideration the competitive environment that prevails in Portugal and, in Canada, the deployment of new technologies such as Fibre to the Home ("FTTH"), Fibre to the Node ("FTTN") and Internet Protocol Television ("IPTV") by the incumbent telecommunications providers.

Revenue from the Canadian operations should increase as a result of RGU growth stemming from targeted marketing initiatives to improve penetration rates of the Digital Television, HSI and Telephony services. Furthermore, the Digital Television service should continue to benefit from the customers' ongoing strong interest in Cogeco Cable's growing HD service offerings. Canadian operations revenue will also benefit from the impact of rate increases implemented in April 2011 in Ontario and Québec, averaging $2 per Basic Cable service customer and, in October 2011, averaging $1.75 per HSI customers. Cogeco Cable's strategies include consistently effective marketing, competitive product offerings and superior customer service, which combined, lead to the expansion and loyalty of the Canadian operations' Basic Cable service clientele. As the penetration of HSI, Telephony and Digital Television services increase, the new demand for these products should slow, reflecting early signs of maturity. Canadian operations' revenue will also benefit from the recent acquisitions of Quiettouch and MTO.

Management anticipates that the decline in the customer base of the European operations, which began during the second half of fiscal 2011, is likely to continue in the next year. Net losses are expected in Basic Cable and Digital Television service customers partly offset by net additions coming from HSI and Telephony service customers. Management is expected to maintain its retention strategies and marketing initiatives implemented over the last few years, but the economic difficulties being experienced by the European market at large and the competitive environment which has plagued the Portuguese telecommunications industry for the past years are continuing to negatively impact the financial results of the European operations. As a result of the economic environment in Portugal, revenue in local currency is expected to decrease in fiscal 2012. For fiscal 2012, it is anticipated that the Euro should be converted at a rate of approximately $1.35 per Euro, compared to an average rate of $1.3735 per Euro in the 2011 fiscal year.

As a result of the acquisitions combined with increased costs to service additional RGU, inflation and manpower increases in the Canadian operations, as well as the continuation of the marketing initiatives and retention strategies launched in Portugal in the past few years, consolidated operating costs are expected to expand by approximately $60 million, or 7.6% in the 2012 fiscal year when compared to fiscal 2011.

For fiscal 2012, Cogeco Cable expects operating income before amortization of $600 million, an increase of $34 million, or 6%, over fiscal 2011, reflecting revenue growth which is expected to exceed the increase in operating costs. The operating margin is expected to reach approximately 41.2% in fiscal 2012, compared to 41.6% for the 2011 fiscal year.

Cogeco Cable expects the amortization of capital assets and deferred charges to decrease by $12 million for fiscal 2012, mainly from the impairment loss in the third quarter of fiscal 2011 in the European operations, partly offset by capital expenditures and deferred charges related to RGU growth and other initiatives of fiscal 2012 in the Canadian operations, by the full year impact of those of fiscal 2011 and by the recent acquisitions of Quiettouch and MTO. Cash flows from operations should finance capital expenditures and the increase in deferred charges amounting to $360 million, an increase of $23 million over fiscal 2011. Capital expenditures projected for the 2012 fiscal year are mainly due to customer premise equipment required to support RGU growth, scalable infrastructure for product enhancements and the deployment of new technologies, line extensions to expand existing territories, and support capital to improve business information systems and support facility requirements.

Fiscal 2012 free cash flow is expected to amount to $100 million, $4 million, or 3.8%, lower than the free cash flow of $104 million in 2011, resulting from the increases in capital expenditures and increase in deferred charges and in current income tax expense, which are expected to offset the growth in operating income before amortization. Generated free cash flow should be used primarily to reduce Indebtedness, thus improving Cogeco Cable's leverage ratios. Financial expense will be reduced to $65 million from $72 million in fiscal 2011, as a result of an anticipated decrease in Indebtedness and the one-time make-whole premium on the early repayment, in fiscal 2011, of the Senior Secured Notes Series B, partly offset by a slight increase in Cogeco Cable's cost of debt reflecting current market conditions. As a result, net income of approximately $225 million should be achieved compared to a net loss of $48 million in fiscal 2011. Fiscal 2012 projected net income represents an increase of $47 million when compared to the adjusted net income of $178 million in fiscal 2011, which excludes the impact of the non-cash impairment loss of $226 million in the European operations.

(in millions of dollars, except percentages and RGU growth)	Projections Fiscal 2012 $	Preliminary Projections July 6, 2011 Fiscal 2012 $	Actual Fiscal 2011 $
Financial guidelines			
Revenue	1,455	1,420	1,361
Operating income before amortization	600	580	566
Operating margin	41.2%	40.8%	41.6%
Amortization	235	220	247
Financial expense	65	60	72
Current income taxes	75	75	63
Net income (loss)	225	225	(48)
Capital expenditures and increase in deferred charges	360	350	337
Free cash flow	100	95	104
Net customer addition guidelines			
RGU growth	225,000	225,000	228,111

Non-GAAP financial measures

This section describes non-GAAP financial measures used by COGECO throughout this MD&A. It also provides reconciliations between these non-GAAP measures and the most comparable GAAP financial measures. These financial measures do not have standard definitions prescribed by Canadian GAAP and therefore, may not be comparable to similar measures presented by other companies. These measures include "cash flow from operations", "free cash flow", "operating income before amortization", "operating margin", "adjusted net income" and "adjusted earnings per share".

Cash flow from operations and free cash flow

Cash flow from operations is used by COGECO's management and investors to evaluate cash flows generated by operating activities excluding the impact of changes in non-cash operating items. This allows the Corporation to isolate the cash flow from operating activities from the impact of cash management decisions. Cash flow from operations is subsequently used in calculating the non-GAAP measure "free cash flow". Free cash flow is used by COGECO's management and investors to measure the Corporation's ability to repay debt, distribute capital to its shareholders and finance its growth.

The most comparable Canadian GAAP financial measure is cash flow from operating activities. Cash flow from operations is calculated as follows:

	Quarters ended August 31,		Years ended August 31,	
	2011	2010	**2011**	2010
(in thousands of dollars)	**$**	$	**$**	$
Cash flow from operating activities	**225,647**	198,492	**527,127**	425,336
Changes in non-cash operating items	**(71,966)**	(71,262)	**(75,111)**	76,883
Cash flow from operations	**153,681**	127,230	**452,016**	502,219

Free cash flow is calculated as follows:

	Quarters ended August 31,		Years ended August 31,	
	2011	2010	**2011**	2010
(in thousands of dollars)	**$**	$	**$**	$
Cash flow from operations	**153,681**	127,230	**452,016**	502,219
Acquisition of fixed assets	**(128,356)**	(105,513)	**(330,669)**	(309,752)
Increase in deferred charges	**(2,337)**	(3,002)	**(10,872)**	(11,069)
Assets acquired under capital leases – as per note 15 B) on page 74	**–**	–	**–**	(141)
Free cash flow	**22,988**	18,715	**110,475**	181,257

Operating income before amortization and operating margin

Operating income before amortization is used by COGECO's management and investors to assess the Corporation's ability to seize growth opportunities in a cost effective manner, to finance its ongoing operations and to service its debt. Operating income before amortization is a proxy for cash flow from operations excluding the impact of the capital structure chosen, and is one of the key metrics used by the financial community to value the business and its financial strength. Operating margin is a measure of the proportion of the Corporation's revenue which is left over, before income taxes, to pay for its fixed costs, such as interest on Indebtedness. Operating margin is calculated by dividing operating income before amortization by revenue.

The most comparable Canadian GAAP financial measure is operating income. Operating income before amortization and operating margin are calculated as follows:

	Quarters ended August 31,		Years ended August 31,	
	2011	2010	**2011**	2010
(in thousands of dollars, except percentages)	**$**	$	**$**	$
Operating income	**104,626**	73,942	**330,578**	259,882
Amortization	**54,174**	63,843	**249,012**	259,457
Operating income before amortization	**158,800**	137,785	**579,590**	519,339
Revenue	**375,402**	333,671	**1,443,769**	1,321,694
Operating margin	**42.3%**	41.3%	**40.1%**	39.3%

Adjusted net income and adjusted earnings per share

Adjusted net income and adjusted earnings per share are used by COGECO's management and investors to evaluate what would have been the net income and earnings per share from ongoing operations without the impact of certain adjustments, net of income taxes and non-controlling interest, which could affect the comparability of the Corporation's financial results. The exclusion of these adjustments does not indicate that they are non-recurring.

The most comparable Canadian GAAP financial measures are net income and earnings per share. These above-mentioned non-GAAP financial measures are calculated as follows:

	Quarters ended August 31,		Years ended August 31,	
	2011	2010	**2011**	2010
(in thousands of dollars, except the number of shares and per share data)	**$**	$	**$**	$
Net income (loss)	**21,073**	12,265	**(8,979)**	56,264
Adjustments:				
Impairment of goodwill and fixed assets net of non-controlling interest	**–**	–	**72,679**	–
Reduction of the Ontario provincial income tax rates, net of non-controlling interest	**–**	–	**–**	(9,620)
Adjusted net income	**21,073**	12,265	**63,700**	46,644
Weighted average number of multiple voting and subordinate voting shares outstanding	**16,736,465**	16,730,336	**16,728,863**	16,726,135
Effect of dilutive stock options	**–**	9,299	**5,966**	10,681
Effect of dilutive subordinate voting shares held in trust under the Incentive Share Unit Plan	**121,077**	71,862	**123,199**	67,837
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	**16,857,542**	16,811,497	**16,858,028**	16,804,653
Adjusted earnings per share				
Basic	**1.26**	0.73	**3.81**	2.79
Diluted	**1.25**	0.73	**3.78**	2.78

Additional information

This MD&A was prepared on October 26, 2011. Additional information relating to the Corporation, including its Annual Information Form, is available on SEDAR at www.sedar.com.

Consolidated financial statements

Consolidated financial statements

Management's responsibility

Related to the consolidated financial statements

The consolidated financial statements of COGECO Inc. (the "Corporation") and the financial information contained in this annual report are the responsibility of management. The consolidated financial statements include amounts determined by management based on estimates, which in their opinion are reasonable and fair. The consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and have been approved by the Board of Directors. Operating and financial information used elsewhere in the annual report is consistent with that of the consolidated financial statements.

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

The external auditors appointed by the shareholders, Samson Bélair/Deloitte & Touche s.e.n.c.r.l., Chartered Accountants, are responsible for making an independent examination of the consolidated financial statements in accordance with Canadian Generally Accepted Auditing Standards and to issue an opinion on the statements. The external auditors have free access to the Audit Committee, with or without the presence of management. Their report follows.

Louis Audet
President and Chief Executive Officer

Pierre Gagné
Senior Vice-President and Chief Financial Officer

Montreal, October 26, 2011

Independent Auditor's Report

To the Shareholders of COGECO Inc.

We have audited the accompanying consolidated financial statements of COGECO Inc., which comprise the consolidated balance sheets as at August 31, 2011 and 2010, and the consolidated statements of income (loss), comprehensive income (loss), retained earnings and cash flows for the years then ended, 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 Canadian Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of COGECO Inc. as at August 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian Generally Accepted Accounting Principles.

Samson Bélair/Deloitte & Touche s.e.n.c.r.l.[1]

October 26, 2011
Montreal, Canada

[1] Chartered accountant auditor permit No. 13556

Consolidated statements of income (loss)

Years ended August 31, *(In thousands of dollars, except per share data)*	**2011** **$**	2010 $
Revenue	**1,443,769**	1,321,694
Operating costs	**864,179**	802,355
Operating income before amortization	**579,590**	519,339
Amortization (note 4)	**249,012**	259,457
Operating income	**330,578**	259,882
Financial expense (note 5)	**74,080**	65,499
Impairment of goodwill and fixed assets (note 6)	**225,873**	–
Income before income taxes and the following items	**30,625**	194,383
Income taxes (note 7)	**71,992**	31,664
Gains on dilution resulting from the issuance of shares by a subsidiary	**(60)**	(26)
Non-controlling interest	**(32,328)**	106,481
Net income (loss)	**(8,979)**	56,264

Earnings (loss) per share (note 8)		
Basic	**(0.54)**	3.36
Diluted	**(0.54)**	3.35

Consolidated statements of comprehensive income (loss)

Years ended August 31, *(in thousands of dollars)*	**2011** **$**	2010 $
Net income (loss)	**(8,979)**	56,264
Other comprehensive income (loss)		
Unrealized gains (losses) on derivative financial instruments designated as cash flow hedges, net of income tax recovery of $2,953,000 (income tax expense of $294,000 in 2010) and non-controlling interest of $10,410,000 ($1,038,000 in 2010)	**(4,943)**	496
Reclassification to financial expense of unrealized losses on derivative financial instruments designated as cash flow hedges, net of income tax recovery of $2,124,000 and non-controlling interest of $9,775,000 (non-controlling interest of $3,664,000 in 2010)	**4,650**	1,751
Unrealized gains (losses) on translation of a net investment in self-sustaining foreign subsidiaries, net of non-controlling interest of $4,918,000 ($25,308,000 in 2010)	**2,330**	(12,081)
Unrealized gains (losses) on translation of long-term debts designated as hedges of a net investment in self-sustaining foreign subsidiaries, net of non-controlling interest of $2,648,000 ($19,778,000 in 2010)	**(1,255)**	9,440
	782	(394)
Comprehensive income (loss)	**(8,197)**	55,870

Consolidated statements of retained earnings

Years ended August 31, *(In thousands of dollars)*	**2011** **$**	2010 $
Balance as reported, beginning of year	**253,169**	211,922
Changes in accounting policies (note 1 B))	**–**	(7,894)
Balance as restated, beginning of year	**253,169**	204,028
Net income (loss)	**(8,979)**	56,264
Excess of the value attributed to the incentive share units at issuance (price paid for the acquisition of the subordinate voting shares) over the price paid for the acquisition of the subordinate voting share (value attributed to the incentive share units at issuance)	**56**	(430)
Dividends on multiple voting shares	**(921)**	(737)
Dividends on subordinate voting shares	**(7,446)**	(5,956)
Balance, end of year	**235,879**	253,169

Consolidated balance sheets

At August 31, *(In thousands of dollars)*	**2011** **$**	2010 $
Assets		
Current		
Cash and cash equivalents (note 15 C))	**55,216**	35,842
Accounts receivable (note 17)	**100,297**	74,560
Income taxes receivable	**38,480**	45,400
Prepaid expenses and other	**14,020**	14,189
Future income tax assets (note 7)	**5,350**	6,133
Assets held for sale (note 21)	**1,365**	–
	214,728	176,124
Investments	**539**	739
Fixed assets (note 9)	**1,272,610**	1,328,866
Deferred charges (note 10)	**26,847**	27,960
Intangible assets (note 11)	**1,121,422**	1,042,998
Goodwill (note 11)	**239,664**	144,695
Derivative financial instruments	**–**	5,085
Future income tax assets (note 7)	**15,558**	18,189
Assets held for sale (note 21)	**5,886**	–
	2,897,254	2,744,656

Liabilities and shareholders' equity		
Liabilities		
Current		
Bank indebtedness (note 12)	**–**	2,328
Accounts payable and accrued liabilities	**285,804**	248,775
Income tax liabilities	**59,935**	558
Deferred and prepaid revenue	**43,520**	45,602
Derivative financial instrument	–	1,189
Promissory note payable (note 2)	**5,000**	–
Current portion of long-term debt (note 12)	**2,119**	2,329
Future income tax liabilities (note 7)	**85,201**	78,267
Liabilities related to assets held for sale (note 21)	**1,747**	–
	483,326	379,048
Long-term debt (note 12)	**1,016,663**	952,741
Balance due on a business acquisition (note 2)	**11,400**	–
Derivative financial instruments	**14,408**	–
Deferred and prepaid revenue and other liabilities	**19,390**	12,234
Pension plans liabilities and accrued employee benefits (note 16)	**13,215**	10,568
Future income tax liabilities (note 7)	**252,958**	238,699
Liabilities related to assets held for sale (note 21)	**518**	–
	1,811,878	1,593,290
Non-controlling interest	**719,975**	769,731
Commitments, contingencies and guarantees (note 18)		
Shareholders' equity		
Capital stock (note 13)	**119,318**	119,527
Contributed surplus	**3,488**	3,005
Retained earnings	**235,879**	253,169
Accumulated other comprehensive income (note 14)	**6,716**	5,934
	365,401	381,635
	2,897,254	2,744,656

On behalf of the Board of Directors,

Jan Peeters
Director

Pierre L. Comtois
Director

Consolidated statements of cash flows

Years ended August 31, *(In thousands of dollars)*	**2011** **$**	2010 $
Cash flow from operating activities		
Net income (loss)	**(8,979)**	56,264
Adjustments for:		
Amortization (note 4)	**249,012**	259,457
Amortization of deferred transaction costs and discounts on long-term debt	**3,759**	3,913
Impairment of goodwill and fixed assets (note 6)	**225,873**	–
Future income taxes	**5,782**	70,915
Non-controlling interest	**(32,328)**	106,481
Gains on dilution resulting from the issuance of shares by a subsidiary	**(60)**	(26)
Stock-based compensation (note 13)	**3,837**	2,621
Loss on disposals and write-offs of fixed assets	**2,459**	2,932
Other	**2,661**	(338)
	452,016	502,219
Changes in non-cash operating items (note 15 A))	**75,111**	(76,883)
	527,127	425,336
Cash flow from investing activities		
Acquisition of fixed assets (note 15 B))	**(330,669)**	(309,752)
Increase in deferred charges	**(10,872)**	(11,069)
Business acquisitions, net of cash and cash equivalents acquired (note 2)	**(208,344)**	–
Other	**341**	168
	(549,544)	(320,653)
Cash flow from financing activities		
Increase (decrease) in bank indebtedness	**(2,328)**	1,912
Net repayments under the Term Facilities and Term Revolving Facilities	**53,519**	(71,843)
Issuance of long-term debt, net of discounts and transaction costs	**198,295**	–
Repayments of long-term debt	**(177,822)**	(3,914)
Increase in deferred transaction costs	**(444)**	(5,810)
Issuance of subordinate voting shares (note 13)	**629**	353
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 13)	**(1,296)**	(1,049)
Dividends on multiple voting shares	**(921)**	(737)
Dividends on subordinate voting shares	**(7,446)**	(5,956)
Issuance of shares by a subsidiary to non-controlling interest	**4,740**	481
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 13)	**(2,368)**	(2,008)
Dividends paid by a subsidiary to non-controlling interest	**(23,355)**	(18,384)
	41,203	(106,955)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**588**	(1,344)
Net change in cash and cash equivalents	**19,374**	(3,616)
Cash and cash equivalents, beginning of year	**35,842**	39,458
Cash and cash equivalents, end of year	**55,216**	35,842

See supplemental cash flow information in note 15.

Notes to the consolidated financial statements

Years ended August 31, 2011 and 2010

Nature of operations

COGECO Inc. (the “Corporation”) is a Canadian public corporation whose shares are listed on the Toronto Stock Exchange (“TSX”). The Corporation is engaged in Cable Television, High Speed Internet (“HSI”), Telephony, managed information technology and infrastructure, and other telecommunications services to its residential and commercial customers in Canada and in Portugal through Cogeco Cable Inc. and in Radio broadcasting through Cogeco Diffusion Inc.

1. Significant accounting policies

The consolidated financial statements are prepared in conformity with Canadian Generally Accepted Accounting Principles (“GAAP”).

A) Consolidation principles

The consolidated financial statements include the accounts of the Corporation and its subsidiaries, as well as those of variable interest entities for which the Corporation is the primary beneficiary. Business acquisitions are accounted for under the purchase method and operating results are included in the consolidated financial statements as of the date of the acquisition of control. Other investments are recorded at cost.

Business segments and percentages of interest in the main subsidiaries are as follows:

Segment	Principal subsidiaries	Percentage of interest	Voting rights
		%	%
Cable	Cogeco Cable Inc.	32.2	82.6
Other	Cogeco Diffusion Acquisitions Inc.	100.0	100.0

B) Recent accounting pronouncements and changes in accounting policies

Adopted during fiscal 2010

i. Goodwill and intangible assets

In February 2008, the Canadian Institute of Chartered Accountants (“CICA”) issued Handbook Section 3064, *Goodwill and intangible assets*, replacing Section 3062, *Goodwill and other intangible assets* and Section 3450, *Research and development costs*. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill remained unchanged from the standards included in the previous Section 3062. The new section was applicable to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, with retroactive application. The adoption of Section 3064 resulted in the elimination of the deferral of new service launch costs which are now recognized as operating costs when they are incurred. Reconnect and additional service activation costs are capitalized up to an amount not exceeding the revenue generated by the reconnect activity. The retroactive adoption of Section 3064 reduced the fiscal year 2010 opening retained earnings by an amount of $7.9 million net of non-controlling interest of $16.4 million.

ii. Financial instrument disclosures

In 2009 the Canadian Accounting Standards Board (“AcSB”) amended CICA Handbook Section 3862, *Financial instruments – disclosures*, to require enhanced disclosures about the relative reliability of the data, or inputs, that an entity uses in measuring the fair values of its financial instruments. The new requirements are effective for annual financial statements for fiscal years ending after September 30, 2009. The adoption of this amendment did not have any impact on the classification and measurement of the Corporation’s financial instruments. The new disclosures pursuant to this amendment are included in note 17 of the Corporation’s consolidated financial statements.

Future accounting pronouncements

iii. Harmonization of Canadian and international accounting standards

In March 2006, the AcSB of the CICA released its new strategic plan, which proposed to abandon Canadian GAAP and effect a complete convergence to the International Financial Reporting Standards (“IFRS”) for Canadian publicly accountable entities. This plan was confirmed in subsequent exposure drafts issued in April 2008, March 2009 and October 2009. The changeover will occur no later than fiscal years beginning on or after January 1, 2011. Accordingly, the Corporation’s first interim consolidated financial statements presented in accordance with IFRS will be for the three-month period ending November 30, 2011, and its first annual consolidated financial statements presented in accordance with IFRS will be for the year ending August 31, 2012.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements. The Corporation has established a project team including representatives from various areas of the organization to plan and complete the transition to IFRS. This team reports periodically to the Audit Committee, which oversees the IFRS implementation project on behalf of the Board of Directors. The Corporation is assisted by external advisors as required.

The Corporation’s project for the transition from Canadian GAAP to IFRS is progressing according to the established plan in order to meet the target date for migration.

iv. Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Section 1582, *Business combinations*, which replaces Section 1581 of the same name, and Sections 1601, *Consolidated Financial Statements* and 1602, *Non-controlling interests*, which together replace Section 1600, *Consolidated Financial Statements*. These new sections harmonize significant aspects of Canadian accounting standards with the IFRS that will be mandated for publicly accountable entities with fiscal years beginning on or after January 1, 2011.

Section 1582 requires that all business acquisitions be measured at the fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100% of the equity interest in the acquiree is owned at the acquisition date, and expands the definition of a business subject to an acquisition. The section also establishes new guidance on the measurement of consideration given and the recognition and measurement of assets acquired and liabilities assumed in a business combination. Furthermore, under this new guidance, acquisition costs, which were previously included as a component of the consideration given, and any negative goodwill resulting from the allocation of the purchase price, which was allocated as a reduction of non-current assets acquired under the previous standard, will be recorded in earnings in the current period. This new section will be applied prospectively and will only impact the Corporation’s consolidated financial statements for future acquisitions concluded in periods subsequent to the date of adoption.

Sections 1601 and 1602 dealing with consolidated financial statements require an entity to measure non-controlling interest upon acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new sections also require non-controlling interest to be presented as a separate component of shareholders' equity.

The new standards will apply as of the beginning of the first annual reporting period beginning on or after January 1, 2011, with simultaneous early adoption permitted. Early adoption may reduce the amount of restatement required upon conversion to IFRS. The Corporation has elected not to early-adopt these sections, and in light of the adoption of International accounting standards taking effect at that same date, these sections will not be applicable to the Corporation.

v. Multiple deliverable revenue arrangements

In December 2009, the Emerging Issues Committee (“EIC”) issued a new abstract concerning multiple deliverable revenue arrangements, EIC-175, *Multiple deliverable revenue arrangements*, which amended EIC-142, *Revenue arrangements with multiple deliverables*. EIC-175 requires a vendor to allocate arrangement consideration at the inception of the arrangement to all deliverables using the relative selling price method, thereby eliminating the use of the residual value method. The amendment also changes the level of evidence of the standalone selling price required to separate deliverables when more objective evidence of the selling price is not available. EIC-175 should be adopted prospectively to revenue arrangements entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011, with early adoption permitted. The Corporation has elected not to early adopt this EIC, and in light of the adoption of International accounting standards taking effect at the same date, this EIC will not be applicable to the Corporation.

C) Revenue recognition

The Corporation considers revenue to be earned as services are rendered, provided that ultimate collection is reasonably assured. The Corporation earns revenue from several sources. The recognition of revenue from the principal sources is as follows:

- Revenue from Cable Television, HSI, Telephony, managed information technology and infrastructure and other telecommunications services are recognized when services are rendered;
- Revenue generated from sales of home terminal devices is recorded as equipment revenue upon activation of services as management considers the sale of home terminal devices as a single unit of accounting of a multiple element arrangement;
- Installation revenue is deferred and amortized over the average life of a customer's subscription for residential customers, not exceeding four years, and over the term of the contract for business customers. Management considers that installation revenue is part of a multiple element arrangement and has no standalone value. Accordingly, installation revenue is deferred and amortized at the same pace as revenue from Cable Television, HSI, Telephony, managed information technology and infrastructure and other telecommunications services are earned;
- Advertising revenue is recognized when aired;
- Promotional offers are accounted for as deductions from revenue when customers take advantage of such offers.

Amounts received or invoiced that do not comply with these criteria are accounted for as deferred and prepaid revenue.

D) Fixed assets

Fixed assets are recorded at cost. During construction of new assets, direct costs plus a portion of overhead costs directly attributable are capitalized. Financial expense during construction is expensed in the year in which it is incurred. Amortization is recorded mainly on a straight-line basis over the estimated useful lives over the following periods:

Buildings	10 to 40 years
Cable systems	4 to 20 years
Broadcasting, programming and production equipment	3 to 20 years
Home terminal devices	3 to 5 years
Rolling stock and equipment under capital leases	5 years
Other equipment	2 to 10 years
Leasehold improvements	Lease term

The Corporation reviews, when a triggering event occurs, the carrying value of its fixed assets by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flows to be generated by the asset or group of assets. An impairment loss is recognized when the carrying amount of an asset or group of assets held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. The impairment loss is measured as the amount by which the asset or group of assets' carrying amount exceeds its fair value.

Legal obligations associated with site restoration costs on the retirement of property are recognized in the period in which they can be reasonably estimated based on currently available information. The obligations are initially measured at fair value and an equal amount is recorded to fixed assets. Over time, the discounted asset retirement obligations accrete due to the increase in the fair value resulting from the passage of time. This accretion amount is charged to operating costs. The initial costs are depreciated over the useful lives of the related fixed assets or the remaining leasehold engagements when applicable. The Corporation's subsidiary, Cogeco Cable Inc., does not record an asset retirement obligation in connection with its cable systems as the Corporation's subsidiary expects to renew all of its agreements with utility companies to access their support structures in the future, making the retirement date relating to these assets undeterminable.

E) Deferred charges

Deferred charges include reconnect and additional service activation costs and transaction costs. Reconnect and additional service activation costs are capitalized up to a maximum amount not exceeding the revenue generated by the reconnect activity. Reconnect and additional service activation costs are amortized over the average life of a customer's subscription, not exceeding four years. Transaction costs on the revolving loan and the swingline facility are amortized over the term of the related financing on a straight-line basis.

F) Intangible assets

Intangible assets with finite useful lives, such as customer relationships, are recorded at cost and amortized on a straight-line basis over the average life of a business customer's subscription, which is eight years. The Corporation reviews, when a triggering event occurs, the carrying value of its intangible assets with finite useful lives by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flows to be generated by the asset or group of assets. An impairment loss is recognized when the carrying amount of an asset or group of assets held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. The impairment loss is measured as the amount by which the asset or group of assets' carrying amount exceeds its fair value. Any impairment loss is charged to earnings in the period in which the loss occurred.

Intangible assets with indefinite useful lives, such as customer base and broadcasting licences, are not amortized, but tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. In conducting impairment testing, the Corporation compares the carrying value to the sum of the expected future discounted cash flows. When the impairment test indicates that the carrying amount of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. Any impairment loss is charged to earnings in the period in which the loss occurred.

G) Goodwill

Goodwill represents the difference between the price paid and the fair value attributed to tangible and intangible assets upon the acquisition of cable and telecommunications systems and radio broadcasting stations. Goodwill is not amortized but tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. Goodwill is tested for impairment using a two step approach. The first step consists of determining whether the fair value of the reporting unit to which goodwill is assigned exceeds the net carrying value of that reporting unit, including goodwill. In the event that the net carrying amount exceeds the fair value, a second step is performed in order to determine the amount of the impairment loss. The impairment loss is measured as the amount by which the carrying amount of the reporting unit's goodwill exceeds its fair value. Any impairment loss is charged to earnings in the period in which the loss is incurred. The Corporation uses the discounted cash flow method to determine the fair value of reporting units.

H) Income taxes

Income taxes are accounted for under the asset and liability method. Under this method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements' carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax asset will be realized.

I) Stock-based compensation

The Corporation measures stock options granted to employees based on the fair value at the grant date by using the binomial pricing model and a compensation expense is recognized on a straight-line basis over the vesting period, which is three to five years, with a corresponding increase in contributed surplus. When the stock options are exercised, capital stock is credited by the sum of the consideration received and the related portion previously recorded in contributed surplus.

The Corporation measures incentive share units granted to employees based on the fair value of the Corporation's subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, which is three years less one day, with a corresponding increase in contributed surplus.

The Deferred Share Unit Plans of the Corporation and its subsidiary, Cogeco Cable Inc., are recognized as a compensation expense and as an accrued liability as of the date units are awarded to officers. The accrued liability is re-measured at the end of each reporting period, until settlement, using the average closing price of the subordinate voting shares on the Toronto Stock Exchange for the twenty consecutive trading days immediately preceding by one day the closing date of the reporting period.

J) Employee future benefits

Pension costs, recorded in operating costs, related to the defined contribution pension plan and the collective registered retirement savings plans are equivalent to the contributions that the Corporation is required to make in exchange for services rendered by employees.

Pension costs for defined benefit pension plans are determined using actuarial methods and are funded through contributions determined in accordance with the projected benefit method prorated on service. Pension expense is charged to operating costs and includes:

- The cost of pension benefits provided in exchange for employees' services rendered during the year;
- The amortization of past service costs and amendments over the expected average remaining service life of the active employee group covered by the plans, which is seven to nine years; and
- The interest cost of pension obligations, the expected rate of return on pension fund assets and the amortization of cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the benefit obligation or fair value of plan assets over the expected average remaining service life of the active employee group covered by the plans, which is seven to nine years. The Corporation uses the fair value of plan assets to evaluate plan assets for the purpose of calculating the expected return on plan assets.

K) Non-monetary transactions

In the normal course of its business, the Corporation enters into non-monetary transactions under which goods and services are acquired in exchange for advertising or other services. Non-monetary transactions with commercial substance, which would otherwise be payable in cash, are accounted for at their fair value.

L) Foreign currency translation

Financial statements of self-sustaining foreign subsidiaries are translated into Canadian dollars using the exchange rate in effect at the balance sheet date for asset and liability items, and using the average exchange rates during the period for revenue and expenses. Adjustments arising from this translation are deferred and recorded in the foreign currency translation adjustment in accumulated other comprehensive income, and are included in income only when a reduction in the investment in these foreign subsidiaries is realized.

Other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the balance sheet date for monetary items and at the transaction date for non-monetary items. Revenue and expenses are translated at the average exchange rates prevailing during the period except for transactions being hedged, which are translated using the terms of the hedges. Amounts payable or receivable on cross-currency swap agreements, all of which are used to hedge foreign currency debt obligations, are recorded concurrently with the unrealized gains and losses on the obligations being hedged. Other foreign exchange gains and losses are recognized as financial expense, except for unrealized foreign exchange gains and losses on foreign-denominated long-term debt that is designated as a hedge of a net investment in self-sustaining foreign subsidiaries, which are included in the foreign currency translation adjustment in accumulated other comprehensive income, net of income taxes and non-controlling interest.

M) Financial instruments

Classification, recognition and measurement

All of the Corporation's financial assets are classified as held-for-trading or loans and receivables. The Corporation has classified its cash and cash equivalents as held-for-trading. Held-for-trading assets and liabilities are carried at fair value on the consolidated balance sheet, with changes in fair value recorded in the consolidated statements of income. Accounts receivable have been classified as loans and receivables. All of the Corporation’s financial liabilities are classified as other liabilities, except for the cross-currency swap and interest rate swap agreements. Loans and receivables instruments and all financial liabilities, except for the cross-currency swap and interest rate swap agreements, are carried at amortized cost using the effective interest rate method. The Corporation has determined that none of its financial assets are classified as available-for-sale or held-to-maturity.

Transaction costs

Transaction costs are capitalized on initial recognition and presented as a reduction of the related financing, except for transaction costs on the revolving loans and the swingline facilities, which are presented as deferred charges. These costs are amortized over the term of the related financing using the effective interest rate method, except for transaction costs on the revolving loans and the swingline facilities, which are amortized over the term of the related financing on a straight-line basis.

Derivative financial instruments and hedge accounting

The Corporation uses cross-currency swap and interest rate swap agreements as derivative financial instruments to manage risk in fluctuation in interest and foreign exchange rates related to its long term debt. All derivatives are measured at fair value with changes in fair value recorded in the consolidated statements of income unless they are effective cash flow hedging instruments. The changes in fair value of cash flow hedging derivatives are recorded in other comprehensive income, to the extent effective, until the variability of cash flows relating to the hedged asset or liability is recognized in the consolidated statements of income. Any hedge ineffectiveness is recognized in the consolidated statements of income immediately. Accordingly, the Corporation’s cross-currency swap and interest rate swap agreements must be measured at fair value in the consolidated financial statements. Since these cross-currency swap and interest rate swap agreements are used to hedge cash flows on Senior Secured Notes Series A denominated in US dollars and a portion of Euro-denominated loans outstanding under the Term Revolving Facility, and previously the Term Facility, the changes in fair value are recorded in other comprehensive income. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Net receipts or payments arising from cross-currency and interest rate swap agreements are recognized as financial expense.

Embedded derivatives

All embedded derivatives that are not closely related to the host contracts are measured at fair value, with changes in fair value recorded in the consolidated statements of income. At August 31, 2011 and 2010, there were no significant embedded derivatives or non-financial derivatives that require separate fair value recognition on the consolidated balance sheets.

N) Cash and cash equivalents

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

O) Use of estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities and revenue and expenses during the reporting year. Significant areas requiring the use of management estimates relate to the determination of pension plan liabilities and accrued employee benefits, the determination of accrued liabilities, the determination of allowance for doubtful accounts, the determination of the fair value of assets acquired and liabilities assumed in business combinations, the evaluation of the carrying amount of home terminal devices, the useful lives of assets for amortization, the determination of future cash flows for the purpose of impairment testing on fixed assets, goodwill and intangible assets with finite and indefinite useful lives, the discount rate used for the purpose of impairment testing on goodwill and intangible assets with indefinite useful lives, the provision for income taxes and determination of future income tax assets and liabilities and utilization thereof, and the determination of the fair value of financial instruments, including all derivative financial instruments. Actual results could differ from these estimates.

2. Business acquisitions

On April 30, 2010, the Corporation concluded an agreement with Corus Entertainment Inc. ("Corus") to acquire its Québec radio stations for $80 million, subject to customary closing adjustments and conditions, including approval by the Canadian Radio-television and Telecommunications Commission ("CRTC"). On June 30, 2010, the Corporation submitted its application for approval of the acquisition to the CRTC. On December 17, 2010, the CRTC approved the transaction essentially as proposed. On January 11, 2011, the Corporation was served with an application by Astral Media Radio Inc. ("Astral") to the Federal Court of Appeal ("Court") for leave to appeal the CRTC decision approving the transaction, and a related application by Astral for a stay of execution of that decision until final judgment of the Court. On February 21, 2011 the Court rejected applications filed by Astral in the matter of COGECO's acquisition of the Corus radio stations in Québec. The transaction with Corus was concluded on February 1, 2011. Pursuant to this acquisition, and as part of CRTC's decision on the Corporation's transfer application, the Corporation has put up for sale two radio stations acquired, CFEL-FM in the Québec City market and CJTS-FM in the Sherbrooke market. Accordingly, the assets and liabilities of the two acquired radio stations put up for sale have been classified as held for sale in the preliminary purchase price allocation presented below. In addition to the two acquired radio stations above, and also as part of the CRTC's decision, the Corporation has put up for sale radio station CJEC-FM, which it owned prior to the acquisition, in the Québec City market. Radio stations for which divestiture has been required by the CRTC, and the sale process, are managed by a trustee approved by the CRTC pursuant to a voting trust agreement.

On June 27, 2011, the Corporation's subsidiary, Cogeco Cable Inc., concluded an agreement to acquire all of the shares of Quiettouch Inc. ("Quiettouch"), a leading independent provider of outsourced managed information technology and infrastructure services to mid-market and larger enterprises in Canada. Quiettouch offers a full suite of differentiated services, including managed infrastructure and hosting, virtualization, firewall services, data backup with end-to-end monitoring and reporting, and enhanced and traditional collocation services. Quiettouch operates three data centers in Toronto and Vancouver, as well as a fiber network within key business areas of downtown Toronto. The transaction was completed August 2, 2011.

On August 31, 2011, the Corporation's subsidiary, Cogeco Cable Inc., concluded and completed an agreement to acquire all of the shares of MTO Telecom Inc. ("MTO"), the largest private telecommunications provider in the Greater Montreal Area and the Province of Quebec. MTO offers high-performance Ethernet broadband connectivity services to carrier, enterprise and public sector customers.

These acquisitions were accounted for using the purchase method. The results have been consolidated as of the acquisition date. The preliminary allocation of the purchase price of these acquisitions, pending the completion of the valuation of the net assets acquired, is as follows:

(In thousands of dollars)	$ **Québec radio stations**	$ **Other**	$ **Total**
Consideration			
Paid			
Purchase of shares	**75,000**	**133,600**	**208,600**
Preliminary working capital adjustment	**–**	**(1,034)**	**(1,034)**
Acquisition costs	**1,723**	**1,111**	**2,834**
	76,723	**133,677**	**210,400**
Promissory note payable(1)	**5,000**	**–**	**5,000**
Balance due on a business acquisition(2)	**–**	**11,400**	**11,400**
Investment previously accounted for	**200**	**–**	**200**
Working capital adjustment payable	**4,000**	**–**	**4,000**
Preliminary working capital adjustment payable	**–**	**1,429**	**1,429**
Acquisition costs payable	**–**	**713**	**713**
Acquisition costs previously recorded as deferred charges	**436**	**–**	**436**
	86,359	**147,219**	**233,578**
Net assets acquired			
Cash and cash equivalents	**647**	**1,409**	**2,056**
Accounts receivable	**14,103**	**4,619**	**18,722**
Income taxes receivable	**189**	**–**	**189**
Prepaid expenses and other	**760**	**1,036**	**1,796**
Current future income tax assets	**1,303**	**–**	**1,303**
Fixed assets	**11,497**	**27,195**	**38,692**
Deferred charges and other	**13**	**615**	**628**
Customer relationships	**–**	**34,305**	**34,305**
Broadcasting licenses	**48,893**	**–**	**48,893**
Goodwill	**28,678**	**94,743**	**123,421**
Long-term future income tax assets	**678**	**–**	**678**
Long-term assets held for sale	**5,506**	**–**	**5,506**
Accounts payable and accrued liabilities assumed	**(9,942)**	**(3,626)**	**(13,568)**
Current deferred and prepaid revenue	**(379)**	**–**	**(379)**
Current liabilities related to assets held for sale	**(498)**	**–**	**(498)**
Long-term deferred and prepaid revenue and other liabilities	**(4,467)**	**(1,538)**	**(6,005)**
Long-term future income tax liabilities	**(10,132)**	**(11,539)**	**(21,671)**
Long-term liabilities related to assets held for sale	**(490)**	**–**	**(490)**
	86,359	**147,219**	**233,578**

(1) Non-interest bearing and due on February 1, 2012.
(2) Bearing interest at bank prime rate plus 1% and payable in February 2013.

3. Segmented information

The Corporation's activities are divided into two business segments: Cable and other. The Cable segment is comprised of Cable Television, HSI, Telephony, managed information technology and infrastructure, and other telecommunications services, and the other segment is comprised of radio and head office activities, as well as eliminations. The Cable segment's activities are carried out in Canada and in Europe.

The principal financial information per business segment is presented in the table below:

	Cable		Other and eliminations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
(in thousands of dollars)	**$**	$	**$**	$	**$**	$
Revenue	**1,361,166**	1,281,376	**82,603**	40,318	**1,443,769**	1,321,694
Operating costs	**795,183**	771,280	**68,996**	31,075	**864,179**	802,355
Operating income before amortization	**565,983**	510,096	**13,607**	9,243	**579,590**	519,339
Amortization	**247,178**	258,871	**1,834**	586	**249,012**	259,457
Operating income	**318,805**	251,225	**11,773**	8,657	**330,578**	259,882
Financial expense	**71,629**	64,904	**2,451**	595	**74,080**	65,499
Impairment of goodwill and fixed assets	**225,873**	–	**–**	–	**225,873**	–
Income taxes	**68,969**	29,018	**3,023**	2,646	**71,992**	31,664
Gains on dilution resulting from the issuance of shares by a subsidiary	**(60)**	(26)	**–**	–	**(60)**	(26)
Non-controlling interest	**(32,328)**	106,481	**–**	–	**(32,328)**	106,481
Net income (loss)	**(15,278)**	50,848	**6,299**	5,416	**(8,979)**	56,264
Total assets	**2,735,500**	2,702,819	**161,754**	41,837	**2,897,254**	2,744,656
Fixed assets	**1,254,576**	1,325,077	**18,034**	3,789	**1,272,610**	1,328,866
Intangible assets	**1,047,189**	1,017,658	**74,233**	25,340	**1,121,422**	1,042,998
Goodwill	**210,986**	144,695	**28,678**	–	**239,664**	144,695
Acquisition of fixed assets[1]	**325,720**	309,049	**4,949**	844	**330,669**	309,893

(1) Includes capital leases that are excluded from the consolidated statements of cash flows.

The following tables set out certain geographic market information based on clients' locations:

	2011	2010
(in thousands of dollars)	**$**	$
Revenue		
Canada	**1,238,016**	1,133,938
Europe	**172,277**	187,756
	1,272,610	1,321,694

	2011	2010
(In thousands of dollars)	**$**	$
Fixed assets		
Canada	**1,235,990**	1,098,760
Europe	**34,594**	230,106
	1,270,584	1,328,866
Intangible assets		
Canada	**1,121.422**	1,042,998
Europe	**–**	–
	1,121,422	1,042,998
Goodwill		
Canada	**239,664**	116,243
Europe	**–**	28,452
	239,664	144,695

4. Amortization

(in thousands of dollars)	**2011** **$**	2010 $
Fixed assets	**233,504**	243,931
Deferred charges	**10,734**	10,750
Intangible assets	**4,774**	4,776
	249,012	259,457

5. Financial expense

(in thousands of dollars)	**2011** **$**	2010 $
Interest on long-term debt	**70,249**	63,048
Foreign exchange gains	**(2,145)**	(988)
Amortization of deferred transaction costs	**1,887**	2,398
Other	**4,089**	1,041
	74,080	65,499

6. Impairment of goodwill and fixed assets

(in thousands of dollars)	**2011** **$**	2010 $
Impairment of goodwill	**29,344**	–
Impairment of fixed assets	**196,529**	–
	225,873	–

During the third quarter of fiscal 2011, the economic environment in Portugal continued to deteriorate, with the Country ultimately requiring financial assistance from the International Monetary Fund and the European Central Bank. As part of the negotiated financial assistance package, the Portuguese government has committed to financial reforms which include increases in sales and income taxes combined with reductions in government spending on social programs. These measures are expected to put further downwards pressure on consumer spending capacity. The rate of growth for our services has diminished in this environment, with net customer losses and service downgrades by customers in the European operations in the third quarter of fiscal year 2011. In accordance with current accounting standards, management considered that this situation combined with net customer losses in the third quarter, which were significantly more important and persistent than expected, will continue to negatively impact the financial results of the European operations and indicate a decrease in the value of the Cogeco Cable Inc's investment in the Portuguese subsidiary. As a result, the Corporation's subsidiary tested goodwill and all long-lived assets for impairment at May 31, 2011.

Goodwill is tested for impairment using a two step approach. The first step consists of determining whether the fair value of the reporting unit to which goodwill is assigned exceeds the net carrying amount of that reporting unit, including goodwill. In the event that the net carrying amount exceeds the fair value, a second step is performed in order to determine the amount of the impairment loss. The impairment loss is measured as the amount by which the carrying amount of the reporting unit's goodwill exceeds its fair value. The Corporation's subsidiary completed its impairment test on goodwill and concluded that goodwill was impaired at May 31, 2011. As a result, a non-cash impairment loss of $29.3 million was recorded in the third quarter of the 2011 fiscal year. Fair value of the reporting unit was determined using the discounted cash flow method. Future cash flows were based on internal forecasts and consequently, considerable management judgment was necessary to estimate future cash flows.

Long-lived assets with finite useful lives, such as fixed assets, are tested for impairment by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flows to be generated by the asset or group of assets. The impairment loss is measured as the amount by which the asset's carrying amount exceeds its fair value. Accordingly, the Corporation's subsidiary completed its impairment test on the fixed assets of the Portuguese subsidiary at May 31, 2011, and determined that the carrying value of these assets exceeded the expected future undiscounted cash flows to be generated by these assets. As a result, a non-cash impairment loss of $196.5 million was recognized in the third quarter of the 2011 fiscal year.

7. Income taxes

(in thousands of dollars)	**2011** **$**	2010 $
Current	**66,210**	(39,251)
Future	**5,782**	70,915
	71,992	31,664

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

(in thousands of dollars)	**2011** **$**	2010 $
Income before income taxes	**30,625**	194,383
Combined income tax rate	**28.91%**	31.45%
Income taxes at combined income tax rate	**8,854**	61,133
Adjustments for losses or income subject to lower or higher tax rates	**(6,254)**	(9,779)
Decrease in future income taxes as a result of decrease in substantively enacted tax rates	**–**	(29,782)
Decrease in income tax recovery arising from the non-deductible impairment of goodwill and fixed assets	**59,856**	–
Utilization of pre-acquisition tax losses	**–**	4,432
Income taxes arising from non-deductible expenses	**658**	878
Effect of foreign income tax rate differences	**10,568**	6,117
Other	**(1,690)**	(1,335)
Income taxes at effective income tax rate	**71,992**	31,664

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

(in thousands of dollars)	**2011** **$**	2010 $
Fixed assets	**(88,606)**	(87,688)
Deferred charges	**(4,304)**	(6,415)
Intangible assets	**(155,654)**	(134,030)
Deferred and prepaid revenue	**5,682**	5,659
Share issuance costs	**–**	858
Partnerships income	**(86,801)**	(78,258)
Non-capital loss and other tax credit carryforwards, net of valuation allowance	**4,848**	2,833
Other	**7,584**	4,397
Net future income tax liabilities	**(317,251)**	(292,644)

Financial statement presentation		
Current future income tax assets	**5,350**	6,133
Long-term future income tax assets	**15,558**	18,189
Current future income tax liabilities	**(85,201)**	(78,267)
Long-term future income tax liabilities	**(252,958)**	(238,699)
Net future income tax liabilities	**(317,251)**	(292,644)

As at August 31, 2011, the Corporation and its Canadian subsidiaries had accumulated federal and provincial income tax losses amounting to approximately $18.5 million , the benefits of which have been recognized in these financial statements. These losses expire as follows:

	2026	2027	2028	2029	2030	2031
(in thousands of dollars)	$	$	$	$	$	$
	19	339	25	352	10,428	7,297

The Corporation's indirect subsidiary, Cabovisão, also has income tax losses amounting to approximately €73 million ($102.8 million), the benefits of which have not been recognized in these financial statements. These losses may be used to reduce future years' taxable income. In accordance with the Portuguese Companies Income Tax Code ("CIRC"), tax losses incurred in a financial year can be carried forward and deducted from taxable profits of one or more of the following six taxation years for tax losses incurred before 2010 and for the following four taxation years for tax losses incurred in 2010 and beyond. However, the CIRC provides for certain exceptions whereby the general rule stated above ceases to apply. One such exception is that tax losses cannot be deducted if the ownership of at least 50% of the social capital changes from the moment when the tax losses were generated, unless a request is filed before such change in the ownership takes place, subject to approval by the Portuguese tax authorities. To this effect, a request for preservation of tax losses for the years preceding the 2006 taxation year was filed by Cabovisão on July 28, 2006 and approved by the Portuguese tax authorities on November 25, 2009. As part of their review, the Portuguese tax authorities have audited Cabovisão's tax returns for the 2003 to 2005 taxation years, which have resulted in notices of assessment to reduce tax losses by €7.3 million in 2003, €29.6 million in 2004 and €17.1 million in 2005, respectively. However, Cabovisão does not agree with the assessments and has initiated legal proceedings against the Portuguese tax authorities. In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during a four-year period. These periods can be extended or suspended when there are tax losses, tax benefits granted, tax inspections, claims or appeals in progress. Consequently, Cabovisão's tax returns for the taxation years 2006 to 2011 are still subject to review by the tax authorities and therefore, the amount of available tax losses could be significantly reduced based on past experience. These losses expire as follows:

	2012	2014	2015
(in thousands of dollars)	$	$	$
	50,978	18,714	33,085

8. Earnings (loss) per share

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

	2011	2010
(in thousands of dollars, except number of shares and per share data)	**$**	$
Net income (loss)	**(8,979)**	56,264
Weighted average number of multiple voting and subordinate voting shares outstanding	**16,728,863**	16,726,135
Effect of dilutive stock options(1)(2)	**–**	10,681
Effect of dilutive subordinate voting shares held in trust under the Incentive Share Unit Plan(1)	**–**	67,837
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	**16,728,863**	16,804,653
Earnings (loss) per share		
Basic	**(0.54)**	3.36
Diluted	**(0.54)**	3.35

(1) In 2011, no stock options (32,382 in 2010) were excluded from the calculation of diluted earnings (loss) per share as the exercise price of the options was greater than the average share market price of the subordinate voting shares.
(2) The weighted average dilutive number of subordinate voting shares which were anti-dilutive for the year ended August 31, 2011 amounted to 129,165 due to the net loss.

9. Fixed assets

(in thousands of dollars)	**2011** **$**	2010 $
Cost		
Land	**6,686**	6,589
Buildings	**65,651**	52,925
Cable systems	**2,325,851**	1,966,175
Broadcasting, programming and production equipment	**68,906**	46,826
Home terminal devices	**416,309**	352,555
Rolling stock and equipment under capital leases	**22,030**	17,960
Other equipment	**104,095**	68,178
Leasehold improvements	**42,975**	24,566
	3,052,503	2,535,774
Accumulated amortization		
Buildings	**20,090**	14,108
Cable systems	**1,370,687**	925,151
Broadcasting, programming and production equipment	**29,023**	23,136
Home terminal devices	**277,029**	203,162
Rolling stock and equipment under capital leases	**14,753**	11,048
Other equipment	**55,166**	25,177
Leasehold improvements	**13,145**	5,126
	1,779,893	1,206,908
	1,272,610	1,328,866

10. Deferred charges

(in thousands of dollars)	**2011** **$**	2010 $
Reconnect and additional service activation costs	**20,964**	20,813
Transaction costs	**5,258**	6,701
Other	**625**	446
	26,847	27,960

11. Goodwill and other intangible assets

(in thousands of dollars)	**2011** **$**	2010 $
Customer relationships	**57,637**	28,106
Broadcasting licences	**74,013**	25,120
Customer base	**989,772**	989,772
	1,121,422	1,042,998
Goodwill	**239,664**	144,695
	1,361,086	1,187,693

A) Intangible assets

During fiscal years 2011 and 2010, intangible asset variations were as follows:

(in thousands of dollars)	**Customer relationships** **$**	**Broadcasting licences** **$**	**Customer base** **$**	**2011 Total** **$**
Balance, beginning of year	**28,106**	**25,120**	**989,772**	**1,042,998**
Business acquisitions (note 2)	**34,305**	**48,893**	**–**	**83,198**
Amortization	**(4,774)**	**–**	**–**	**(4,774)**
Balance, end of year	**57,637**	**74,013**	**989,772**	**1,121,422**

(in thousands of dollars)	Customer relationships $	Broadcasting licences $	Customer base $	2010 Total $
Balance, beginning of year	32,882	25,120	989,772	1,047,774
Amortization	(4,776)	–	–	(4,776)
Balance, end of year	28,106	25,120	989,772	1,042,998

At August 31, 2011 and 2010, the Corporation and its subsidiaries, Cogeco Cable Inc. and Cogeco Diffusion Acquisitions Inc., tested the value of customer base and broadcasting licences for impairment and concluded that no impairment existed.

B) Goodwill

During fiscal years 2011 and 2010, goodwill variation was as follows:

(in thousands of dollars)	**2011** **$**	2010 $
Balance, beginning of year	**144,695**	153,695
Business acquisitions (note 2)	**123,421**	–
Recognition of pre-acquisition tax losses	**–**	(4,432)
Impairment (note 6)	**(29,344)**	–
Foreign currency translation adjustment	**892**	(4,568)
Balance, end of year	**239,664**	144,695

On November 25, 2009, the Corporation's subsidiary, Cabovisão, received approval to its request for preservation of tax losses for the taxation years preceding the 2006 taxation year. Accordingly, the Corporation's subsidiary, Cogeco Cable Inc., has adjusted its allocation of the purchase price to reflect the recognition of additional tax losses incurred prior to the acquisition, in an amount not exceeding management's best estimate of the level of pre-acquisition tax losses that will be realized. This adjustment has reduced goodwill by approximately $4.4 million in the year ended August 31, 2010. Pending resolution of the litigations for taxation years 2003 to 2005 mentioned in note 7, the Corporation will review its estimate periodically to reflect currently available information and any additional recognition of pre-acquisition tax losses will be recorded as a reduction of goodwill.

At August 31, 2011 and 2010, the Corporation and its subsidiairies,, Cogeco Cable Inc. and Cogeco Diffusion Acquisitions Inc., tested the value of goodwill for impairment and concluded that no impairment existed.

12. Long-term debt

(in thousands of dollars)	Maturity	Interest rate %	**2011 $**	2010 $
Parent Corporation				
Term Revolving Facility [a)]	February 2014	3.35	**69,849**	–
Obligations under capital lease	November 2013	9.29	**52**	72
Subsidiaries				
Term Revolving Facility [b)]				
Revolving loan	July 2014	4.00[(1)]	**110,000**	–
Revolving loan — €nil (€90 million in 2010)	July 2014	2.63[(2)(3)]	**–**	121,635
Senior Secured Notes [c)]				
Series A – US$190 million	October 2015	7.00	**185,049**	201,387
Series B	October 2018	7.60	**54,646**	54,609
Senior Secured Debentures Series 1 [d)]	June 2014	5.95	**298,016**	297,379
Senior Secured Debentures Series 2 [e)]	November 2020	5.15	**198,400**	198,367
Senior Secured Notes Series B [f)]	October 2011	7.73	**–**	174,738
Senior Unsecured Debenture [g)]	March 2018	5.94	**99,827**	99,806
Obligations under capital leases	October 2013	6.71 – 9.93	**2,939**	5,429
Other	2011	–	**3**	15
			1,018,782	955,070
Less current portion			**2,119**	2,329
			1,016,663	952,741

(1) Interest rate on debt at August 31, 2011, including the applicable margin.
(2) Interest rate on debt at August 31, 2010, including the applicable margin.
(3) On January 21, 2009, the Corporation's subsidiary, Cogeco Cable Inc., entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to a portion of Euro-denominated loans outstanding under the Term Revolving Facility, and previously the Term Facility, for a notional amount of €111.5 million which has been reduced to €95.8 million on July 28, 2009 and to €69.6 million on July 28, 2010. The interest swap rate to hedge the Euro-denominated loans has been fixed at 2.08% until the settlement of the swap agreement on June 28, 2011.

a) The Corporation benefits from a Term Revolving Facility of up to $100 million with a group of financial institutions led by a large Canadian bank, which acts as agent for the banking syndicate. The Term Revolving Facility of up to $100 million includes a swingline limit of $7.5 million, is extendable by additional one-year periods on an annual basis, subject to lenders' approval, and if not extended, matures three years after its issuance or the last extension, as the case may be. The Term Revolving Facility is composed of two tranches of $50 million each, one of which was subject to the completion of the acquisition of Corus Québec radios stations and which became available on February 1, 2011 with the conclusion of the transaction. The Term Revolving Facility was extended at that same date and currently matures on February 1, 2014. The Term Revolving Facility can be repaid at any time without penalty. The Term Revolving Facility is indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries, excluding the capital stock and assets of the Corporation's subsidiary, Cogeco Cable Inc., and guaranteed by its subsidiaries excluding Cogeco Cable Inc. Under the terms and conditions of the credit agreement, the Corporation must comply with certain restrictive covenants. Generally, the most significant restrictions are related to permitted investments, dividends on multiple and subordinate voting shares and reimbursement of long-term debt as well as incurrence and maintenance of certain financial ratios primarily linked to the operating income before amortization, financial expense, and total indebtedness. The Term Revolving Facility bears interest, at the Corporation's option, on bankers' acceptance, LIBOR in Euros or in US dollars, bank prime rate or US base rate plus the applicable margin, and commitment fees are payable on the unused portion. At August 31, 2011, the Corporation was in compliance with all of its covenants.

b) The Corporation's subsidiary, Cogeco Cable Inc., benefits from a $750 million Term Revolving Facility with a group of financial institutions led by two large Canadian banks, which became effective on July 12, 2010. This Term Revolving Facility has an option to be increased up to $1 billion subject to lenders' participation. The Term Revolving Facility is available in Canadian, US or Euro currencies and includes a swingline of $25 million available in Canadian or US currencies. The Term Revolving Facility may be extended by additional one-year periods on an annual basis, subject to lenders' approval, and, if not extended, matures four years after its issuance or the last extension, as the case may be. The Term Revolving Facility can be repaid at any time without penalty. The Term Revolving Facility requires commitment fees, and interest rates are based on bankers' acceptance, LIBOR in Euros or in US dollars, bank prime rate loan or US base rate loan plus the applicable margin. The Term Revolving Facility is indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under this facility provides for restrictions on the operations and activities of the Corporation's subsidiary, Cogeco Cable Inc. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to operating income before amortization, financial expense and total indebtedness. At August 31, 2011, the Corporation's subsidiary, Cogeco Cable Inc., was in compliance with all of its covenants.

c) On October 1, 2008, the Corporation's subsidiary, Cogeco Cable Inc., issued US$190 million Senior Secured Notes Series A maturing October 1, 2015, and $55 million Senior Secured Notes Series B maturing October 1, 2018, net of transaction costs of $2.1 million, for net proceeds of $255 million. The Senior Secured Notes Series B bear interest at the coupon rate of 7.60% per annum, payable semi-annually. Cogeco Cable Inc., has entered into cross-currency swap agreements to fix the liability for interest and principal payments on the Senior Secured Notes Series A in the amount of US$190 million, which bear interest at the coupon rate of 7.00% per annum, payable semi-annually. Taking into account these agreements, the effective interest rate on the Senior Secured Notes Series A is 7.24% and the exchange rate applicable to the principal portion of the US dollar-denominated debt has been fixed at $1.0625. The Senior Secured Notes are senior secured obligations and rank equally and rateably with all existing and future senior indebtedness. These notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable Inc., and certain of its subsidiaries. The notes are redeemable at the Corporation's subsidiary, option at any time, in whole or in part, prior to maturity, at 100% of the principal amount plus a make-whole premium.

d) On June 9, 2009, the Corporation's subsidiary, Cogeco Cable Inc., completed, pursuant to a public debt offering, the issue of $300 million Senior Secured Debentures Series 1, net of discounts and transactions costs of $3.3 million, for net proceeds of $296.7 million. The Senior Secured Debentures Series 1 are redeemable at the Corporation's subsidiary, option, in whole or in part, at the greater of par value or the Canada bond yield plus 0.875%. These debentures mature on June 9, 2014 and bear interest at 5.95% per annum, payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable Inc., and certain of its subsidiaries.

e) On November 16, 2010 the Corporation's subsidiary, Cogeco Cable Inc., completed pursuant to a public debt offering, the issue of $200 million Senior Secured Debentures Series 2 for net proceeds of $198.3 million net of discounts and transaction costs. These debentures mature on November 16, 2020 and bear interest at 5.15% per annum payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation's subsidiary and certain of its subsidiaries.

f) The Senior Secured Notes Series B were senior secured obligations and rank equally and rateably with all existing and future senior indebtedness. These notes were indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation's subsidiary, Cogeco Cable Inc., and certain of its subsidiaries. The notes were redeemable at the Corporation's subsidiary option at any time, in whole or in part, prior to maturity, at 100% of the principal amount plus a make-whole premium. The Senior Secured Notes Series B were to mature on October 31, 2011 and had an interest coupon rate of 7.73% per annum, payable semi-annually. On December 22, 2010, the Corporation's subsidiary, Cogeco Cable Inc., redeemed the 7.73% Senior Secured Notes Series B in the aggregate principal amount of $175 million. As a result, the aggregate redemption cash consideration that the Corporation's subsidiary paid totalled $183.8 million excluding accrued interest. The excess of the redemption price over the aggregate principal amount was recorded as financial expense during the second quarter of fiscal 2011.

g) On March 5, 2008, the Corporation's subsidiary, Cogeco Cable Inc., issued a $100 million Senior Unsecured Debenture by way of a private placement, subject to usual market conditions. The debenture bears interest at a fixed rate of 5.936% per annum, payable semi-annually. The debenture matures on March 5, 2018 and is redeemable at the Corporation's subsidiary, option at any time, in whole or in part, prior to maturity, at 100% of the principal amount plus a make-whole premium.

h) Principal repayments due on long-term debt for the next five fiscal years, excluding those under capital leases, are as follows:

	2012	2013	2014	2015	2016	Thereafter
(in thousands of dollars)	$	$	$	$	$	$
	3	-	480,000	-	186,086	355,000

i) Minimum payments due under capital leases total $3,187,000 of which $196,000 represents financial expense, and are as follows:

	2012	2013	2014
(in thousands of dollars)	$	$	$
	2,277	897	13

13. Capital stock

Authorized

Unlimited number of:

Preferred shares of first and second rank, issuable in series and non-voting, except when specified in the Articles of Incorporation of the Corporation or in the Law.

Multiple voting shares, 20 votes per share.

Subordinate voting shares, 1 vote per share.

Issued

(in thousands of dollars, except number of shares)	**2011** **$**	2010 $
1,842,860 multiple voting shares	**12**	12
14,989,338 subordinate voting shares (14,959,338 in 2010)	**121,976**	121,347
	121,988	121,359
95,733 subordinate voting shares held in trust under the Incentive Share Unit Plan (71,862 in 2010)	**(2,670)**	(1,832)
	119,318	119,527

During the year, subordinate voting shares transactions were as follows:

	2011		2010	
(in thousands of dollars, except number of shares)	**Number of shares**	**Amount $**	Number of shares	Amount $
Balance, beginning of year	**14,959,338**	**121,347**	14,942,470	120,994
Shares issued for cash under the employee stock purchase plan and the stock option plan	**30,000**	**629**	16,868	353
Balance, end of year	**14,989,338**	**121,976**	14,959,338	121,347

During the year, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

	2011		2010	
(in thousands of dollars, except number of shares)	**Number of shares**	**Amount $**	Number of shares	Amount $
Balance, beginning of year	**71,862**	**1,832**	56,449	1,847
Subordinate voting shares acquired	**36,460**	**1,296**	41,571	1,049
Subordinate voting shares distributed to employees	**(12,589)**	**(458)**	(26,158)	(1,064)
Balance, end of year	**95,733**	**2,670**	71,862	1,832

Stock-based plans

The Corporation and its subsidiary, Cogeco Cable Inc., offer for the benefit of their employees and those of certain of their subsidiaries, Employee Stock Purchase Plans and Stock Option Plans for certain executives. Under these plans, no more than 10% of the outstanding subordinate voting shares are available. Furthermore, the Corporation and its subsidiary, Cogeco Cable Inc., offer Incentive Share Unit Plans for senior executive and designated employees.

Stock purchase plans

The Corporation and its subsidiary, Cogeco Cable Inc., offer, for the benefit of their employees and those of their subsidiaries, Employee Stock Purchase Plans, which have been modified effective January 1st, 2010. The new plans are accessible to all employees up to a maximum of 7% of their base annual salary and the Corporation and its subsidiary contributes 25% of the employee contributions. The subscriptions are made monthly and employee shares are purchased on the stock market. Prior to January 1st, 2010, the plans were accessible to all employees up to a maximum of 5% of their annual salary. The subscription date was December 31 and the subscription price was based on the average market price of the share of the last five business days of November less 10%.

Stock option plans

The Corporation and its subsidiary, Cogeco Cable Inc., offer for the benefit of certain executives Stock Option Plans. Under the plans' conditions, the minimum purchase price at which options are granted is not less than the fair value of such shares at the time the option is granted. Options granted after September 1st, 2009, vest 20% per year beginning one year after such options are granted and are exercisable over ten years. Prior to September 1st, 2009, options granted vest at the rate of 20% per year beginning the day such options are granted and are exercisable over ten years, except for conditional stock options granted in 2007, which vested equally over a period of three years beginning one year after the day such options were granted and are exercisable over ten years.

A total of 1,545,700 subordinate voting shares are reserved for the purpose of COGECO Inc.'s Stock Option Plan. During fiscal years 2011 and 2010, no stock options were granted to employees by COGECO Inc.

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

	2011 Options	**2011 Weighted average exercise price**	2010 Options	2010 Weighted average exercise price
		$		$
Outstanding, beginning of year	**62,382**	**29.54**	79,250	27.71
Exercised	**(30,000)**	**20.95**	(16,868)	20.95
Expired	**(32,382)**	**37.50**	–	–
Outstanding, end of year	**–**	**–**	62,382	29.54
Exercisable, end of year	**–**	**–**	62,382	29.54

A total of 2,400,000 subordinate voting shares are reserved for the purpose of Cogeco Cable Inc.'s Stock Option Plan. During fiscal year 2011, Cogeco Cable Inc. granted 71,090 stock options (66,174 in 2010) with an exercise price ranging from $39.00 to $44.00 ($31.82 to $38.86 in 2010), of which 35,800 stock options (33,266 in 2010) were granted to COGECO Inc.'s employees.

Under the plan, the following options were granted by Cogeco Cable Inc. and are outstanding at August 31:

	2011 Options	**2011 Weighted average exercise price**	2010 Options	2010 Weighted average exercise price
		$		$
Outstanding, beginning of year	**716,760**	**30.16**	716,745	30.37
Granted	**71,090**	**39.26**	66,174	32.08
Exercised	**(188,319)**	**25.17**	(17,911)	26.88
Forfeited	**(34,706)**	**41.12**	(37,850)	39.95
Cancelled(1)	**–**	**–**	(10,398)	26.63
Expired	**(448)**	**36.10**	–	–
Outstanding, end of year	**564,377**	**32.30**	716,760	30.16
Exercisable, end of year	**393,802**	**30.39**	507,811	28.28

(1) In fiscal year 2010, Cogeco Cable Inc. cancelled 10,398 conditional stock options as yearly financial objectives by the Portuguese subsidiary, Cabovisao, were not achieved.

At August 31, 2011, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of Cogeco Cable Inc.'s options are as follows:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$			$		$
15.70 to 16.80	**20,222**	**2.18**	**16.38**	**20,222**	**16.38**
21.50 to 26.63	**199,860**	**4.71**	**25.59**	**199,860**	**25.59**
28.95 to 34.46	**207,996**	**6.80**	**32.26**	**117,868**	**31.83**
36.10 to 45.59	**69,573**	**9.07**	**39.50**	**2,209**	**45.25**
49.82	**66,726**	**6.15**	**49.82**	**53,643**	**49.82**
	564,377	**6.10**	**32.30**	**393,802**	**30.39**

The Corporation and its subsidiary, Cogeco Cable Inc., recorded compensation expense for options granted on or after September 1, 2003. As a result, a compensation expense of $594,000 ($868,000 in 2010) was recorded for the year ended August 31, 2011.

The weighted average fair value of each option granted by Cogeco Cable Inc. was estimated on the grant date for purposes of determining stock-based compensation expense using the binomial option pricing model based on the following assumptions:

	2011	2010
	%	%
Expected dividend yield	**1.44**	1.49
Expected volatility	**29**	29
Risk-free interest rate	**2.05**	2.67
Expected life in years	**4.9**	4.8

The fair value of stock options granted by Cogeco Cable Inc. for the year ended August 31, 2011 was $9.58 ($8.12 in 2010) per option.

For the purpose of compensation expense, stock-based compensation costs are amortized to expense on a straight-line basis over the vesting period, which is three to five years.

Incentive share unit plan

Effective October 13, 2006 and October 29, 2009, the Corporation and its subsidiary, Cogeco Cable Inc., established senior executive and designated employee Incentive Share Unit Plans ("ISU Plan"s) which, in effect, replace the Performance Unit Plans. According to the plans, senior executives and designated employees periodically receive a given number of Incentive Share Units ("ISUs") which entitled the participant to receive subordinate voting shares of the Corporation or its subsidiary after three years less one day from the date of grant. During the year, 36,460 and 61,724 (41,571 and 63,666 in 2010) ISUs were granted to the participants in connection with the ISU Plans by the Corporation and its subsidiary, respectively. The Corporation and its subsidiary establish the value of the compensation related to the units granted based on the fair value of the subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, which is three years less one day. Two trusts were created for the purpose of purchasing these shares on the stock exchange in order to guard against stock price fluctuation. The Corporation and its subsidiary instructed the trustees to purchase 36,460 and 59,503 (41,571 and 62,436 in 2010) subordinate voting shares of the Corporation and its subsidiary respectively on the stock market. These shares were purchased for cash considerations of $1,296,000 and $2,368,000 ($1,049,000 and $2,008,000 in 2010) and are held in trusts for participants until they are completely vested. The trusts, considered as variable interest entities, are consolidated in the Corporation's financial statements with the value of the acquired shares presented as subordinate voting shares held in trust under the ISU Plans in reduction of capital stock or non-controlling interest. A compensation expense of $2,383,000 ($1,300,000 in 2010) was recorded related to these plans.

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

	2011	2010
Outstanding, beginning of year	**71,862**	55,757
Granted	**36,460**	41,571
Distributed	**(12,589)**	(25,466)
Outstanding, end of year	**95,733**	71,862

Under Cogeco Cable Inc.'s ISU Plan, the following ISUs were granted and are outstanding at August 31:

	2011	2010
Outstanding, beginning of year	**57,409**	–
Granted	**61,724**	63,666
Distributed	**(13,184)**	(5,027)
Forfeited	**(885)**	(1,230)
Outstanding, end of year	**105,064**	57,409

Deferred share unit plans

The Corporation and its subsidiary, Cogeco Cable Inc., established Deferred Share Unit Plans ("DSU Plans") to assist in the attraction and retention of qualified individuals to serve on the Board of Directors ("Board") of the Corporation and its subsidiary. Each existing or new member of the Board may elect to be paid a percentage of the annual retainer in the form of deferred share units ("DSUs") with the balance, if any, being paid in cash. The number of DSUs that a member is entitled to receive is based on the average closing price of the subordinate shares on the Toronto Stock Exchange for the twenty consecutive trading days immediately preceding the date preceding by one day the date of grant. Dividend equivalents are awarded with respect to DSUs in a member's account on the same basis as if the member was a shareholder of record of subordinate shares on the relevant record date, and the dividend equivalents are credited to the individual's account as additional DSUs. DSUs are redeemable upon an individual ceasing to be a member of the Board or in the event of the death of the member. During the year, 6,302 and 4,521 (6,987 and 4,422 in 2010) DSUs were issued to the participants in connection with the DSU Plans by the Corporation and its subsidiary, respectively. A compensation expense of $860,000 ($668,000 in 2010) was recorded related to these plans.

Under COGECO Inc.'s DSU Plan, the following DSUs were issued and are outstanding as at August 31:

	2011	2010
Outstanding, beginning of year	**21,630**	17,244
Issued	**6,302**	6,987
Dividend equivalents	**311**	285
Redeemed	**(5,828)**	(2,886)
Outstanding, end of year	**22,415**	21,630

Under Cogeco Cable Inc.'s DSU Plan, the following DSUs were issued and are outstanding at August 31:

	2011	2010
Outstanding, beginning of year	**10,855**	10,000
Issued	**4,521**	4,422
Dividend equivalents	**232**	169
Redeemed	**–**	(3,736)
Outstanding, end of year	**15,608**	10,855

14. Accumulated other comprehensive income

			2011			2010
	Translation of a net investment in self-sustaining foreign subsidiaries	**Cash flow hedges**	**Total**	Translation of a net investment in self-sustaining foreign subsidiaries	Cash flow hedges	Total
(in thousands of dollars)	**$**	**$**	**$**	$	$	$
Balance, beginning of year	**4,993**	**941**	**5,934**	7,634	(1,306)	6,328
Other comprehensive income (loss)	**1,075**	**(293)**	**782**	(2,641)	2,247	(394)
Balance, end of year	**6,068**	**648**	**6,716**	4,993	941	5,934

15. Statements of cash flows

A) Changes in non-cash operating items

(in thousands of dollars)	**2011** **$**	2010 $
Accounts receivable	**(9,378)**	(9,998)
Income taxes receivable	**7,194**	(40,510)
Prepaid expenses and other	**2,104**	(206)
Accounts payable and accrued liabilities	**17,195**	3,443
Income tax liabilities	**59,855**	(40,688)
Deferred and prepaid revenue and other liabilities	**(1,859)**	11,076
	75,111	(76,883)

B) Fixed assets

During the year, fixed asset acquisitions amounted to $330,669,000 ($309,893,000 in 2010), none of which were acquired through capital leases ($141,000 in 2010). Disbursements for the acquisition of fixed assets totalled $330,669,000 ($309,752,000 in 2010).

C) Cash and cash equivalents

Cash and cash equivalents consist of:

(in thousands of dollars)	**2011** **$**	2010 $
Cash	**50,995**	35,842
Cash equivalents(1)	**4,221**	–
	55,216	35,842

(1) At August 31, 2011, term deposit of €3 million, bearing interest at 0.65%, maturing on September 19, 2011.

D) Other information

(in thousands of dollars)	**2011** **$**	2010 $
Financial expense paid	**73,813**	63,264
Income taxes paid (received)	**(343)**	43,037

16. Employee future benefits

The Corporation and its Canadian subsidiaries offer their employees contributory defined benefit pension plans, a defined contribution pension plan or collective registered retirement savings plans. With respect to the last two plans, the Corporation and its subsidiaries' obligations are limited to the payment of the monthly employer's portion. Expenses related to these two plans amounted to $5,446,000 in fiscal 2011 ($4,712,000 in 2010).

The Corporation and its subsidiaries sponsor a defined benefit pension plan for the benefit of its employees and a separate defined benefit pension plan for the benefit of its senior executives, which provide pensions based on the number of years of service and the average salary during the employment of each participant. In addition, the Corporation and its subsidiaries offer senior executives a supplementary pension plan. The Corporation measures plan assets at fair value and the accrued benefit obligation at August 31 of each year for all plans. The most recent actuarial valuation for the pension plan for the benefit of the employees was at August 31, 2010 and the next required valuations will be at August 31, 2011. For the senior executives' plans, the most recent actuarial valuation was at August 31, 2008, and the next required valuation will be at August 31, 2011.

The total cash amount paid or payable for employee future benefits for all plans, consisting of cash contributed by the Corporation and its subsidiaries to its funded pension plans, cash payments directly to beneficiaries for its unfunded other benefit plans, and cash contributed to its defined contribution plans, totalled $9,360,000 for the year ended August 31, 2011 ($8,200,000 in 2010).

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

	2011	2010
(in thousands of dollars)	**$**	$
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	**44,276**	36,880
Current service cost	**2,019**	1,616
Past service cost	**99**	208
Interest cost	**2,533**	2,390
Contributions by plan participants	**394**	395
Benefits paid	**(1,616)**	(1,360)
Actuarial loss on obligation	**6,758**	4,147
Accrued benefit obligation, end of year	**54,463**	44,276
Plan assets at fair value		
Plan assets at fair value, beginning of year	**21,729**	17,913
Actual return on plan assets	**367**	715
Contributions by plan participants	**394**	395
Employer contributions	**2,077**	4,066
Benefits paid	**(1,616)**	(1,360)
Plan assets at fair value, end of year	**22,951**	21,729
Funded status		
Plan assets at fair value	**22,951**	21,729
Accrued benefit obligation	**54,463**	44,276
Plan deficit	**31,512**	22,547
Unamortized actuarial losses	**(19,369)**	(12,777)
Unamortized past service cost	**(961)**	(990)
Net accrued benefit liability	**11,182**	8,780

The net accrued benefit liability is included in the Corporation's balance sheet under "Pension plans liabilities and accrued employee benefits".

	2011	2010
(in thousands of dollars)	**$**	$
Defined benefit pension costs		
Current service cost	**2,019**	1,616
Past service cost	**99**	208
Interest cost	**2,533**	2,390
Actual return on plan assets	**(367)**	(715)
Actuarial loss on obligation	**6,758**	4,147
Cost before adjustments to recognize the long-term nature of employee future benefits	**11,042**	7,646
Difference between past service cost and amortization of past service cost	**29**	(110)
Difference between expected return and actual return on plan assets	**(925)**	(500)
Difference between actuarial loss and amortization of net actuarial loss	**(5,667)**	(3,572)
Net benefit cost	**4,479**	3,464

Plan assets consist of:

	2011	2010
	%	%
Equity securities	**61**	54
Debt securities	**38**	45
Other	**1**	1
Total	**100**	100

The significant weighted average assumptions used in measuring the Corporation’s pension and other obligations are as follows:

	2011	2010
	%	%
Accrued benefit obligation		
Discount rate	**4.70**	5.50
Rate of compensation increase	**3.00**	3.25
Defined benefit pension costs		
Discount rate	**5.50**	6.25
Expected long-term rate of return on plan assets	**6.25**	6.75
Rate of compensation increase	**3.25**	4.50

17. Financial and capital management

A) Financial management

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

Credit risk

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

Credit risk from the derivative financial instruments arises from the possibility that counterparties to the cross-currency swap agreements may default on their obligations in instances where these agreements have positive fair values for the Corporation. The Corporation reduces this risk by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. The Corporation assesses the creditworthiness of the counterparties in order to minimize the risk of counterparties default under the agreements. At August 31, 2011, management believes that the credit risk relating to its swaps is minimal, since the lowest credit rating of the counterparties to the agreements was A.

Cash and cash equivalents consist mainly of highly liquid investments, such as term deposits. The Corporation has deposited the cash and cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote.

The Corporation is also exposed to credit risk in relation to its trade accounts receivable. In the current global economic environment, the Corporation’s credit exposure is higher but it is difficult to predict the impact this could have on the Corporation’s accounts receivable balances. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new major customer. At August 31, 2011, no customer balance represents a significant portion of the Corporation’s consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on specific credit risk of its customers by examining such factors as the number of overdue days of the customer’s balance outstanding as well as the customer’s collection history. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. The Corporation has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Since the Corporation has a large and diversified clientele dispersed throughout in its market area in Canada and Portugal, there is no significant concentration of credit risk. The following table provides further details on the Corporation’s accounts receivable balances:

	2011	2010
(in thousands of dollars)	**$**	$
Trade accounts receivable	**98,950**	76,243
Allowance for doubtful accounts	**(8,725)**	(8,531)
	90,225	67,712
Other accounts receivable	**10,072**	6,848
	100,297	74,560

The following table provides further details on trade accounts receivable, net of allowance for doubtful accounts. Trade accounts receivable past due is defined as amount outstanding beyond normal credit terms and conditions for the respective customers. A large portion of Cogeco Cable Inc.'s customers are billed in advance and are required to pay before their services are rendered. The Corporation considers amount outstanding at the due date as trade accounts receivable past due.

	2011	2010
(in thousands of dollars)	**$**	$
Net trade accounts receivable not past due	**57,790**	46,291
Net trade accounts receivable past due	**32,435**	21,421
	90,225	67,712

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due. At August 31, 2011, the available amount of the Corporation's Term Facilities was $654.9 million. Management believes that the committed Term Facilities will, until their maturities in February 2014 and July 2014, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements.

The following table summarizes the contractual maturities of the financial liabilities and related capital amounts:

	2012	2013	2014	2015	2016	Thereafter	Total
	$	$	$	$	$	$	$
Accounts payable and accrued liabilities(1)	268,039	–	–	–	–	–	268,039
Promissory note payable	5,000	–	–	–	–	–	5,000
Long-term debt(2)	3	–	480,000	–	186,086	355,000	1,021,089
Balance due on a business acquisition	–	11,400	–	–	–	–	11,400
Other liabilities	–	1,084	954	833	732	1,211	4,814
Derivative financial instruments							
Cash outflows (Canadian dollar)	–	–	–	–	201,875	–	201,875
Cash inflows (Canadian dollar equivalent of US dollar)	–	–	–	–	(186,086)	–	(186,086)
Obligations under capital leases(3)	2,277	897	13	–	–	–	3,187
	275,319	13,381	480,967	833	202,607	356,211	1,329,318

(1) Excluding accrued interest.
(2) Principal excluding obligations under capital leases.
(3) Including interest.

The following table is a summary of interest payable on long-term debt (excluding interest on capital leases) that are due for each of the next five years and thereafter, based on the principal and interest rate prevailing on the current debt at August 31, 2011 and their respective maturities:

	2012	2013	2014	2015	2016	Thereafter	Total
	$	$	$	$	$	$	$
Interest payments on long-term debt	58,034	58,034	56,118	33,442	26,929	68,672	301,229
Interest payments on derivative financial instruments	14,614	14,614	14,614	14,614	7,307	–	65,763
Interest receipts on derivative financial instruments	(13,026)	(13,026)	(13,026)	(13,026)	(6,513)	–	(58,617)
	59,622	59,622	57,706	35,030	27,723	68,672	308,375

Interest rate risk

The Corporation is exposed to interest rate risks for both fixed interest rate and floating interest rate instruments. Fluctuations in interest rates will have an effect on the valuation and collection or repayment of these instruments. At August 31, 2011, all of the Corporation's long-term debt was at fixed rate, except for the Corporation's Term Facilities. The sensitivity of the Corporation's annual financial expense to a variation of 1% in the interest rate applicable to the Term Revolving Facilities is approximately $1.8 million based on the current debt outstanding at August 31, 2011.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk related to its long-term debt denominated in US dollars. In order to mitigate this risk, the Corporation has established guidelines whereby currency swap agreements can be used to fix the exchange rates applicable to its US dollar denominated long-term debt. All such agreements are exclusively used for hedging purposes. Accordingly, on October 2, 2008, the Corporation's subsidiary, Cogeco Cable Inc., entered into cross-currency swap agreements to set the liability for interest and principal payments on its US$190 million Senior Secured Notes Series A issued on October 1, 2008. These agreements have the effect of converting the US interest coupon rate of 7.00% per annum to an average Canadian dollar interest rate of 7.24% per annum. The exchange rate applicable to the principal portion of the debt has been fixed at $1.0625. The Corporation's subsidiary elected to apply cash flow hedge accounting on these derivative financial instruments.

The Corporation is also exposed to foreign exchange risk on cash and cash equivalents, bank indebtedness and accounts payable denominated in US dollars or Euros. At August 31, 2011, cash and cash equivalents denominated in US dollars amounted to US$8.8 million (US$13.6 million at August 31, 2010) while accounts payable denominated in US dollars amounted to US$30.9 million (US$15.9 million at August 31, 2010). At August 31, 2011, Euro-denominated cash and cash equivalents amounted to €353,000 (€187,000 at August 31, 2010). Due to their short-term nature, the risk arising from fluctuations in foreign exchange rates is usually not significant. The impact of a 10% change in the foreign exchange rates (US dollar and Euros) would change financial expense by approximately $2.1 million.

Furthermore, Cogeco Cable Inc.'s net investment in self-sustaining foreign subsidiaries is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the Euro. This risk is mitigated since the major part of the purchase price for Cabovisão was borrowed directly in Euros. At August 31, 2011, the net investment amounted to €6.1 million (€182.1 million at August 31, 2010) while no long-term debt is denominated in Euros (€90 million at August 31, 2010). The exchange rate used to convert the Euro currency into Canadian dollars for the balance sheet accounts at August 31, 2011 was $1.4071 per Euro compared to $1.3515 per Euro at August 31, 2010. The impact of a 10% change in the exchange rate of the Euro into Canadian dollars would change other comprehensive income by approximately $0.3 million net of non-controlling interest of $0.6 million.

Fair value

Fair value is the amount at which willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. Fair values are estimated at a specific point in time, by discounting expected cash flows at rates for debts of the same remaining maturities and conditions. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, and therefore, cannot be determined with precision. In addition, income taxes and other expenses that would be incurred on disposition of these financial instruments are not reflected in the fair values. As a result, the fair values are not necessarily the net amounts that would be realized if these instruments were settled. The Corporation has determined the fair value of its financial instruments as follows:

b) Interest rates under the terms of the Corporation's Term Revolving Facilities are based on bankers' acceptance, LIBOR, EURIBOR, bank prime rate loan or US base rate loan plus the applicable margin. Therefore, the carrying value approximates fair value for the Term Revolving Facility, since the Term Revolving Facility has conditions similar to those available to the Corporation.

c) The fair value of the Senior Secured Debentures Series 1, Senior Secured Notes Series A and B and Senior Unsecured Debenture are based upon current trading values for similar financial instruments.

d) The fair values of obligations under capital leases are not significantly different from their carrying amounts.

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

		2011		2010
	Carrying amount	**Estimated fair value**	Carrying amount	Estimated fair value
(in thousands of dollars)	**$**	**$**	$	$
Long-term debt	**1,018,782**	**1,096,987**	955,070	1,050,783

In accordance with CICA Handbook Section 3862, *Financial instruments – disclosures*, all financial instruments recognized at fair value on the consolidated balance sheet must be classified based on the three fair value hierarchy levels, which are as follows:

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

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

B) Capital management

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

The capital structure of the Corporation is composed of shareholders' equity, bank indebtedness, long-term debt, balance due on a business acquisition, promissory note payable and assets or liabilities related to derivative financial instruments.

The provisions under the Term Revolving Facilities provide for restrictions on the operations and activities of the Corporation. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to the operating income before amortization, financial expense and total indebtedness. At August 31, 2011 and 2010, the Corporation was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements.

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

	2011	2010
Net senior indebtedness[(1)] / operating income before amortization	**1.5**	1.6
Net indebtedness[(2)] / operating income before amortization	**1.7**	1.8
Operating income before amortization / financial expense	**7.8**	7.9

(1) Net senior indebtedness is defined as the total of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents and principal on Senior Unsecured Debenture.
(2) Net indebtedness is defined as the total of bank indebtedness, principal on long-term debt, balance due on a business acquisition, promissory note payable and obligations under derivative financial instruments, less cash and cash equivalents.

18. Commitments, contingencies and guarantees

Commitments

Lease agreements and other long-term contracts

As at August 31, 2011, the Corporation and its subsidiaries are committed under lease agreements and other long-term contracts to make annual payments as follows:

	2012	2013	2014	2015	2016	Thereafter
(in thousands of dollars)	$	$	$	$	$	$
Lease agreements	21,488	19,935	19,769	19,431	19,206	40,254
Other long term contracts	17,564	13,174	4,804	2,808	2,652	7,750
	39,052	33,109	24,573	22,239	21,858	48,004

Contingencies

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

Guarantees

In the normal course of business, the Corporation and its subsidiaries enter into agreements containing features that meet the criteria of a guarantee including the following:

Stamp taxes and withholding taxes

During fiscal 2008, 2010, and 2011 the Corporation's subsidiary, Cogeco Cable Inc., issued letters of credit amounting to €1.7 million, €2.2 million and €6.8 million to guarantee the payment by Cabovisão of stamp taxes for the 2000 through 2002 years and stamp taxes and withholding taxes for the years 2005 and 2006 assessed by the Portuguese tax authorities, which are all currently being challenged by Cabovisão. Even though the principal amounts in dispute are recorded as necessary in the books of its subsidiary Cabovisão, the Corporation's subsidiary, Cogeco Cable Inc., may be required to pay the amounts following final judgements, up to a maximum aggregate amount of €10.6 million ($15 million), should Cabovisão fail to pay such required amounts.

Business acquisitions and asset disposals

In connection with the acquisition or sale of a business or assets, in addition to possible indemnification relating to failure to perform covenants and breach of representations and warranties, the Corporation's subsidiaries, Cogeco Cable Inc. and Cogeco Diffusion Inc., have agreed to indemnify the seller or the purchaser against claims related to events that occurred prior to the date of acquisition or sale. The term and amount of such indemnification will sometimes be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability required to be paid to guaranteed parties. In management's opinion, the likelihood that a significant liability will be incurred under these obligations is low. The Corporation has purchased directors' and officers' liability insurance with a deductible per loss. At August 31, 2011 and 2010, no liability has been recorded associated with these indemnifications.

Long-term debt

Under the terms of the Senior Secured Notes, the Corporation's subsidiary, Cogeco Cable Inc., has agreed to indemnify the other parties against changes in regulations relative to withholding taxes and costs incurred by the lenders due to changes in laws. These indemnifications extend for the term of the related financings and do not provide any limit on the maximum potential liability. The nature of the indemnification agreement prevents the Corporation from estimating the maximum potential liability it could be required to pay. At August 31, 2011 and 2010, no liability has been recorded associated with these indemnifications.

Employees and contractuals indemnification agreements

The Corporation's subsidiary, Cogeco Diffusion Acquisitions Inc., indemnifies certain of its on-air hosts against charges, costs and expenses as a result of any lawsuit, resulting from judicial or administrative proceedings in which they are named as defending party and arising from the performance of their services. The claims covered by such indemnification are subject to statutory or other legal limitation periods. The nature of the indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements. The Corporation has purchased employees' and contractual's liability insurance with a deductible per loss. At August 31, 2011 and 2010, no liability has been recorded associated with these indemnifications.

19. Non-monetary transactions

During fiscal year 2011, the Corporation's subsidiaries, Cogeco Cable Inc. and Cogeco Diffusion Acquisitions Inc., have entered into non-monetary transactions. An amount of $7,764,000 ($6,670,000 in 2010) of revenue and $7,416,000 ($6,354,000 in 2010) of operating costs were recorded.

20. Governmental assistance

In 2011, the Corporation's subsidiary Cogeco Cable Inc., recorded tax credits related to research and development costs in the amount of $790,000 ($921,000 in 2010). These credits were accounted for as a reduction of the fixed assets for an amount of $246,000 ($842,000 in 2010) and as a reduction of operating costs for an amount of $544,000 ($79,000 in 2010).

21. Assets held for sale

Pursuant to the acquisition of Corus Québec radio stations (see note 2), and as part of the CRTC's decision on the Corporation's transfer application, the Corporation has put up for sale two radio stations acquired in the transaction, CFEL-FM in the Québec City market and CJTS-FM in the Sherbrooke market. In addition to the two acquired radio stations above, and also as part of the CRTC's decision, the Corporation has put up for sale radio station CJEC-FM, which it owned prior to the acquisition, in the Québec City market. Radio stations for which divestiture has been required by the CRTC, and the sale process, is being managed by a trustee approved by the CRTC pursuant to a voting trust agreement. Accordingly, the assets and liabilities of the three radio stations put up for sale have been classified as held for sale as of February 1, 2011 in the Corporation's consolidated balance sheet.

The estimated fair value of assets and liabilities related to the three radio stations held for sale at August 31, 2011, were as follows:

	$
Accounts receivable	**1,360**
Prepaid expenses	**5**
Current assets held for sale	**1,365**
Fixed assets	**2,171**
Broadcasting licences	**3,267**
Goodwill	**448**
Long-term assets held for sale	**5,886**
Accounts payable and accrued liabilities	**1,456**
Income tax liabilities	**247**
Deferred and prepaid revenue	**44**
Current liabilities related to assets held for sale	**1,747**
Other long-term liabilities	**38**
Future income tax liabilities	**480**
Long-term liabilities related to assets held for sale	**518**

22. Subsequent event

2011 Federal budget

A Notice of Ways and Means Motion and Explanatory Notes to implement certain tax measures of the 2011 federal budget were tabled on October 3, 2011. The Motion received First Reading as part of Bill C-13, on October 4, 2011, resulting in measures limiting the tax deferrals for corporations with a significant interest in a partnership being considered substantively enacted from that day. Under the transitional relief measures, some income will be taxed over a period of five years rather than being taxed all in fiscal 2012. Decreasing income tax rates over the next five years will reduce the income tax expense by approximately $4 million in the first quarter of fiscal 2012.

23. Comparative figures

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

Investor information

Consolidated capitalization

As at August 31,	**2011**	2010	2009
(In thousands of dollars)	**$**	$	$
Indebtedness(1)	**1,056,214**	961,354	1,064,542
Shareholders' equity	**365,401**	381,635	332,122
Total	**1,421,615**	1,342,989	1,396,664

(1) Indebtedness is defined as the total of bank indebtedness, principal on long-term debt, balance dues on a business acquisition, promissory note payable and obligations under derivative financial instruments.

Credit ratings of Cogeco Cable

On October 6, 2010, Dominion Bond Rating Service ("DBRS") confirmed their rating on the Senior Secured Debentures and Notes to "BBB (low)". Obligations rated in the "BBB" category are in the fourth highest category and are regarded as of adequate credit quality, where the degree of protection afforded interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its rated securities.

On November 9, 2010, Standard & Poor's Ratings Services ("S&P") raised their rating on Cogeco Cable's Senior Secured Debentures and Notes to "BBB", which was then confirmed on September 27, 2011. The "BBB" rating is two notches above the corporate credit ratings of "BB+" and reflects very high recovery prospects of first lien secured issues. Obligations rated in the "BBB" category are in the fourth highest category and are regarded as investment-grade. Such obligations show adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. The ratings may be modified by the addition of a plus "(+)" or minus "(–)" sign to show relative standing within the major rating categories. S&P has assigned a recovery rating of "1" to Cogeco Cable's credit facility and other senior secured first-priority debt. The "1" recovery rating indicates expectations of very high recovery (90%-100%) of principal in the event of payment default.

On September 29, 2011, Fitch Ratings ("Fitch") affirmed the Issuer Default Rating ("IDR") of Cogeco Cable at "BBB-" and their rating on the Senior Secured Debentures and Notes at "BBB-". Obligations rated in the "BBB" category are regarded as of good credit quality, where the capacity for payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this capacity. This is the lowest investment grade category.

The table below shows Cogeco Cable's credit ratings:

As at August 31, 2011	**DBRS**	**Fitch**	**S&P**
Senior secured notes and debentures	**BBB (low)**	**BBB–**	**BBB**

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization

Share information

As at August 31, 2011		Registrar / Transfer agent
Number of multiple voting shares (20 votes per share) outstanding	**1,842,860**	Computershare Trust Corporation of Canada 100 University Avenue, 9th Floor Toronto, ON M5J 2Y1 Tel.: 514-982-7555 Tel.: 1 800-564-6253 Fax: 416-263-9394
Number of subordinate voting shares (1 vote per share) outstanding	**14,989,338**	
Stock exchange listing	The Toronto Stock Exchange	
Trading symbol	CGO	

Dividend policy

The Corporation declared an annual eligible dividend of $0.50 per share during fiscal 2011 composed of quarterly eligible dividends of $0.12 per share for the first three quarters and a dividend of $0.14 per share for the last quarter (quarterly eligible dividends of $0.10 per share totalling $0.40 per share, on an annual basis, was paid in fiscal 2010) to the holders of subordinate voting shares and multiple voting shares. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, their amount and frequency may vary.

Trading statistics

Quarters ended	**Nov. 30**	**Feb. 28**	**May 31**	**Aug. 31**	**2011 Total**
(in dollars, except subordinate voting share volumes)	**$**	**$**	**$**	**$**	
The Toronto Stock Exchange					
High	**37.50**	**40.00**	**43.97**	**44.50**	
Low	**29.50**	**34.12**	**37.76**	**38.70**	
Close	**34.51**	**40.00**	**42.20**	**42.60**	
Volume (shares)	**453,052**	**667,262**	**461,653**	**253,280**	**1,835,247**

Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	2010 Total
(in dollars, except subordinate voting share volumes)	$	$	$	$	
The Toronto Stock Exchange					
High	27.73	33.90	35.00	32.99	
Low	20.05	26.05	26.50	27.25	
Close	26.40	33.35	27.99	31.25	
Volume (shares)	873,624	952,883	1,098,897	1,071,767	3,997,171

Cable sector customer statistics

	2011	2010	2009
Homes passed			
Canada	**1,622,420**	1,593,743	1,565,145
Portugal(1)	**905,742**	905,359	905,129
Total	**2,528,162**	2,499,102	2,470,274
Homes connected(2)			
Canada	**992,990**	979,590	944,634
Portugal	**264,223**	269,194	269,022
Total	**1,257,213**	1,248,784	1,213,656
Revenue-generating units			
Canada	**2,575,795**	2,350,577	2,159,863
Portugal	**831,665**	828,772	732,375
Total	**3,407,460**	3,179,349	2,892,238
Basic Cable service customers			
Canada	**877,985**	874,505	864,805
Penetration as a percentage of homes passed	**54.1%**	54.9%	55.3%
Portugal	**255,777**	260,267	259,480
Penetration as a percentage of homes passed	**28.2%**	28.7%	28.7%
Total	**1,133,762**	1,134,772	1,124,285
HSI service customers			
Canada	**601,214**	559,057	515,052
Penetration as a percentage of Basic Cable(3)	**70.6%**	66.2%	62.0%
Portugal	**162,436**	163,187	143,614
Penetration as a percentage of Basic Cable(3)	**63.5%**	62.7%	55.3%
Total	**763,650**	722,244	658,666
Digital Television service customers			
Canada	**678,326**	559,418	498,398
Penetration as a percentage of Basic Cable(3)	**78.2%**	64.8%	58.5%
Portugal	**164,580**	159,852	102,753
Penetration as a percentage of Basic Cable(3)	**64.3%**	61.4%	39.6%
Total	**842,906**	719,270	601,151
Telephony service customers			
Canada	**418,270**	357,597	281,608
Penetration as percentage of Basic Cable(3)	**51.3%**	44.4%	36.1%
Portugal	**248,872**	245,466	226,528
Penetration as percentage of Basic Cable(3)	**97.3%**	94.3%	87.3%
Total	**667,142**	603,063	508,136

(1) Cogeco Cable is currently assessing the number of homes passed.
(2) Represents the sum of Basic Cable service customers and HSI and Telephony service customers who do not subscribe to the Basic Cable service.
(3) Calculated on the basis of the systems where the service is offered.

Board of Directors and corporate management

Board of Directors

★ **JAN PEETERS**
Montréal (Québec)
President and Chief Executive Officer
Board Chair
Olameter Inc.
Board Chair

★ **LOUIS AUDET**, Eng., MBA
Westmount (Québec)
President and Chief Executive Officer
COGECO Inc. and Cogeco Cable Inc.
Director

●▲ **ANDRÉ BROUSSEAU**, B.A., B.PED., L.PÉD.L.
Trois-Rivières (Québec)
Corporate Director
Director

●◆ **PIERRE L. COMTOIS**, B. SC., COM., ADM. A.
Montréal (Québec)
Vice-Chairman of the Board and Chief Investment Officer
Optimum Asset Management Inc.
Director

▲◆ **PAULE DORÉ**
Montréal (Québec)
Corporate Director
Director

●▲★ **CLAUDE A. GARCIA**, B.A., B. COM.
Montréal (Québec)
Corporate Director
Director

◆★ **DAVID MCAUSLAND**, B.C.L., LL.B.
Beaconsfield (Québec)
Partner
McCarthy Tétrault
Director

Legend :
● Member of the Audit Committee
▲ Member of the Human Resources Committee
◆ Member of the Corporate Governance Committee
★ Member of the Strategic Opportunities Committee

Corporate management

LOUIS AUDET
President and Chief Executive Officer

ELIZABETH ALVES
Vice President, Internal audit

PIERRE GAGNÉ
Senior Vice President and Chief Financial Officer

RENÉ GUIMOND
Vice President, Public Affairs and Communications

CHRISTIAN JOLIVET
Vice President, Chief Legal Officer and Secretary

YVES MAYRAND
Vice President, Corporate Affairs

ALEX TESSIER
Vice President and Treasurer

Corporate information

HEAD OFFICE
5 Place Ville Marie
Suite 1700
Montréal (Québec)
H3B 0B3
Tel.: 514-764-4700
Fax: 514-874-2625
www.cogeco.ca

ANNUAL MEETING
The Annual Shareholders Meeting will be held at 11:30 a.m. on Thursday, January 26, 2012, at the Centre Mont-Royal, Mont-Royal I room, 4th Floor, Montréal (Québec).

AUDITORS
Samson Bélair/Deloitte & Touche, s.e.n.c.r.l.
1 Place Ville Marie
Suite 3000
Montréal (Québec)
H3B 4T9

LEGAL COUNSEL
Fraser Milner Casgrain LLP
1 Place Ville Marie
Suite 3900
Montréal (Québec)
H3B 4M7

QUARTER ENDS
November, February, May

YEAR-END
August 31

Inquiries

The Annual Report, Annual Information Form and Quarterly Reports are available in the Investor Relations section of the Corporation's website (www.cogeco.ca) or upon request by calling 514-764-4700.

Des versions françaises du rapport annuel, de la notice annuelle et des rapports trimestriels sont disponibles à la section Relations avec les investisseurs du site Internet de la Compagnie (www.cogeco.ca) ou sur demande au 514-764-4700.

Investors and analysts

For financial information about the Corporation, please contact the Department of Finance.

Shareholders

For any inquiries other than a change of address, financial information or a change of registration of shares, please contact the Legal Affairs Department of the Corporation.

Duplicate communications

Some shareholders may receive more than one copy of publications such as Quarterly Reports and the Annual Report. Every effort is made to avoid such duplication. Shareholders who receive duplicate mailings should advise Computershare Trust Corporation of Canada.

Whistleblowing procedures regarding accounting, internal accounting controls or auditing matters

Ethics Line

In July 2010, COGECO Inc. made available an anonymous and confidential Ethics Line for its employees and the employees of any of its subsidiaries and other individuals to report any perceived or actual instances of violations of the Code of Ethics (including complaints regarding accounting, internal accounting controls and audit matters). The Ethics Line is comprised of two toll-free telephone lines as well as a secure web site (see details below). The COGECO Inc. Ethics Line is operated by a specialized external provider that is independent of COGECO Inc. All reports submitted through the Ethics Line will be examined by the Vice President Internal Audit or the Vice President, Chief Legal Officer and Secretary. Individuals will be protected from dismissal or retaliation of any kind for reporting in good faith.

By telephone:

In Canada (toll-free): 1-877-706-2640
In Portugal (toll-free): 800-827-692

Web site of ClearView Connects: www.clearviewconnects.com

Subsidiaries and operating units

Cable sector

COGECO CABLE
5 Place Ville Marie
Suite 1700
Montréal (Québec) H3B 0B3
Tel.: 514-764-4700
Fax: 514-874-2625
www.cogeco.ca

J. FRANÇOIS AUDET
Vice President, Special Projects

DENIS BÉLANGER
Vice President, Special Advisor, Technology Development

ANDRÉ BERGEVIN
Vice President, Control

TONY P. CICIRETTO
Senior Vice President, Enterprise Services and
President, Cogeco Data Services

CAROL-ANN FORREST
Vice President, Human Resources

JACQUES GRAVEL
Vice President, Network Services

PHILIPPE JETTÉ
Vice President and Chief Technology Officer

CLAUDETTE PAQUIN
Vice President, Programming and Community Relations

RON A. PERROTTA
Vice President, Marketing and Strategic Planning

LOUISE ST-PIERRE
Senior Vice President, Residential Services

MARTINHO TOJO
Senior Vice President, Portugal and
General Manager of Cabovisão

CHARLES VAILLANCOURT
Vice President and Chief Information Officer

Radio

COGECO DIFFUSION
800, rue de la Gauchetière Ouest
Montréal (Québec) H5A 1K6
Tel.: 514-787-7799
Fax: 514-787-7980
www.cogeco.ca/cable/entreprise/cgo/a_propos/diffusion.html

DANIEL DUBOIS
Vice President, Sales

RICHARD LACHANCE
Senior Vice President, Radio

MONIQUE LACHARITÉ
Vice President, Control, Administration and Human Resources

JEAN-LUC MEILLEUR
Vice President, Regional Stations

ANDRÉ ST-AMAND
Vice President, Programming
Radio