TELUS

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2017 ANNUAL REPORT

Management's discussion and analysis

Caution regarding forward-looking statements

This document contains forward-looking statements about expected events and the financial and operating performance of TELUS Corporation. The terms *TELUS*, *the Company*, *we*, *us* and *our* refer to TELUS Corporation and, where the context of the narrative permits or requires, its subsidiaries.

Forward-looking statements include any statements that do not refer to historical facts. They include, but are not limited to, statements relating to our objectives and our strategies to achieve those objectives, our targets, outlook, updates, and our multi-year dividend growth program. Forward-looking statements are typically identified by the words *assumption*, *goal*, *guidance*, *objective*, *outlook*, *strategy*, *target* and other similar expressions, or future or conditional verbs such as *aim*, *anticipate*, *believe*, *could*, *expect*, *intend*, *may*, *plan*, *predict*, *seek*, *should*, *strive* and *will*.

By their nature, forward-looking statements are subject to inherent risks and uncertainties and are based on assumptions, including assumptions about future economic conditions and courses of action. These assumptions may ultimately prove to have been inaccurate and, as a result, our actual results or events may differ materially from expectations expressed in or implied by the forward-looking statements. Our general outlook and assumptions for 2018 are presented in *Section 9 General trends, outlook and assumptions* in this Management's discussion and analysis (MD&A).

Risks and uncertainties that could cause actual performance or events to differ materially from the forward-looking statements made herein and in other TELUS filings include, but are not limited to, the following:

- Competition including: our ability to continue to retain customers through an enhanced customer service experience, including through the deployment and operation of evolving wireless and wireline networks; the ability of industry competitors to successfully launch their respective platforms and to combine a mix of residential local voice over Internet protocol (VoIP), long distance, high-speed Internet access (HSIA) and, in some cases, wireless services under one bundled and/or discounted monthly rate, along with their existing broadcast or satellite-based TV services; the success of new products, new services and supporting systems, such as Internet of Things (IoT) services for Internet-connected devices; continued intense rivalry across all services among wireless and wireline telecommunications companies, cable-TV providers, other communications companies and over-the-top (OTT) services, which, among other things, places pressures on current and future average revenue per subscriber unit per month (ARPU), cost of acquisition, cost of retention and churn rate for all services, as do customer usage patterns, flat-rate pricing trends for voice and data, inclusive rate plans for voice and data and availability of Wi-Fi networks for data; mergers and acquisitions of industry competitors; pressures on high-speed Internet and TV ARPU and churn rate resulting from market conditions, government actions and customer usage patterns; residential and business network access line (NAL) losses; subscriber additions and retention volumes, and associated costs for wireless, TV and high-speed Internet services; and our ability to obtain and offer content on a timely basis across multiple devices on wireless and TV platforms at a reasonable cost.
- Technological substitution including: reduced utilization and increased commoditization of traditional wireline voice local and long distance services from impacts of OTT applications and wireless substitution, a declining overall market for paid TV services, including as a result of content piracy and signal theft and as a result of a rise in OTT direct to consumer video offerings and virtual multichannel video programming distribution platforms; the increasing number of households that have only wireless and/or Internet-based telephone services; potential wireless ARPU declines as a result of, among other factors, substitution to messaging and OTT applications; substitution to increasingly available Wi-Fi services; and disruptive technologies such as OTT IP services, including Network as a Service in the business market, that may displace or re-rate our existing data services.
- Technology including: subscriber demand for data that may challenge wireless networks and spectrum capacity levels in the future and may be accompanied by increases in delivery cost; our reliance on information technology and our need to streamline our legacy systems; technology options, evolution paths and roll-out plans for video distribution platforms and telecommunications networks (including broadband initiatives, such as fibre to the premises (FTTP), wireless small-cell deployment, 5G wireless and availability of resources and ability to build out adequate broadband capacity); our reliance on wireless network access agreements, which have facilitated our deployment of wireless technologies; choice of suppliers and those suppliers' ability to maintain and service their product lines, which could affect the success of upgrades to, and evolution of, technology that we offer; supplier concentration and market power for network equipment, TELUS TV and wireless handsets; the performance of wireless technology; our expected long-term need to acquire additional spectrum capacity through future spectrum auctions and from third parties to address increasing demand for data; deployment and operation of new wireline broadband networks at a reasonable cost and availability and success of new products and services to be rolled out on such networks; network reliability and change management; self-learning tools and automation that may change the way we interact with customers; and uncertainties around our strategy to replace certain legacy wireline networks, systems and services to reduce operating costs.
- Capital expenditure levels and potential outlays for spectrum licences in spectrum auctions or from third parties, due to: our broadband initiatives, including connecting more homes and businesses directly to fibre; our ongoing deployment of newer wireless technologies, including wireless small cells to improve coverage and capacity and prepare for a more efficient and timely evolution to 5G wireless services; utilizing acquired spectrum; investments in network resiliency and reliability; subscriber demand for data; evolving systems and business processes; implementing efficiency initiatives; supporting large complex deals; and future wireless spectrum auctions held by Innovation, Science and Economic Development Canada (ISED). Our capital expenditure levels could be impacted if we do not achieve our targeted operational and financial results.
- Regulatory decisions and developments including: the potential of government intervention to further increase wireless competition; the CRTC wireless wholesale services review, in which it was determined that the CRTC will regulate wholesale GSM-based domestic roaming rates and the setting of such rates charged to wireless service providers (WSPs); the Governor in Council's order to the CRTC to reconsider whether Wi-Fi networks should be considered a home network for WSPs seeking mandated roaming; future spectrum auctions and spectrum policy determinations, including the recently announced repurposing of 600 MHz spectrum (and including limitations on established wireless providers, proposed spectrum set-aside that favours certain carriers and other advantages provided to new and foreign participants, and the amount and cost of spectrum acquired); restrictions on the purchase, sale and transfer of spectrum licences; the impact of the CRTC's wireline wholesale services review, with a formal review of rates for wholesale FTTP access still to be commenced for TELUS; disputes with certain municipalities regarding rights-of-way

bylaws; and other potential threats to unitary federal regulatory authority over telecommunications, including provincial wireless legislation; the potential impacts of the CRTC's decision to require pro-rated refunds when customers terminate their services; the CRTC's proposed phase-out of the local service subsidy regime and corresponding establishment of a broadband funding regime to support the enhancement of high-speed Internet services focusing on underserved areas in Canada; the impact of the review of the Minister of Canadian Heritage's new Creative Canada policy framework announced on September 28, 2017; the CRTC's consultation and report on distribution models of the future; vertical integration in the broadcasting industry resulting in competitors owning broadcast content services, and timely and effective enforcement of related regulatory safeguards; the review of the *Copyright Act* scheduled to begin in early 2018; the federal government's stated intention to review the *Broadcasting Act* and *Telecommunications Act* as announced in the March 22, 2017 federal budget; TELUS' applications for renewal of its broadcasting distribution licences; the North American Free Trade Agreement renegotiation; and restrictions on non-Canadian ownership and control of TELUS Common Shares and the ongoing monitoring and compliance with such restrictions.

- Human resource matters including: recruitment, retention and appropriate training in a highly competitive industry, and the level of employee engagement.
- Operational performance and business combination risks including: our reliance on legacy systems and ability to implement and support new products and services and business operations in a timely manner; our ability to implement effective change management for system replacements and upgrades, process redesigns and business integrations (such as our ability to successfully integrate acquisitions, complete divestitures or establish partnerships in a timely manner, and realize expected strategic benefits, including those following compliance with any regulatory orders); the implementation of complex large enterprise deals that may be adversely impacted by available resources, system limitations and degree of co-operation from other service providers; our ability to successfully manage operations in foreign jurisdictions; information security and privacy breaches, including data loss or theft of data; intentional threats to our infrastructure and business operations; and real estate joint venture re-development risks.
- Business continuity events including: our ability to maintain customer service and operate our networks in the event of human error or human-caused threats, such as cyberattacks and equipment failures that could cause various degrees of network outages; supply chain disruptions; natural disaster threats; epidemics; pandemics; political instability in certain international locations; and the completeness and effectiveness of business continuity and disaster recovery plans and responses.
- Ability to successfully implement cost reduction initiatives and realize planned savings, net of restructuring and other costs, without losing customer service focus or negatively affecting business operations. Examples of these initiatives are: our operating efficiency and effectiveness program to drive improvements in financial results, including the future benefits of the immediately vesting transformative compensation initiative; business integrations; business product simplification; business process outsourcing; offshoring and reorganizations, including any full-time equivalent (FTE) employee reduction programs; procurement initiatives; and real estate rationalization. Additional revenue and cost efficiency and effectiveness initiatives will continue to be assessed and implemented.
- Financing and debt requirements including: our ability to carry out financing activities, and our ability to maintain investment grade credit ratings in the range of BBB+ or the equivalent.
- Ability to sustain our dividend growth program through 2019. This program may be affected by factors such as the competitive environment, economic performance in Canada, our earnings and free cash flow, our levels of capital expenditures and spectrum licence purchases, acquisitions, the management of our capital structure, and regulatory decisions and developments. Quarterly dividend decisions are subject to assessment and determination by our Board of Directors (Board) based on the Company's financial position and outlook. Shares may be purchased under our normal course issuer bid (NCIB) when and if we consider it opportunistic, based on the Company's financial position and outlook, and the market price of TELUS shares. There can be no assurance that our dividend growth program or any NCIB will be maintained, not changed and/or completed through 2019.
- Taxation matters including: interpretation of complex domestic and foreign tax laws by the tax authorities that may differ from our interpretations; the timing of income and deductions, such as tax depreciation and operating expenses; changes in tax laws, including tax rates; tax expenses being materially different than anticipated, including the taxability of income and deductibility of tax attributes; elimination of income tax deferrals through the use of different tax year-ends for operating partnerships and corporate partners; and tax authorities adopting more aggressive auditing practices, for example, tax reassessments or adverse court decisions impacting the tax payable by us.
- Litigation and legal matters including: our ability to successfully respond to investigations and regulatory proceedings; our ability to defend against existing and potential claims and lawsuits, including intellectual property infringement claims and class actions based on consumer claims, data, privacy or security breaches and secondary market liability; and the complexity of legal compliance in domestic and foreign jurisdictions, including compliance with anti-bribery and foreign corrupt practices laws.
- Health, safety and the environment including: lost employee work time resulting from illness or injury, public concerns related to radio frequency emissions, environmental issues affecting our business including climate change, waste and waste recycling, risks relating to fuel systems on our properties, and changing government and public expectations regarding environmental matters and our responses.
- Economic growth and fluctuations including: the state of the economy in Canada, which may be influenced by economic and other developments outside of Canada, including potential outcomes of yet unknown policies and actions of foreign governments; future interest rates; inflation; unemployment levels; effects of fluctuating oil prices; effects of low business spending (such as reducing investments and cost structure); pension investment returns, funding and discount rates; and Canadian dollar: U.S. dollar exchange rates.

These risks are described in additional detail in *Section 9 General trends, outlook and assumptions* and *Section 10 Risks and risk management* in this MD&A. Those descriptions are incorporated by reference in this cautionary statement but are not intended to be a complete list of the risks that could affect the Company.

Many of these factors are beyond our control or our current expectations or knowledge. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our financial position, financial performance, cash flows, business or reputation. Except as otherwise indicated in this document, the forward-looking statements made herein do not reflect the potential impact of any non-recurring or special items or any mergers, acquisitions, dispositions or other business combinations or transactions that may be announced or that may occur after the date of this document.

Readers are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements in this document describe our expectations and are based on our assumptions as at the date of this document and are subject to change after this date. Except as required by law, we disclaim any intention or obligation to update or revise any forward-looking statements.

This cautionary statement qualifies all of the forward-looking statements in this MD&A.

Notes to consolidated financial statements

December 31, 2017

TELUS Corporation is one of Canada's largest telecommunications companies, providing a wide range of telecommunications services and products, including wireless and wireline voice and data. Data services include: Internet protocol; television; hosting, managed information technology and cloud-based services; healthcare solutions; business process outsourcing; and home security.

TELUS Corporation was incorporated under the *Company Act* (British Columbia) on October 26, 1998, under the name BCT.TELUS Communications Inc. (BCT). On January 31, 1999, pursuant to a court-approved plan of arrangement under the *Canada Business Corporations Act* among BCT, BC TELECOM Inc. and the former Alberta-based TELUS Corporation (TC), BCT acquired all of the shares of BC TELECOM Inc. and TC in exchange for Common Shares and Non-Voting Shares of BCT, and BC TELECOM Inc. was dissolved. On May 3, 2000, BCT changed its name to TELUS Corporation and in February 2005, TELUS Corporation transitioned under the *Business Corporations Act* (British Columbia), successor to the *Company Act* (British Columbia). TELUS Corporation maintains its registered office at Floor 7, 510 West Georgia Street, Vancouver, British Columbia, V6B 0M3.

The terms "TELUS", "we", "us", "our" or "ourselves" are used to refer to TELUS Corporation and, where the context of the narrative permits or requires, its subsidiaries.

1 Summary of significant accounting policies

Our consolidated financial statements are expressed in Canadian dollars. The generally accepted accounting principles that we use are International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB) and Canadian generally accepted accounting principles.

Generally accepted accounting principles require that we disclose the accounting policies we have selected in those instances where we have been obligated to choose from among various accounting policies that comply with generally accepted accounting principles. In certain other instances, including those in which no selection among policies is allowed, we are also required to disclose how we have applied certain accounting policies. In the selection and application of accounting policies we consider, among other factors, the fundamental qualitative characteristics of useful financial information, namely relevance and faithful representation. In our assessment, our required accounting policy disclosures are not all equally significant for us, as set out in the accompanying table; their relative significance for us will evolve over time as we do.

These consolidated financial statements for each of the years ended December 31, 2017 and 2016, were authorized by our Board of Directors for issue on February 8, 2018.

	Accounting policy requiring a more significant choice among policies and/or a more significant application of judgment	
Accounting policy	Yes	No
GENERAL APPLICATION		
(a) Consolidation		X
(b) Use of estimates and judgments	X	
(c) Financial instruments – recognition and measurement		X
(d) Hedge accounting		X
RESULTS OF OPERATIONS FOCUSED		
(e) Revenue recognition	X	
(f) Government assistance		X
(g) Cost of acquisition and advertising costs		X
(h) Research and development		X
(i) Depreciation, amortization and impairment	X	
(j) Translation of foreign currencies		X
(k) Income and other taxes	X	
(l) Share-based compensation		X
(m) Employee future benefit plans	X	
FINANCIAL POSITION FOCUSED		
(n) Cash and temporary investments, net		X
(o) Sales of trade receivables		X
(p) Inventories		X
(q) Property, plant and equipment; intangible assets	X	
(r) Leases		X
(s) Investments		X

(a) Consolidation

Our consolidated financial statements include our accounts and the accounts of all of our subsidiaries, the principal one of which is TELUS Communications Inc., in which we have a 100% equity interest. TELUS Communications Inc. includes substantially all of our wireless and wireline operations.

Our financing arrangements and those of our wholly owned subsidiaries do not impose restrictions on inter-corporate dividends.

On a continuing basis, we review our corporate organization and effect changes as appropriate so as to enhance the value of TELUS Corporation. This process can, and does, affect which of our subsidiaries are considered principal subsidiaries at any particular point in time.

During the year ended December 31, 2016, there was a change in our ownership interest in our TELUS International (Cda) Inc. subsidiary, which encompasses our TELUS International operations, resulting from the issuance of shares to Baring Private Equity Asia for approximately $302 million, exclusive of net transaction costs. We continue to control and consolidate this subsidiary, and the shares it issued to Baring Private Equity Asia are accounted for as a 35% non-controlling interest. Associated with this transaction, an amount equal to 35% of the net book value of the subsidiary has been credited to non-controlling interest in our Consolidated statements of changes in owners' equity, and the net balance of the proceeds has been credited to contributed surplus.

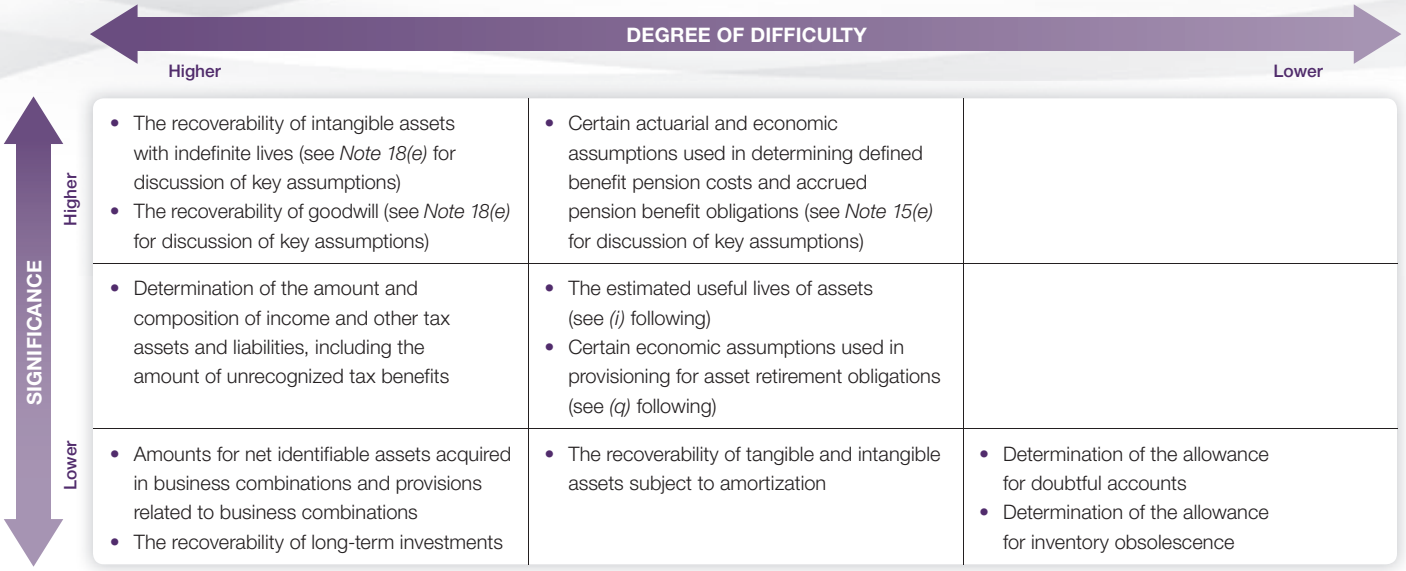
In connection with the issuance of shares to Baring Private Equity Asia, we have also arranged bank financing in the subsidiary company, as set out in *Note 26(f)*.

(b) Use of estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates, assumptions and judgments that affect: the reported amounts of assets and liabilities at the date of the financial statements; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates

Examples of the significant estimates and assumptions that we make, and their relative significance and degree of difficulty, are set out in the graphic below.



Judgments

Examples of our significant judgments, apart from those involving estimation, include the following:

- Assessments about whether line items are sufficiently material to warrant separate presentation in the primary financial statements and, if not, whether they are sufficiently material to warrant separate presentation in the notes to the financial statements. In the normal course, we make changes to our assessments regarding materiality for presentation so that they reflect current economic conditions. Due consideration is given to the view that it is reasonable to expect differing opinions of what is, and is not, material.
- In respect of revenue-generating transactions, we must make judgments that affect the timing of the recognition of revenue. See *Note 2(b)* for significant changes to IFRS-IASB which are not yet effective and have not yet been applied, but which will significantly affect the timing of the recognition of revenue and the classification of revenues presented as either service or equipment revenues.
  - We must make judgments about when we have satisfied our performance obligations to our customers, either over a period of time or at a point in time. Service revenues are recognized based upon customers' access to, or usage of, our telecommunications infrastructure; we believe that this method faithfully depicts the transfer of the services, and thus the revenues are recognized as the services are made available and/or rendered. We consider our performance obligations arising from the sale of equipment to have been satisfied when the equipment has been delivered to, and accepted by, the end-user customers (see *(e)* following).
  - Principally in the context of revenue-generating transactions involving wireless handsets, we must make judgments about whether third party re-sellers that deliver equipment to our customers are acting in the transaction as principals or as our agents. Upon due consideration of the relevant indicators, we believe that the decision to consider the re-sellers to be acting, solely for accounting purposes, as our agents is more representative of the economic substance of the transactions, as we are the primary obligor to the end-user customers. The effect of this judgment is that no equipment revenue is recognized upon the transfer of inventory to third-party re-sellers.
- The decision to depreciate and amortize any property, plant, equipment and intangible assets that are subject to amortization on a straight-line basis, as we believe that this method reflects the consumption of resources related to the economic lifespan of those assets better than an accelerated method and is more representative of the economic substance of the underlying use of those assets.
- The preparation of financial statements in accordance with generally accepted accounting principles requires management to make judgments that affect the financial statement disclosure of information regularly reviewed by our chief operating decision-maker used to make resource allocation decisions and to assess performance (segment information, *Note 5*). A significant judgment we make is in respect of distinguishing between our wireless and wireline operations and cash flows, such distinction having been significantly affected by the convergence and integration of our wireless and wireline telecommunications infrastructure technology and operations. Less than one-half of the operating expenses included in the segment performance measure currently reported to our chief operating decision-maker are direct costs; judgment, largely based upon historical experience, is applied in apportioning indirect costs which are not objectively distinguishable between our wireless and wireline operations.

  Through December 31, 2015, our judgment was that our wireless and wireline telecommunications infrastructure technology and operations had not experienced sufficient convergence to objectively make their respective operations and cash flows practically indistinguishable. The continued build-out of our technology-agnostic fibre-optic infrastructure, in combination with converged edge network technology, has significantly affected this judgment, as has the commercialization of fixed-wireless solutions.

  It has become increasingly impractical to objectively distinguish between our wireless and wireline operations and cash flows, and the assets from which those cash flows arise. Our judgment as to whether these operations can continue to be judged to be individual components of the business and discrete operating segments may change.

The increasing impracticality of objectively distinguishing between our wireless and wireline cash flows, and the assets from which those cash flows arise, is evidence of their increasing interdependence; this may result in the unification of the wireless cash-generating unit and the wireline cash-generating unit as a single cash-generating unit for impairment testing purposes in the future. As our business continues to evolve, new cash-generating units may develop.

- The view that our spectrum licences granted by Innovation, Science and Economic Development Canada will likely be renewed; that we intend to renew them; that we believe we have the financial and operational ability to renew them; and thus, that they have an indefinite life, as discussed further in *Note 18(d)*.
- In connection with the annual impairment testing of intangible assets with indefinite lives and goodwill, there are instances in which we must exercise judgment in allocating our net assets, including shared corporate and administrative assets, to our cash-generating units when determining their carrying amounts. These judgments are necessary because of the convergence that our wireless and wireline telecommunications infrastructure technology and operations have experienced to date, and because of our continuous development. There are instances in which similar judgments must also be made in respect of future capital expenditures in support of both wireless and wireline operations, which are a component of the determination of recoverable amounts used in the annual impairment testing, as discussed further in *Note 18(e)*.
- In respect of claims and lawsuits, as discussed further in *Note 29(a)*, the determination of whether an item is a contingent liability or whether an outflow of resources is probable and thus needs to be accounted for as a provision.

(c) Financial instruments – recognition and measurement

In respect of the recognition and measurement of financial instruments, we have adopted the following policies:

	Accounting classification				
Financial instrument	Fair value through net income[1,2]	Loans and receivables	Available-for-sale[3]	Other financial liabilities	Part of a cash flow hedging relationship[3]
Measured at amortized cost					
Accounts receivable		X**			
Construction credit facilities advances to real estate joint ventures		X**			
Short-term obligations				X**	
Accounts payable				X**	
Provisions				X**	
Long-term debt				X**	
Measured at fair value					
Cash and temporary investments	X*				
Long-term investments (not subject to significant influence)[4]			X***		
Foreign exchange derivatives	X*				X
Share-based compensation derivatives	X*				X

* Will be classified as fair value through net income upon application of IFRS 9, *Financial Instruments*, as discussed further in *Note 2(b)*.
** Will be classified as amortized cost upon application of IFRS 9, *Financial Instruments*, as discussed further in *Note 2(b)*.
*** On an investment-by-investment basis, will be classified as either fair value through net income or fair value through other comprehensive income upon application of IFRS 9, *Financial Instruments*, as discussed further in *Note 2(b)*.

1 Classification includes financial instruments held for trading. Certain qualifying financial instruments that are not required to be classified as held for trading may be classified as held for trading if we so choose.
2 *Unrealized* changes in the fair values of financial instruments are included in net income.
3 *Unrealized* changes in the fair values of financial instruments classified as available-for-sale, or the effective portion of *unrealized* changes in the fair values of financial instruments held for hedging, are included in other comprehensive income.
4 Long-term investments over which we do not have significant influence are classified as available-for-sale. In respect of investments in securities for which the fair values can be reliably measured, we determine the classification on an investment-by-investment basis at the time of initial recognition.

- Trade receivables that may be sold to an arm's-length securitization trust are accounted for as loans and receivables. We have selected this classification as the benefits of selecting the available-for-sale classification were not expected to exceed the costs of selecting and implementing that classification.
- Long-term investments over which we do not have significant influence are accounted for as available-for-sale. We have selected this classification as we believe that it better reflects management's investment intentions.
- Derivatives that are part of an established and documented cash flow hedging relationship are accounted for as held for hedging. We believe that classification as held for hedging results in a better matching of the change in the fair value of the derivative financial instrument with the risk exposure being hedged.

  In respect of hedges of anticipated transactions, hedge gains/losses are included with the expenditure and are expensed when the transaction is recognized in our results of operations. We have selected this method as we believe that it results in a better matching of the hedge gains/losses with the risk exposure being hedged.

  Derivatives that are not part of a documented cash flow hedging relationship are accounted for as held for trading and thus are measured at fair value through net income.
- Regular-way purchases or sales of financial assets or financial liabilities (purchases or sales that require actual delivery of financial assets or financial liabilities) are recognized on the settlement date. We have selected this method as the benefits of using the trade date method were not expected to exceed the costs of selecting and implementing that method.

- Transaction costs, other than in respect of items held for trading, are added to the initial fair value of the acquired financial asset or financial liability. We have selected this method as we believe that it results in a better matching of the transaction costs with the periods in which we benefit from the transaction costs.

(d) Hedge accounting

General

We apply hedge accounting to the financial instruments used to: establish designated currency hedging relationships for certain U.S. dollar-denominated future purchase commitments and debt repayments, as set out in *Note 4(a)* and *(d)*; and fix the compensation cost arising from specific grants of restricted stock units, as set out in *Note 4(f)* and discussed further in *Note 14(b)*.

Hedge accounting

The purpose of hedge accounting, in respect of our designated hedging relationships, is to ensure that counterbalancing gains and losses are recognized in the same periods. We have chosen to apply hedge accounting as we believe this is more representative of the economic substance of the underlying transactions.

In order to apply hedge accounting, a high correlation (which indicates effectiveness) is required in the offsetting changes in the risk-associated values of the financial instruments (the hedging items) used to establish the designated hedging relationships and all, or a part, of the asset, liability or transaction having an identified risk exposure that we have taken steps to modify (the hedged items). We assess the anticipated effectiveness of designated hedging relationships at inception and their actual effectiveness for each reporting period thereafter. We consider a designated hedging relationship to be effective if the following critical terms match between the hedging item and the hedged item: the notional amount of the hedging item and the principal amount of the hedged item; maturity dates; payment dates; and interest rate index (if, and as, applicable). As set out in *Note 4(i)*, any ineffectiveness, such as would result from a difference between the notional amount of the hedging item and the principal amount of the hedged item, or from a previously effective designated hedging relationship becoming ineffective, is reflected in the Consolidated statements of income and other comprehensive income as Financing costs if in respect of long-term debt, as Goods and services purchased if in respect of U.S. dollar-denominated future purchase commitments or as Employee benefits expense if in respect of share-based compensation.

Hedging assets and liabilities

In the application of hedge accounting, an amount (the hedge value) is recorded in the Consolidated statements of financial position in respect of the fair value of the hedging items. The net difference, if any, between the amounts recognized in the determination of net income and the amounts necessary to reflect the fair value of the designated cash flow hedging items recorded in the Consolidated statements of financial position is recognized as a component of Other comprehensive income, as set out in *Note 11*.

In the application of hedge accounting to the compensation cost arising from share-based compensation, the amount recognized in the determination of net income is the amount that counterbalances the difference between the quoted market price of our Common Shares at the statement of financial position date and the price of our Common Shares in the hedging items.

(e) Revenue recognition

General

We earn the majority of our revenues (wireless: network revenues (voice and data); wireline: data revenues (which include: Internet protocol; television; hosting, managed information technology and cloud-based services; business process outsourcing; certain healthcare solutions; and home security) and voice revenues) from access to, and usage of, our telecommunications infrastructure. The majority of the balance of our revenues (wireless equipment and other) arises from providing services and products facilitating access to, and usage of, our telecommunications infrastructure.

We offer complete and integrated solutions to meet our customers' needs. These solutions may involve deliveries of multiple services and products that occur at different points in time and/or over different periods of time; as referred to in *(b)*, this is a significant judgment for us. As appropriate, these multiple element arrangements are separated into their component accounting units, consideration is measured and allocated among the accounting units based upon their relative fair values (derived using Company-specific objective evidence) and our relevant revenue recognition policies are then applied to the accounting units. (We estimate that approximately two-thirds of our revenues arise from multiple element arrangements.) A limitation cap restricts the consideration allocated to services or products currently transferred in multiple element arrangements to an amount that is not contingent upon either delivering additional items or meeting other specified performance conditions. A new revenue accounting standard, which has not yet been applied but must be adopted by January 1, 2018, prohibits the use of a limitation cap, as discussed further in *Note 2*.

When we receive no identifiable, separable benefit for consideration given to a customer (e.g. discounts and rebates), the consideration is recorded as a reduction of revenue rather than as an expense.

Multiple contracts with a single customer are normally accounted for as separate arrangements. In instances where multiple contracts are entered into with a customer in a short period of time, the contracts are reviewed as a group to ensure that, as with multiple element arrangements, their relative fair values are appropriate.

Lease accounting is applied to an accounting unit if it conveys to a customer the right to use a specific asset but does not convey the risks and/or benefits of ownership.

Our revenues are recorded net of any value-added and/or sales taxes billed to the customer concurrent with a revenue-generating transaction.

Voice and data

We recognize revenues on an accrual basis and include an estimate of revenues earned but unbilled. Wireless and wireline service revenues are recognized based upon access to, and usage of, our telecommunications infrastructure and upon contract fees.

Advance billings are recorded when billing occurs prior to provision of the associated services; such advance billings are recognized as revenue in the period in which the services are provided. Similarly, and as appropriate, upfront customer activation and connection fees are deferred and recognized over the average expected term of the customer relationship.

We use the liability method of accounting for the amounts of our quality of service rate rebates that arise from the jurisdiction of the Canadian Radio-television and Telecommunications Commission (CRTC).

The CRTC has established a mechanism to subsidize local exchange carriers, such as ourselves, that provide residential basic telephone service to high cost serving areas. The CRTC has determined the per network access line/per band subsidy rate for all local exchange carriers. We recognize the subsidy on an accrual basis by applying the subsidy rate to the number of residential network access lines we provide in high cost serving areas, as discussed further in *Note 7*. Differences, if any, between interim and final subsidy rates set by the CRTC are accounted for as a change in estimate in the period in which the CRTC finalizes the subsidy rate.

Other and wireless equipment

We recognize product revenues, including amounts related to wireless handsets sold to re-sellers and customer premises equipment, when the products are both delivered to and accepted by the end-user customers, irrespective of which supply channel delivers the product. With respect to wireless handsets sold to re-sellers, we consider ourselves to be the principal and primary obligor to the end-user customers. Revenues from operating leases of equipment are recognized on a systematic and rational basis (normally a straight-line basis) over the term of the lease.

Non-high cost serving area deferral account

In an effort to foster competition for residential basic service in non-high cost serving areas, the concept of a deferral account mechanism was introduced by the CRTC in 2002 as an alternative to mandating price reductions. We use the liability method of accounting for the deferral account. We discharge the deferral account liability by undertaking qualifying actions. We recognize the amortization (over a period no longer than three years) of a proportionate share of the deferral account as qualifying actions are completed. Such amortization is included as a component of government assistance in Other operating income, as set out in *Note 7*.

(f) Government assistance

We recognize government assistance amounts on an accrual basis as the subsidized services are provided or as the subsidized costs are incurred. As set out in *Note 7*, government assistance amounts are included in the Consolidated statements of income and other comprehensive income as Other operating income.

(g) Cost of acquisition and advertising costs

The total cost of wireless equipment sold to customers and any commissions and advertising and promotion costs related to initial customer acquisition are expensed as incurred; the cost of equipment we own that is situated at customers' premises and associated installation costs are capitalized as incurred. Costs of acquiring customers that are expensed are included in the Consolidated statements of income and other comprehensive income as a component of Goods and services purchased, with the exception of amounts paid to our employees, which are included as Employee benefits expense. Costs of advertising production, advertising airtime and advertising space are expensed as incurred.

See *Note 2(b)* for significant changes to IFRS-IASB which we will apply commencing with our fiscal year ended December 31, 2018, and which will significantly affect the timing of the recognition of costs of acquiring customers.

(h) Research and development

Research and development costs are expensed unless development costs meet certain identifiable criteria for capitalization. Capitalized development costs are amortized over the life of the related commercial production, or in the case of serviceable property, plant and equipment, are included in the appropriate property group and are depreciated over the group's estimated useful life.

(i) Depreciation, amortization and impairment

Depreciation and amortization

Assets are depreciated on a straight-line basis over their estimated useful lives as determined by a continuing program of asset life studies. Depreciation includes amortization of assets under finance leases and amortization of leasehold improvements. Leasehold improvements are normally amortized over the lesser of their expected average service life or the term of the lease. Intangible assets with finite lives (intangible assets subject to amortization) are amortized on a straight-line basis over their estimated useful lives, which are reviewed at least annually and adjusted as appropriate. As referred to in *(b)*, the use of a straight-line basis of depreciation and amortization is a significant judgment for us.

Estimated useful lives for the majority of our property, plant and equipment subject to depreciation are as follows:

	Estimated useful lives[1]
Network assets	
Outside plant	17 to 40 years
Inside plant	4 to 25 years
Wireless site equipment	5 to 7 years
Balance of depreciable property, plant and equipment	3 to 40 years

1 The composite depreciation rate for the year ended December 31, 2017, was 5.0% (2016 – 5.0%). The rate is calculated by dividing depreciation expense by an average of the gross book value of depreciable assets over the reporting period.

Estimated useful lives for the majority of our intangible assets subject to amortization are as follows:

	Estimated useful lives
Wireline subscriber base	25 years
Customer contracts, related customer relationships and leasehold interests	4 to 10 years
Software	2 to 10 years
Access to rights-of-way and other	5 to 30 years

Impairment – general

Impairment testing compares the carrying values of the assets or cash-generating units being tested with their recoverable amounts (the recoverable amount being the greater of an asset's or a cash-generating unit's value in use or its fair value less costs to sell); as referred to in *(b)*, this is a significant estimate for us. Impairment losses are immediately recognized to the extent that the carrying value of an asset or cash-generating unit exceeds its recoverable amount. Should the recoverable amounts for impaired assets or cash-generating units subsequently increase, the impairment losses previously recognized (other than in respect of goodwill) may be reversed to the extent that the reversal is not a result of "unwinding of the discount" and that the resulting carrying values do not exceed the carrying values that would have been the result if no impairment losses had been previously recognized.

Impairment – property, plant and equipment; intangible assets subject to amortization

The continuing program of asset life studies considers such items as the timing of technological obsolescence, competitive pressures and future infrastructure utilization plans; these considerations could also indicate

that the carrying value of an asset may not be recoverable. If the carrying value of an asset were not considered to be recoverable, an impairment loss would be recorded.

Impairment – intangible assets with indefinite lives; goodwill
The carrying values of intangible assets with indefinite lives and goodwill are periodically tested for impairment. The frequency of the impairment testing is generally the reciprocal of the stability of the relevant events and circumstances, but intangible assets with indefinite lives and goodwill must, at a minimum, be tested annually; we have selected December as our annual test date.

We assess our intangible assets with indefinite lives by comparing the recoverable amounts of our cash-generating units to their carrying values (including the intangible assets with indefinite lives allocated to a cash-generating unit, but excluding any goodwill allocated to a cash-generating unit). To the extent that the carrying value of a cash-generating unit (including the intangible assets with indefinite lives allocated to the cash-generating unit, but excluding any goodwill allocated to the cash-generating unit) exceeds its recoverable amount, the excess amount would be recorded as a reduction in the carrying value of intangible assets with indefinite lives.

Subsequent to assessing intangible assets with indefinite lives, we assess goodwill by comparing the recoverable amounts of cash-generating units to their carrying values (including the intangible assets with indefinite lives and the goodwill allocated to a cash-generating unit). To the extent that the carrying value of a cash-generating unit (including the intangible assets with indefinite lives and the goodwill allocated to the cash-generating unit) exceeds its recoverable amount, the excess amount would first be recorded as a reduction in the carrying value of goodwill and any remainder would be recorded as a reduction in the carrying values of the assets of the cash-generating unit on a pro-rated basis.

(j) Translation of foreign currencies

Trade transactions completed in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the statement of financial position date, with any resulting gain or loss recorded in the Consolidated statements of income and other comprehensive income as a component of Financing costs, as set out in *Note 9*. Hedge accounting is applied in specific instances, as discussed further in *(d)* preceding.

We have foreign subsidiaries that do not have the Canadian dollar as their functional currency. Foreign exchange gains and losses arising from the translation of these foreign subsidiaries' accounts into Canadian dollars subsequent to January 1, 2010, the date of our transition to IFRS-IASB, are reported as a component of other comprehensive income, as set out in *Note 11*.

(k) Income and other taxes

We follow the liability method of accounting for income taxes; as referred to in *(b)*, this is a significant estimate for us. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities, and also for any benefits of losses and Investment Tax Credits available to be carried forward to future years for tax purposes that are more likely than not to be realized. The amounts recognized in respect of deferred income tax assets and liabilities are based upon the expected timing of the reversal of temporary differences or the usage of tax losses and the application of the substantively enacted tax rates at the time of reversal or usage.

We account for any changes in substantively enacted income tax rates affecting deferred income tax assets and liabilities in full in the period in which the changes are substantively enacted. We account for changes in the estimates of tax balances for prior years as estimate revisions in the period in which changes in the estimates arise; we have selected this approach as its emphasis on the statement of financial position is more consistent with the liability method of accounting for income taxes.

Our operations are complex and the related tax interpretations, regulations, legislation and jurisprudence are continually changing. As a result, there are usually some tax matters in question that result in uncertain tax positions. We only recognize the income tax benefit of an uncertain tax position when it is more likely than not that the ultimate determination of the tax treatment of the position will result in that benefit being realized. We accrue an amount for interest charges on current tax liabilities that have not been funded, which would include interest and penalties arising from uncertain tax positions. We include such charges in the Consolidated statements of income and other comprehensive income as a component of Financing costs.

Our research and development activities may be eligible to earn Investment Tax Credits, for which the determination of eligibility is a complex matter. We only recognize Investment Tax Credits when there is reasonable assurance that the ultimate determination of the eligibility of our research and development activities will result in the Investment Tax Credits being received, at which time they are accounted for using the cost reduction method, whereby such credits are deducted from the expenditures or assets to which they relate, as set out in *Note 10(c)*.

(l) Share-based compensation

General
When share-based compensation vests in its entirety at one future point in time (cliff vesting), we recognize the expense on a straight-line basis over the vesting period. When share-based compensation vests in tranches (graded vesting), we recognize the expense using the accelerated expense attribution method. An estimate of forfeitures during the vesting period is made at the date of grant of such share-based compensation; this estimate is adjusted to reflect actual experience.

Restricted stock units
In respect of restricted stock units without market performance conditions, as set out in *Note 14(b)*, we accrue a liability equal to the product of the number of vesting restricted stock units multiplied by the fair market value of the corresponding Common Shares at the end of the reporting period (unless hedge accounting is applied, as set out in *(d)* preceding). Similarly, we accrue a liability for the notional subset of our restricted stock units with market performance conditions using a fair value determined using a Monte Carlo simulation. The expense for restricted stock units that do not ultimately vest is reversed against the expense that was previously recorded in their respect.

Share option awards
A fair value for share option awards is determined at the date of grant and that fair value is recognized in the financial statements. Proceeds arising from the exercise of share option awards are credited to share

capital, as are the recognized grant-date fair values of the exercised share option awards.

Share option awards that have a net-equity settlement feature, as set out in *Note 14(d)*, are accounted for as equity instruments. We have selected the equity instrument fair value method of accounting for the net-equity settlement feature as it is consistent with the accounting treatment afforded to the associated share option awards.

(m) Employee future benefit plans

Defined benefit plans

We accrue amounts for our obligations under employee defined benefit plans and the related costs, net of plan assets. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the accrued benefit method pro-rated on service and management's best estimates of salary escalation and the retirement ages of employees. In the determination of net income, net interest for each plan, which is the product of the plan's surplus (deficit) multiplied by the discount rate, is included as a component of Financing costs, as set out in *Note 9*.

An amount reflecting the effect of differences between the discount rate and the actual rate of return on plan assets is included as a component of employee defined benefit plan re-measurements within Other comprehensive income, as set out in *Note 11* and *Note 15*. We determine the maximum economic benefit available from the plans' assets on the basis of reductions in future contributions to the plans.

On an annual basis, at a minimum, the defined benefit plan key assumptions are assessed and revised as appropriate; as referred to in *(b)*, these are significant estimates for us. When the defined benefit plan key assumptions fluctuate significantly relative to their immediately preceding year-end values, actuarial gains (losses) arising from such significant fluctuations are recognized on an interim basis.

Defined contribution plans

We use defined contribution accounting for the Telecommunication Workers Pension Plan and the British Columbia Public Service Pension Plan, which cover certain of our employees and provide defined benefits to their members. In the absence of any regulations governing the calculation of the share of the underlying financial position and plan performance attributable to each employer-participant, and in the absence of contractual agreements between the plans and the employer-participants related to the financing of any shortfall (or distribution of any surplus), we account for these plans as defined contribution plans in accordance with International Accounting Standard 19, *Employee Benefits*.

(n) Cash and temporary investments, net

Cash and temporary investments, which may include investments in money market instruments that are purchased three months or less from maturity, are presented net of outstanding items, including cheques written but not cleared by the related banks as at the statement of financial position date. Cash and temporary investments, net, are classified as a liability in the statement of financial position when the total amount of all cheques written but not cleared by the related banks exceeds the amount of cash and temporary investments. When cash and temporary investments, net, are classified as a liability, they may also include overdraft amounts drawn on our bilateral bank facilities, which revolve daily and are discussed further in *Note 22*.

(o) Sales of trade receivables

Sales of trade receivables in securitization transactions are recognized as collateralized short-term borrowings and thus do not result in our de-recognition of the trade receivables sold.

(p) Inventories

Our inventories primarily consist of wireless handsets, parts and accessories (totalling $320 million (2016 – totalling $266 million)) and communications equipment held for resale. Inventories are valued at the lower of cost and net realizable value, with cost being determined on an average cost basis. Previous write-downs to net realizable value are reversed if there is a subsequent increase in the value of the related inventories. Costs of goods sold for the year ended December 31, 2017, totalled $1.95 billion (2016 – $1.84 billion).

(q) Property, plant and equipment; intangible assets

General

Property, plant and equipment and intangible assets are recorded at historical cost, which for self-constructed property, plant and equipment includes materials, direct labour and applicable overhead costs. For internally developed, internal-use software, the historical cost recorded includes materials, direct labour and direct labour-related costs. Where property, plant and equipment construction projects are of sufficient size and duration, an amount is capitalized for the cost of funds used to finance construction, as set out in *Note 9*. The rate for calculating the capitalized financing cost is based on our weighted average cost of borrowing experienced during the reporting period.

When we sell property, plant and/or equipment, the net book value is netted against the sale proceeds and the difference, as set out in *Note 7*, is included in the Consolidated statements of income and other comprehensive income as Other operating income.

Asset retirement obligations

Provisions for liabilities, as set out in *Note 25*, are recognized for statutory, contractual or legal obligations, normally when incurred, associated with the retirement of property, plant and equipment (primarily certain items of outside plant and wireless site equipment) when those obligations result from the acquisition, construction, development and/or normal operation of the assets; as referred to in *(b)*, this is a significant estimate for us. The obligations are measured initially at fair value, which is determined using present value methodology, and the resulting costs are capitalized as a part of the carrying value of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount, for any changes in the market-based discount rate and for any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is depreciated on the same basis as the related asset and the discount accretion, as set out in *Note 9*, is included in the Consolidated statements of income and other comprehensive income as a component of Financing costs.

(r) Leases

Leases are classified as finance or operating depending upon the terms and conditions of the contracts. See *Note 2* for significant changes to IFRS-IASB which are not yet effective, but which we will apply in fiscal 2019, and which will significantly affect the timing of the recognition of operating lease expenses and their recognition in the Consolidated statement of financial position, as well as their classification in both the

Consolidated statement of income and other comprehensive income and the Consolidated statement of cash flows.

Where we are the lessee, asset values recorded under finance leases are amortized on a straight-line basis over the period of expected use. Obligations recorded under finance leases are reduced by lease payments net of imputed interest.

(s) Investments

We account for our investments in companies over which we have significant influence using the equity method of accounting, whereby the investments are initially recorded at cost and subsequently adjusted to recognize our share of earnings or losses of the investee companies and any earnings distributions received. The excess of the cost of an equity investment over its underlying book value at the date of acquisition, except for goodwill, is amortized over the estimated useful lives of the underlying assets to which the excess cost is attributed.

Similarly, we account for our interests in the real estate joint ventures, discussed further in *Note 21*, using the equity method of accounting. Unrealized gains and losses from transactions with (including contributions to) the real estate joint ventures are deferred in proportion to our remaining interest in the real estate joint ventures.

We account for our other investments as available-for-sale at their fair values unless they are investment securities that do not have quoted market prices in an active market or do not have other clear and objective evidence of fair value. When we do not account for our available-for-sale investments at their fair values, we use the cost basis of accounting, whereby the investments are initially recorded at cost and earnings from those investments are recognized only to the extent received or receivable. The costs of investments sold or the amounts reclassified from other comprehensive income to earnings are determined on a specific-identification basis.

Unless there is a significant or prolonged decline in the value of an available-for-sale investment, the carrying values of available-for-sale investments are adjusted to their estimated fair values, and the amount of any such adjustment is included in the Consolidated statement of income and other comprehensive income as a component of other comprehensive income. When there is a significant or prolonged decline in the value of an investment, the carrying value of any such investment accounted for using the equity, available-for-sale or cost method is reduced to its estimated fair value, and the amount of any such reduction is included in the Consolidated statement of income and other comprehensive income as Other operating income.

2 Accounting policy developments

(a) Initial application of standards, interpretations and amendments to standards and interpretations in the reporting period

In January 2016, the International Accounting Standards Board released *Amendments to IAS 7, Statement of Cash Flows* as a part of its Disclosure Initiative. The amendments are required to be applied for years beginning on or after January 1, 2017; we applied them commencing with the year ended December 31, 2016, as set out in *Note 31(b)*, and such application has had no material effect on our financial performance or disclosure.

Annual Improvements to IFRSs 2012–2014 Cycle are required to be applied for years beginning on or after January 1, 2016, and such application has had no effect on our financial performance or disclosure.

(b) Standards, interpretations and amendments to standards not yet effective and not yet applied

- IFRS 9, *Financial Instruments*, is required to be applied for years beginning on or after January 1, 2018, with retrospective application. The new standard includes a model for the classification and measurement of financial instruments, a single forward-looking "expected loss" impairment model and a reformed approach to hedge accounting. We will make an accounting policy choice relative to impairment, and we will be using the lifetime expected credit loss approach. Based upon current facts and circumstances, we do not expect our financial performance or disclosure to be materially affected by the application of the standard.
- IFRS 15, *Revenue from Contracts with Customers*, is required to be applied for years beginning on or after January 1, 2018, such date reflecting the one-year deferral approved by the International Accounting Standards Board on July 22, 2015; we are retrospectively applying the new standard effective January 1, 2018. The International Accounting Standards Board and the Financial Accounting Standards Board of the United States worked on this joint project to clarify the principles for the recognition of revenue. The new standard was released in May 2014 and supersedes existing standards and interpretations, including IAS 18, *Revenue*. In April 2016, the International Accounting Standards Board issued *Clarifications to IFRS 15, Revenue from Contracts with Customers*, clarifying application of some of the more complex aspects of the standard.

The effects of the new standard and the materiality of those effects will vary by industry and entity. Like many other telecommunications companies, we are materially affected by its application, as set out in *(c)* following, primarily in respect of the timing of revenue recognition, the classification of revenues, and the capitalization of costs of obtaining a contract with a customer (as defined by the new standard).

Revenue – timing of recognition; classification

The timing of revenue recognition and the classification of revenues as either service revenues or equipment revenues will be affected, since the allocation of consideration in multiple element arrangements (solutions for our customers that may involve deliveries of multiple services and products that occur at different points in time and/or over different periods of time) will no longer be affected by the current limitation cap methodology.

The effects of the timing of revenue recognition and the classification of revenue are expected to be most pronounced in our wireless results. Although the measurement of the total revenue recognized over the life of a contract will be largely unaffected by

the new standard, the prohibition of the use of the limitation cap methodology will accelerate the recognition of total contract revenue, relative to both the associated cash inflows from customers and our current practice (using the limitation cap methodology). The acceleration of the recognition of contract revenue relative to the associated cash inflows will also result in the recognition of an amount reflecting the resulting difference as a contract asset. Although the underlying transaction economics would not differ, during periods of sustained growth in the number of wireless subscriber connection additions, assuming comparable contract-lifetime per unit cash inflows, revenues would appear to be greater than under the current practice (using the limitation cap methodology). Wireline results arising from transactions that include the initial provision of subsidized equipment or promotional pricing plans will be similarly affected.

Costs of contract acquisition; costs of contract fulfilment – timing of recognition

Similarly, the measurement of the total costs of contract acquisition and contract fulfilment over the life of a contract will be unaffected by the new standard, but the timing of recognition will be. The new standard will result in our wireless and wireline costs of contract acquisition and contract fulfilment, to the extent that they are material, being capitalized and subsequently recognized as an expense over the life of a contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates. Although the underlying transaction economics would not differ, during periods of sustained growth in the number of customer connection additions, assuming comparable per unit costs of contract acquisition and contract fulfilment, absolute profitability measures would appear to be greater than under the current practice (immediately expensing such costs).

Implementation

With a view to enhancing the clarity, comparability and utility of our financial information post-implementation of the standard, we will apply the standard retrospectively, subject to permitted and elected practical expedients. We are using the following practical expedients provided for in, and transitioning to, the new standard:

- No restatement for contracts that were completed as at January 1, 2017, or earlier.
- No restatement for contracts that were modified prior to January 1, 2017. The aggregate effect of all such modifications will be reflected when identifying satisfied and unsatisfied performance obligations and the transaction prices to be allocated thereto and when determining the transaction prices.
- No disclosure of the aggregate transaction prices allocated to the remaining unfulfilled, or partially unfulfilled, performance obligations for periods ending prior to January 1, 2018.

For purposes of applying the new standard on an ongoing basis, we are using the following practical expedients provided for in the new standard:

- No adjustment of the contracted amount of consideration for the effects of financing components when, at the inception of the contract, we expect that the effect of the financing component is not significant at the individual contract level.
- No deferral of contract acquisition costs when the amortization period for such costs would be one year or less.
- When estimating minimum transaction prices allocated to the remaining unfulfilled, or partially unfulfilled, performance obligations, exclusion of amounts arising from contracts originally expected to have a duration of one year or less, as well as amounts arising from contracts in which we may recognize and bill revenue in an amount that corresponds directly with our completed performance obligations.

For purposes of applying the new standard on an ongoing basis, we must also make incremental judgments in respect of the new standard:

- In respect of revenue-generating transactions, we must make judgments about how to determine the transaction prices and how to allocate those amounts among the associated performance obligations. It is our judgment that, where applicable, it is most appropriate to use a contract's minimum transaction price (the "minimum spend" amount required in a contract with a customer) as the contract's transaction price as it best reflects the enforceable rights and obligations of the contract. The contract's transaction price is allocated based upon the stand-alone selling prices of the contracted equipment and services included in the minimum transaction price.
- We compensate third-party re-sellers and our employees for generating revenues, and we must exercise judgment as to whether such sales-based compensation amounts are costs incurred to obtain contracts with customers that should be capitalized. We believe that compensation amounts tangentially attributable to obtaining a contract with a customer, because the amount of such compensation could be affected in ways other than by simply obtaining the contract, should be expensed as incurred; compensation amounts directly attributable to obtaining a contract with a customer should be capitalized and subsequently amortized on a systematic basis, consistent with the satisfaction of our associated performance obligations.

  Judgment must also be exercised in the capitalization of costs incurred to fulfill revenue-generating contracts with customers. Such fulfilment costs are those incurred to set up, activate or otherwise implement services involving access to, or usage of, our telecommunications infrastructure that would not otherwise be capitalized as property, plant and equipment and intangible assets.

- In January 2016, the International Accounting Standards Board released IFRS 16, *Leases*, which is required to be applied for years beginning on or after January 1, 2019, and which supersedes IAS 17, *Leases*. We are currently assessing the impacts and transition provisions of the new standard; however, we are currently considering applying the new standard retrospectively, effective January 1, 2019. The International Accounting Standards Board and the Financial Accounting Standards Board of the United States worked together to modify the accounting for leases, generally by eliminating lessees' classification of leases as either operating leases or finance leases and, for IFRS-IASB, introducing a single lessee accounting model.

  The most significant effect of the new standard will be the lessee's recognition of the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position, including those for most leases that would currently be accounted for as operating leases. Both leases with durations of 12 months or less and leases for low-value assets may be exempted.

The measurement of the total lease expense over the term of a lease will be unaffected by the new standard. However, the new standard will result in the timing of lease expense recognition being accelerated for leases which would currently be accounted for as operating leases; the International Accounting Standards Board expects that this effect may be muted by a lessee having a portfolio of leases with varying maturities and lengths of term, and we expect that we will be similarly affected. The presentation on the statement of income and other comprehensive income required by the new standard will result in most non-executory lease expenses being presented as amortization of lease assets and financing costs arising from lease liabilities, rather than as a part of goods and services purchased; reported operating income would thus be higher under the new standard.

Relative to the results of applying the current standard, although actual cash flows will be unaffected, the lessee's statement of cash flows will reflect increases in cash flows from operating activities offset equally by decreases in cash flows from financing activities. This is the result of the payments of the "principal" component of leases that would currently be accounted for as operating leases being presented as a cash flow use within financing activities under the new standard.

Implementation

As a transitional practical expedient permitted by the new standard, we do not expect to reassess whether contracts are, or contain, leases as at January 1, 2019, using the criteria of the new standard; as at January 1, 2019, only contracts that were previously identified as leases applying IAS 17, *Leases* and IFRIC 4, *Determining whether an Arrangement contains a Lease*, will be a part of the transition to the new standard. Only contracts entered into (or changed) after January 1, 2019, will be assessed for being, or containing, leases applying the criteria of the new standard.

(c) Impacts of application of IFRS 15, *Revenue from Contracts with Customers*

IFRS 15, *Revenue from Contracts with Customers*, will affect the fiscal 2017 comparative amounts to be reported in our fiscal 2018 Consolidated statements of income and other comprehensive income as follows:

Year ended December 31, 2017 (billions except per share amounts)	As currently reported	IFRS 15 effects	Pro forma
Operating Revenues			
Service	$ 12.5	$ (1.2)	$ 11.3
Equipment	0.7	1.3	2.0
Revenues arising from contracts with customers	13.2	0.1	13.3
Other operating income	0.1	–	0.1
	13.3	0.1	13.4
Operating Expenses			
Goods and services purchased	5.9	*	5.9
Employee benefits expense	2.6	*	2.6
Depreciation	1.6	–	1.6
Amortization of intangible assets	0.6	–	0.6
	10.7	*	10.7
Operating Income	2.6	0.1	2.7
Financing costs	0.6	–	0.6
Income Before Income Taxes	2.0	0.1	2.1
Income taxes	0.5	*	0.5
Net Income	1.5	0.1	1.6
Other Comprehensive Income	(0.2)	–	(0.2)
Comprehensive Income	$ 1.3	$ 0.1	$ 1.4
Net Income Attributable to:			
Common Shares	$ 1.5	$ 0.1	$ 1.6
Non-controlling interests	*	–	*
	$ 1.5	$ 0.1	$ 1.6
Comprehensive Income Attributable to:			
Common Shares	$ 1.3	$ 0.1	$ 1.4
Non-controlling interests	*	–	*
	$ 1.3	$ 0.1	$ 1.4
Net Income Per Common Share			
Basic	$ 2.46	$ 0.15	$ 2.61
Diluted	$ 2.46	$ 0.15	$ 2.61

*Amounts less than $0.1 billion.

The effects of the transition to IFRS 15 on the line items in the preceding table are set out below:

	Amount of IFRS 15 effects (increase (decrease) in billions except per share amounts)		
	Allocation of transaction price (affecting timing of revenue recognition)		
		Costs incurred to obtain or fulfill a contract with a customer	
Year ended December 31, 2017			**Total**
Operating revenues			
Service	**$ (1.2)**	**$ –**	**$ (1.2)**
Equipment	**$ 1.3**	**$ –**	**$ 1.3**
Goods and services purchased	**$ ***	**$ ***	**$ ***
Employee benefits expense	**$ –**	**$ ***	**$ ***
Income taxes	**$ ***	**$ ***	**$ ***
Net income attributable to:			
Common Shares	**$ 0.1**	**$ ***	**$ 0.1**
Net income per Common Share			
Basic	**$ 0.11**	**$ 0.04**	**$ 0.15**
Diluted	**$ 0.11**	**$ 0.04**	**$ 0.15**

*Amounts less than $0.1 billion.

Previously, costs incurred to obtain or fulfill a contract with a customer were expensed as incurred. The new standard requires that such costs be capitalized and subsequently recognized as an expense over the life of the contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates.

This has the effect of reducing the costs recognized in the period arising from contracts with customers entered into during the period, offset by the amortization of capitalized costs arising from contracts with customers entered into in previous periods.

Previously, a "limitation cap" constrained the recognition of revenue in a multiple element arrangement to an amount that was not contingent upon either delivering additional items or meeting other specified performance conditions. The new standard requires that amounts contingently billable and collectible in the future are to be recognized currently as revenue to the extent we have currently satisfied our performance obligations to the customer; this is the new standard's most significant effect on us.

For a contract with a customer, this has the effect of allocating more of the consideration to equipment revenue, which is recognized at the inception of the contract, and less to future service revenue.

IFRS 15, *Revenue from Contracts with Customers*, will affect the fiscal 2017 comparative amounts to be reported in our fiscal 2018 Consolidated statements of financial position as follows:

As at (billions)	December 31, 2017					January 1, 2017
	As currently reported	**IFRS 15 effects**	**Pro forma**	Excluding effects of IFRS 15	IFRS 15 effects	Pro forma
Assets						
Current assets						
Cash and temporary investments, net	**$ 0.5**	**$ –**	**$ 0.5**	$ 0.4	$ –	$ 0.4
Accounts receivable	**1.6**	*****	**1.6**	1.5	*	1.5
Income and other taxes receivable	**0.1**	**–**	**0.1**	–	–	–
Inventories	**0.4**	*****	**0.4**	0.3	*	0.3
Contract assets**	**–**	**0.8**	**0.8**	–	0.7	0.7
Prepaid expenses	**0.3**	**0.2**	**0.5**	0.2	0.2	0.4
	2.9	**1.0**	**3.9**	2.4	0.9	3.3
Non-current assets						
Property, plant and equipment, net	**11.4**	**–**	**11.4**	10.5	–	10.5
Intangible assets, net	**10.6**	**–**	**10.6**	10.4	–	10.4
Goodwill, net	**4.2**	**–**	**4.2**	3.8	–	3.8
Contract assets**	**–**	**0.4**	**0.4**	–	0.3	0.3
Other long-term assets	**0.4**	**0.1**	**0.5**	0.6	0.1	0.7
	26.6	**0.5**	**27.1**	25.3	0.4	25.7
	$ 29.5	**$ 1.5**	**$ 31.0**	$ 27.7	$ 1.3	$ 29.0
Liabilities and Owners' Equity						
Current liabilities						
Short-term borrowings	**$ 0.1**	**$ –**	**$ 0.1**	$ 0.1	$ –	$ 0.1
Accounts payable, accrued liabilities and other	**2.4**	**–**	**2.4**	2.4	–	2.4
Dividends payable	**0.3**	**–**	**0.3**	0.3	–	0.3
Advance billings and customer deposits	**0.8**	**(0.1)**	**0.7**	0.8	(0.2)	0.6
Provisions	**0.1**	**–**	**0.1**	0.1	–	0.1
Current maturities of long-term debt	**1.4**	**–**	**1.4**	1.3	–	1.3
	5.1	**(0.1)**	**5.0**	5.0	(0.2)	4.8
Non-current liabilities						
Provisions	**0.5**	**–**	**0.5**	0.4	–	0.4
Long-term debt	**12.3**	**–**	**12.3**	11.6	–	11.6
Other long-term liabilities	**0.8**	**–**	**0.8**	0.7	–	0.7
Deferred income taxes	**2.5**	**0.4**	**2.9**	2.1	0.4	2.5
	16.1	**0.4**	**16.5**	14.8	0.4	15.2
Liabilities	**21.2**	**0.3**	**21.5**	19.8	0.2	20.0
Owners' equity	**8.3**	**1.2**	**9.5**	7.9	1.1	9.0
	$ 29.5	**$ 1.5**	**$ 31.0**	$ 27.7	$ 1.3	$ 29.0

* Amounts less than $0.1 billion.
** Will be measured at and classified as amortized cost upon application of IFRS 9, *Financial Instruments*, as discussed further in *(a)*.

The effects of the transition to IFRS 15 on the line items in the preceding table are set out below:

	Amount of IFRS 15 effects (increase (decrease) in billions)					
	Allocation of transaction price (affecting timing of revenue recognition)					
			Costs incurred to obtain or fulfill a contract with a customer			
					Total	Total
As at	**Dec. 31, 2017**	Jan. 1, 2017	**Dec. 31, 2017**	Jan. 1, 2017	**Dec. 31, 2017**	Jan. 1, 2017
Current assets						
Accounts receivable	**$ ***	$ *	**$ –**	$ –	**$ ***	$ *
Inventories	**$ ***	$ *	**$ –**	$ –	**$ ***	$ *
Contract assets, net	**$ 0.8**	$ 0.7	**$ –**	$ –	**$ 0.8**	$ 0.7
Prepaid expenses and other	**$ –**	$ –	**$ 0.2**	$ 0.2	**$ 0.2**	$ 0.2
Non-current assets						
Contract assets, net	**$ 0.4**	$ 0.3	**$ –**	$ –	**$ 0.4**	$ 0.3
Other long-term assets	**$ –**	$ –	**$ 0.1**	$ 0.1	**$ 0.1**	$ 0.1
Advance billings and customer deposits	**$ (0.1)**	$ (0.2)	**$ –**	$ –	**$ (0.1)**	$ (0.2)
Deferred income taxes	**$ 0.3**	$ 0.3	**$ 0.1**	$ 0.1	**$ 0.4**	$ 0.4
Common equity						
Retained earnings	**$ 1.0**	$ 0.9	**$ 0.2**	$ 0.2	**$ 1.2**	$ 1.1

*Amounts less than $0.1 billion.

Previously, costs incurred to obtain or fulfill a contract with a customer were expensed as incurred. The new standard requires that such costs be capitalized and subsequently recognized as an expense over the life of the contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates.

Increases in the amount of costs capitalized in the period arising from contracts with customers entered into during the period are offset by the amortization of capitalized costs arising from contracts with customers entered into in previous periods.

Previously, a "limitation cap" constrained the recognition of revenue in a multiple element arrangement to an amount that was not contingent upon either delivering additional items or meeting other specified performance conditions. The new standard requires that amounts contingently billable and collectible in the future are to be recognized currently as revenue to the extent we have currently satisfied our performance obligations to the customer; this is the new standard's most significant effect on us.

The difference between the revenue recognized currently and the amount currently collected/collectible is recognized on the statement of financial position as a contract asset.

The contract asset recorded at January 1, 2017, represents revenues that will not have been reflected at any time in our periodic results of operations, but, absent the transition to the new standard, would have been; the effect of this "pulling forward" of revenues is expected to be somewhat muted by the composite ongoing inception, maturation and expiration of millions of multi-year contracts with our customers.

IFRS 15, *Revenue from Contracts with Customers*, will affect the fiscal 2017 comparative amounts to be reported in our fiscal 2018 Consolidated statement of cash flows as follows:

Year ended December 31, 2017 (billions)	**As currently reported**	**IFRS 15 effects**	**Pro forma**
Operating Activities			
Net income	**$ 1.5**	**$ 0.1**	**$ 1.6**
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	**2.2**	**–**	**2.2**
Deferred income taxes	**0.4**	*****	**0.4**
Net employee defined benefit plans expense	**0.1**	**–**	**0.1**
Employer contributions to employee defined benefit plans	**(0.1)**	**–**	**(0.1)**
Other	**(0.1)**	*****	**(0.1)**
Net change in non-cash operating working capital	**(0.1)**	**(0.1)**	**(0.2)**
Cash provided by operating activities	**$ 3.9**	**$ –**	**$ 3.9**

*Amounts less than $0.1 billion.

3 Capital structure financial policies

General

Our objective when managing capital is to maintain a flexible capital structure that optimizes the cost and availability of capital at acceptable risk.

In the management of capital and in its definition, we include common equity (excluding accumulated other comprehensive income), long-term debt (including long-term credit facilities, commercial paper backstopped by long-term credit facilities and any hedging assets or liabilities associated with long-term debt items, net of amounts recognized in accumulated other comprehensive income), cash and temporary investments, and short-term borrowings arising from securitized trade receivables.

We manage our capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of our telecommunications infrastructure. In order to maintain or adjust our capital structure, we may adjust the amount of dividends paid to holders of Common Shares, purchase Common Shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics, and/or increase or decrease the amount of trade receivables sold to an arm's-length securitization trust.

During 2017, our financial objectives, which are reviewed annually, were unchanged from 2016. We believe that our financial objectives are supportive of our long-term strategy.

We monitor capital utilizing a number of measures, including: net debt to earnings before interest, income taxes, depreciation and amortization (EBITDA*) – excluding restructuring and other costs ratio; coverage ratios; and dividend payout ratios.

Debt and coverage ratios

Net debt to EBITDA – excluding restructuring and other costs is calculated as net debt at the end of the period divided by 12-month trailing EBITDA – excluding restructuring and other costs. This measure, historically, is substantially similar to the leverage ratio covenant in our credit facilities. Net debt and EBITDA – excluding restructuring and other costs are measures that do not have any standardized meanings prescribed by IFRS-IASB and are therefore unlikely to be comparable to similar measures presented by other companies. The calculation of these measures is set out in the following table. Net debt is one component of a ratio used to determine compliance with debt covenants.

As at, or for the 12-month periods ended, December 31 ($ in millions)	Objective	**2017**	2016
Components of debt and coverage ratios			
Net debt[1]		**$ 13,422**	$ 12,652
EBITDA – excluding restructuring and other costs[2]		**$ 4,913**	$ 4,708
Net interest cost[3]		**$ 567**	$ 566
Debt ratio			
Net debt to EBITDA – excluding restructuring and other costs	2.00–2.50[4]	**2.73**	2.69
Coverage ratios			
Earnings coverage[5]		**4.6**	4.0
EBITDA – excluding restructuring and other costs interest coverage[6]		**8.7**	8.3

1 Net debt is calculated as follows:

As at December 31	Note	**2017**	2016
Long-term debt	*26*	**$ 13,660**	$ 12,931
Debt issuance costs netted against long-term debt		**73**	67
Derivative (assets) liabilities, net		**93**	20
Accumulated other comprehensive income amounts arising from financial instruments used to manage interest rate and currency risks associated with U.S. dollar-denominated long-term debt (excluding tax effects)		**5**	(34)
Cash and temporary investments, net		**(509)**	(432)
Short-term borrowings	*22*	**100**	100
Net debt		**$ 13,422**	$ 12,652

2 EBITDA – excluding restructuring and other costs is calculated as follows:

Years ended December 31	Note	**2017**	2016
EBITDA	*5*	**$ 4,774**	$ 4,229
Restructuring and other costs	*16*	**139**	479
EBITDA – excluding restructuring and other costs		**$ 4,913**	$ 4,708

3 Net interest cost is defined as financing costs, excluding employee defined benefit plans net interest, recoveries on long-term debt prepayment premium and repayment of debt, calculated on a 12-month trailing basis (expenses recorded for long-term debt prepayment premium, if any, are included in net interest cost).

4 Our long-term objective range for this ratio is 2.00–2.50 times. The ratio as at December 31, 2017, is outside the long-term objective range. We may permit, and have permitted, this ratio to go outside the objective range (for long-term investment opportunities), but we will endeavour to return this ratio to within the objective range in the medium term, as we believe that this range is supportive of our long-term strategy. We are in compliance with our credit facilities leverage ratio covenant, which states that we may not permit our net debt to operating cash flow ratio to exceed 4.00:1.00 (see *Note 26(d)*); the calculation of the debt ratio is substantially similar to the calculation of the leverage ratio covenant in our credit facilities.

5 Earnings coverage is defined as net income before borrowing costs and income tax expense, divided by borrowing costs (interest on long-term debt; interest on short-term borrowings and other; long-term debt prepayment premium), and adding back capitalized interest.

6 EBITDA – excluding restructuring and other costs interest coverage is defined as EBITDA – excluding restructuring and other costs, divided by net interest cost. This measure is substantially similar to the coverage ratio covenant in our credit facilities.

*EBITDA does not have any standardized meaning prescribed by IFRS-IASB and is therefore unlikely to be comparable to similar measures presented by other issuers; we define EBITDA as operating revenues less goods and services purchased and employee benefits expense. We have issued guidance on, and report, EBITDA because it is a key measure that management uses to evaluate the performance of our business, and it is also utilized in measuring compliance with certain debt covenants.

Net debt to EBITDA – excluding restructuring and other costs was 2.73 times as at December 31, 2017, up from 2.69 one year earlier. The increase in net debt increased the ratio by 0.16, which was largely offset by growth in EBITDA – excluding restructuring and other costs, which decreased the ratio by 0.12. The earnings coverage ratio for the twelve-month period ended December 31, 2017, was 4.6 times, up from 4.0 times one year earlier. Higher borrowing costs reduced the ratio by 0.1 and higher income before borrowing costs and income taxes increased the ratio by 0.7. The EBITDA – excluding restructuring and other costs interest coverage ratio for the twelve-month period ended December 31, 2017, was 8.7 times, up from 8.3 times one year earlier. Growth in EBITDA – excluding restructuring and other costs increased the ratio by 0.4.

Dividend payout ratio

The dividend payout ratio presented is a historical measure calculated as the sum of the last four quarterly dividends declared per Common Share, as recorded in the financial statements, divided by the sum of basic earnings per share for the most recent four quarters for interim reporting periods (divided by annual basic earnings per share if the reported amount is in respect of a fiscal year). The dividend payout ratio of adjusted net earnings presented, also a historical measure, differs in that it excludes the gain on exchange of wireless spectrum licences, net gains and equity income from real estate joint ventures, provisions related to business combinations, immediately vesting transformative compensation expense, long-term debt prepayment premium and income tax-related adjustments.

For the 12-month periods ended December 31 ($ in millions)	Objective	**2017**	2016
Dividend payout ratio	65%–75%[1]	**80%**	89%
Dividend payout ratio of adjusted net earnings		**80%**	77%

1 Our objective range for the dividend payout ratio is 65%–75% of sustainable earnings on a prospective basis; we currently expect that we will be within our target guideline on a prospective basis within the medium term. Adjusted net earnings attributable to Common Shares is calculated as follows:

12-month periods ended December 31	**2017**	2016
Net income attributable to Common Shares	**$ 1,460**	$ 1,223
Gain and net equity income related to real estate redevelopment project, after income taxes	**(1)**	(16)
Gain on exchange of wireless spectrum licences, after income taxes	**–**	(13)
Provisions related to business combinations, after income taxes	**(22)**	15
Immediately vesting transformative compensation expense, after income taxes	**–**	224
Income tax-related adjustments	**21**	(17)
Adjusted net earnings attributable to Common Shares	**$ 1,458**	$ 1,416

4 Financial instruments

(a) Risks – overview

Our financial instruments, and the nature of certain risks to which they may be subject, are set out in the following table.

	Risks				
			Market risks		
Financial instrument	Credit	Liquidity	Currency	Interest rate	Other price
Measured at amortized cost					
Accounts receivable	X		X		
Construction credit facilities advances to real estate joint venture				X	
Short-term obligations		X	X	X	
Accounts payable		X	X		
Provisions (including restructuring accounts payable)		X	X		X
Long-term debt		X	X	X	
Measured at fair value					
Cash and temporary investments	X		X	X	
Long-term investments (not subject to significant influence)[1]			X		X
Foreign exchange derivatives[2]	X	X	X		
Share-based compensation derivatives[2]	X	X			X

1 Long-term investments over which we do not have significant influence are measured at fair value if those fair values can be reliably measured.
2 Use of derivative financial instruments is subject to a policy which requires that no derivative transaction is to be entered into for the purpose of establishing a speculative or leveraged position (the corollary being that all derivative transactions are to be entered into for risk management purposes only) and sets criteria for the creditworthiness of the transaction counterparties.

Derivative financial instruments

As set out in *Note 1(d)*, we apply hedge accounting to financial instruments used to establish hedge accounting relationships for U.S. dollar-denominated transactions and to fix the cost of some share-based compensation. We believe that our use of derivative financial instruments for hedging or arbitrage assists us in managing our financing costs and/or lessening the uncertainty associated with our financing or other business activities. Uncertainty associated with currency risk (see *(d)* following for

explanation of how such risk arises and the extent of the risk exposure that we manage) and other price risk (see *(f)* following for explanation of how such risk arises and the extent of the risk exposure that we manage) is lessened through our use of foreign exchange derivatives and share-based compensation derivatives that effectively swap currency exchange rates and share prices from floating rates and prices to fixed rates and prices. When entering into derivative financial instrument contracts, we seek to align the cash flow timing of the hedging items with that of the hedged items. The effects of the risk management strategy and its application are set out in *(i)* following.

(b) Credit risk

Excluding credit risk, if any, arising from currency swaps settled on a gross basis, the best representation of our maximum exposure (excluding income tax effects) to credit risk, which is a worst-case scenario and does not reflect results we expect, is set out in the following table:

As at December 31 (millions)	**2017**	2016
Cash and temporary investments, net	**$ 509**	$ 432
Accounts receivable	**1,623**	1,471
Derivative assets	**24**	17
	$ 2,156	$ 1,920

Cash and temporary investments, net

Credit risk associated with cash and temporary investments is managed by ensuring that these financial assets are placed with: governments; major financial institutions that have been accorded strong investment grade ratings by a primary rating agency; and/or other creditworthy counterparties. An ongoing review evaluates changes in the status of counterparties.

Accounts receivable

Credit risk associated with accounts receivable is inherently managed by the size and diversity of our large customer base, which includes substantially all consumer and business sectors in Canada. We follow a program of credit evaluations of customers and limit the amount of credit extended when deemed necessary.

As at December 31, 2017, the weighted average age of customer accounts receivable was 26 days (2016 – 26 days) and the weighted average age of past-due customer accounts receivable was 60 days (2016 – 61 days). Accounts are considered to be past due (in default) when the customers have failed to make the contractually required payments when due, which is generally within 30 days of the billing date. Any late payment charges are levied at an industry-based market or negotiated rate on outstanding non-current customer account balances.

As at December 31 (millions)				**2017**			2016
	Note	**Gross**	**Allowance**	**Net[1]**	Gross	Allowance	Net[1]
Customer accounts receivable, net of allowance for doubtful accounts							
Less than 30 days past billing date		**$ 909**	**$ (5)**	**$ 904**	$ 908	$ (11)	$ 897
30–60 days past billing date		**185**	**(8)**	**177**	185	(9)	176
61–90 days past billing date		**60**	**(8)**	**52**	44	(9)	35
More than 90 days past billing date		**67**	**(22)**	**45**	80	(25)	55
	6	**$ 1,221**	**$ (43)**	**$ 1,178**	$ 1,217	$ (54)	$ 1,163

1 Net amounts represent customer accounts receivable for which an allowance had not been made as at the dates of the Consolidated statements of financial position.

We maintain allowances for lifetime expected credit losses related to doubtful accounts. Current economic conditions (including forward-looking macroeconomic data), historical information (including credit agency reports, if available), reasons for the accounts being past due and line of business from which the customer accounts receivable arose are all considered when determining whether to make allowances for past-due accounts. The same factors are considered when determining whether to write off amounts charged to the allowance for doubtful accounts against the customer accounts receivable; amounts that had been written off from the allowance for doubtful accounts but were still subject to enforcement activity as at December 31, 2017, were $298 million (2016 – $231 million). The doubtful accounts expense is calculated on a specific-identification basis for customer accounts receivable above a specific balance threshold and on a statistically derived allowance basis for the remainder. No customer accounts receivable are written off directly to the doubtful accounts expense.

The following table presents a summary of the activity related to our allowance for doubtful accounts.

Years ended December 31 (millions)	**2017**	2016
Balance, beginning of period	**$ 54**	$ 52
Additions (doubtful accounts expense)	**54**	58
Accounts written off, net of recoveries	**(66)**	(65)
Other	**1**	9
Balance, end of period	**$ 43**	$ 54

Derivative assets (and derivative liabilities)

Counterparties to our share-based compensation cash-settled equity forward agreements and foreign exchange derivatives are major financial institutions that have been accorded investment grade ratings by a primary credit rating agency. The total dollar amount of credit exposure under contracts with any one financial institution is limited and counter-parties' credit ratings are monitored. We do not give or receive collateral on swap agreements and hedging items due to our credit rating and those of our counterparties. While we are exposed to the risk of potential credit losses due to the possible non-performance of our counterparties, we consider this risk remote. Our derivative liabilities do not have credit risk-related contingent features.

(c) Liquidity risk

As a component of our capital structure financial policies, discussed further in *Note 3*, we manage liquidity risk by:

- maintaining a daily cash pooling process that enables us to manage our available liquidity and our liquidity requirements according to our actual needs;
- maintaining an agreement to sell trade receivables to an arm's-length securitization trust (*Note 22*);
- maintaining bilateral bank facilities (*Note 22*) and syndicated credit facilities (*Note 26(d)*, *(f)*);
- maintaining a commercial paper program (*Note 26(c)*);
- maintaining an in-effect shelf prospectus;
- continuously monitoring forecast and actual cash flows; and
- managing maturity profiles of financial assets and financial liabilities.

Our debt maturities in future years are as disclosed in *Note 26(g)*. As at December 31, 2017, we could offer $1.2 billion of debt or equity securities pursuant to a shelf prospectus that is in effect until April 2018 (2016 – $2.2 billion). We believe that our investment grade credit ratings contribute to reasonable access to capital markets.

We closely match the contractual maturities of our derivative financial liabilities with those of the risk exposures they are being used to manage.

The expected maturities of our undiscounted financial liabilities do not differ significantly from the contractual maturities, other than as noted below. The contractual maturities of our undiscounted financial liabilities, including interest thereon (where applicable), are set out in the following tables:

	Non-derivative						**Derivative**		
				Composite long-term debt					
As at December 31, 2017 (millions)	**Non-interest bearing financial liabilities**	**Short-term borrowings[1]**	**Construction credit facilities commitment[2] (*Note 21*)**	**Long-term debt[1] (*Note 26*)**	**Currency swap agreement amounts to be exchanged[3] (Receive)**	**Currency swap agreement amounts to be exchanged[3] Pay**	**Currency swap agreement amounts to be exchanged (Receive)**	**Currency swap agreement amounts to be exchanged Pay**	**Total**
2018	**$ 2,232**	**$ 103**	**$ 67**	**$ 1,928**	**$ (1,188)**	**$ 1,206**	**$ (545)**	**$ 557**	**$ 4,360**
2019	**40**	**–**	**–**	**1,531**	**(44)**	**46**	**–**	**–**	**1,573**
2020	**19**	**–**	**–**	**1,480**	**(44)**	**46**	**–**	**–**	**1,501**
2021	**76**	**–**	**–**	**1,480**	**(44)**	**46**	**–**	**–**	**1,558**
2022	**18**	**–**	**–**	**1,913**	**(44)**	**46**	**–**	**–**	**1,933**
Thereafter	**16**	**–**	**–**	**11,430**	**(1,591)**	**1,679**	**–**	**–**	**11,534**
Total	**$ 2,401**	**$ 103**	**$ 67**	**$ 19,762**	**$ (2,955)**	**$ 3,069**	**$ (545)**	**$ 557**	**$ 22,459**
				Total (*Note 26(g)*)		**$ 19,876**			

1 Cash outflows in respect of interest payments on our short-term borrowings, commercial paper and amounts drawn under our credit facilities (if any) have been calculated based upon the interest rates in effect as at December 31, 2017.
2 The drawdowns on the construction credit facilities are expected to occur as construction progresses through 2019.
3 The amounts included in undiscounted non-derivative long-term debt in respect of U.S. dollar-denominated long-term debt, and the corresponding amounts in the long-term debt currency swaps receive column, have been determined based upon the currency exchange rates in effect as at December 31, 2017. The hedged U.S. dollar-denominated long-term debt contractual amounts at maturity, in effect, are reflected in the long-term debt currency swaps pay column as gross cash flows are exchanged pursuant to the currency swap agreements.

	Non-derivative						Derivative			
				Composite long-term debt						
As at December 31, 2016 (millions)	Non-interest bearing financial liabilities	Short-term borrowings[1]	Construction credit facilities commitment[2] (*Note 21*)	Long-term debt[1] (*Note 26*)	Currency swap agreement amounts to be exchanged[3] (Receive)	Currency swap agreement amounts to be exchanged[3] Pay	Other	Currency swap agreement amounts to be exchanged (Receive)	Currency swap agreement amounts to be exchanged Pay	Total
2017	$ 1,949	$ 1	$ 93	$ 1,832	$ (634)	$ 634	$ 3	$ (475)	$ 469	$ 3,872
2018	227	102	–	750	(23)	23	–	–	–	1,079
2019	16	–	–	1,498	(23)	23	–	–	–	1,514
2020	9	–	–	1,447	(23)	23	–	–	–	1,456
2021	9	–	–	1,711	(23)	23	–	–	–	1,720
Thereafter	5	–	–	11,584	(930)	921	–	–	–	11,580
Total	$ 2,215	$ 103	$ 93	$ 18,822	$ (1,656)	$ 1,647	$ 3	$ (475)	$ 469	$ 21,221
				Total		$ 18,813				

1 Cash outflows in respect of interest payments on our short-term borrowings, commercial paper and amounts drawn under our credit facilities (if any) have been calculated based upon the interest rates in effect as at December 31, 2016.
2 The drawdowns on the construction credit facilities are expected to occur as construction progresses through 2018.
3 The amounts included in undiscounted non-derivative long-term debt in respect of U.S. dollar-denominated long-term debt, and the corresponding amounts in the long-term debt currency swaps receive column, have been determined based upon the currency exchange rates in effect as at December 31, 2016. The hedged U.S. dollar-denominated long-term debt contractual amounts at maturity, in effect, are reflected in the long-term debt currency swaps pay column as gross cash flows are exchanged pursuant to the currency swap agreements.

(d) Currency risk

Our functional currency is the Canadian dollar, but certain routine revenues and operating costs are denominated in U.S. dollars and some inventory purchases and capital asset acquisitions are sourced internationally. The U.S. dollar is the only foreign currency to which we have a significant exposure.

Our foreign exchange risk management includes the use of foreign currency forward contracts and currency options to fix the exchange rates on a varying percentage, typically in the range of 50% to 75%, of our domestic short-term U.S. dollar-denominated transactions and commitments and all U.S. dollar-denominated commercial paper. Other than in respect of U.S. dollar-denominated commercial paper, we designate only the spot element of these instruments as the hedging item; the forward element is wholly immaterial; in respect of U.S. dollar-denominated commercial paper, we designate the forward rate.

As discussed further in *Note 26(b)* and *(f)*, we are also exposed to currency risk in that the fair value or future cash flows of our U.S. Dollar Notes and our TELUS International (Cda) Inc. credit facility U.S. dollar borrowings could fluctuate because of changes in foreign exchange rates. Currency hedging relationships have been established for the related semi-annual interest payments and the principal payment at maturity in respect of the U.S. Dollar Notes; we designate only the spot element of these instruments as the hedging item; the forward element is wholly immaterial. As the functional currency of our TELUS International (Cda) Inc. subsidiary is the U.S. dollar, fluctuations in foreign exchange rates affecting its borrowings are reflected as a foreign currency translation adjustment within other comprehensive income.

(e) Interest rate risk

Changes in market interest rates will cause fluctuations in the fair values or future cash flows of temporary investments, construction credit facility advances made to the real estate joint venture, short-term obligations, long-term debt and interest rate swap derivatives.

When we have temporary investments, they have short maturities and fixed interest rates and as a result, their fair values will fluctuate with changes in market interest rates; absent monetization prior to maturity, the related future cash flows will not change due to changes in market interest rates.

If the balance of short-term investments includes dividend-paying equity instruments, we could be exposed to interest rate risk.

Due to the short-term nature of the applicable rates of interest charged, the fair value of the construction credit facilities advances made to the real estate joint venture is not materially affected by changes in market interest rates; the associated cash flows representing interest payments will be affected until such advances are repaid.

As short-term obligations arising from bilateral bank facilities, which typically have variable interest rates, are rarely outstanding for periods that exceed one calendar week, interest rate risk associated with this item is not material.

Short-term borrowings arising from the sales of trade receivables to an arm's-length securitization trust are fixed-rate debt. Due to the short maturities of these borrowings, interest rate risk associated with this item is not material.

All of our currently outstanding long-term debt, other than commercial paper and amounts drawn on our credit facilities (*Note 26(d)*, *(f)*), is fixed-rate debt. The fair value of fixed-rate debt fluctuates with changes in market interest rates; absent early redemption, the related future cash flows will not change. Due to the short maturities of commercial paper, its fair value is not materially affected by changes in market interest rates, but the associated cash flows representing interest payments may be affected if the commercial paper is rolled over.

Amounts drawn on our short-term and long-term credit facilities will be affected by changes in market interest rates in a manner similar to commercial paper.

(f) Other price risk

Long-term investments

We are exposed to equity price risk arising from investments classified as available-for-sale. Such investments are held for strategic rather than trading purposes.

Share-based compensation derivatives

We are exposed to other price risk arising from cash-settled share-based compensation (appreciating Common Share prices increase both the expense and the potential cash outflow). Certain cash-settled equity swap agreements have been entered into that fix the cost associated with our estimate of TELUS Corporation restricted stock units which are expected to vest and are not subject to performance conditions (*Note 14(b)*).

(g) Market risks

Net income and other comprehensive income for the years ended December 31, 2017 and 2016, could have varied if the Canadian dollar: U.S. dollar exchange rate and our Common Share price varied by reasonably possible amounts from their actual statement of financial position date amounts.

The sensitivity analysis of our exposure to currency risk at the reporting date has been determined based upon a hypothetical change taking place at the relevant statement of financial position date. The U.S. dollar-denominated balances and derivative financial instrument notional amounts as at the statement of financial position dates have been used in the calculations.

The sensitivity analysis of our exposure to other price risk arising from share-based compensation at the reporting date has been determined based upon a hypothetical change taking place at the relevant statement of financial position date. The relevant notional number of Common Shares at the statement of financial position date, which includes those in the cash-settled equity swap agreements, has been used in the calculations.

Income tax expense, which is reflected net in the sensitivity analysis, reflects the applicable statutory income tax rates for the reporting periods.

Years ended December 31 (increase (decrease) in millions)	Net income		Other comprehensive income		Comprehensive income	
	2017	2016	**2017**	2016	**2017**	2016
Reasonably possible changes in market risks[1]						
10% change in C$: US$ exchange rate						
Canadian dollar appreciates	**$ (1)**	$ (1)	**$ (15)**	$ (4)	**$ (16)**	$ (5)
Canadian dollar depreciates	**$ 1**	$ 1	**$ 15**	$ 6	**$ 16**	$ 7
25%[2] change in Common Share price[3]						
Price increases	**$ (8)**	$ (8)	**$ 13**	$ 16	**$ 5**	$ 8
Price decreases	**$ 14**	$ 8	**$ (13)**	$ (16)	**$ 1**	$ (8)

1 These sensitivities are hypothetical and should be used with caution. Changes in net income and/or other comprehensive income generally cannot be extrapolated because the relationship of the change in assumption to the change in net income and/or other comprehensive income may not be linear. In this table, the effect of a variation in a particular assumption on the amount of net income and/or other comprehensive income is calculated without changing any other factors; in reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

The sensitivity analysis assumes that we would realize the changes in exchange rates; in reality, the competitive marketplace in which we operate would have an effect on this assumption.

No consideration has been made for a difference in the notional number of Common Shares associated with share-based compensation awards made during the reporting period that may have arisen due to a difference in the Common Share price.

2 To facilitate ongoing comparison of sensitivities, a constant variance of approximate magnitude has been used. Reflecting a twelve-month data period and calculated on a monthly basis, the volatility of our Common Share price as at December 31, 2017, was 7.0% (2016 – 13.1%).

3 The hypothetical effects of changes in the price of our Common Shares are restricted to those which would arise from our share-based compensation awards that are accounted for as liability instruments and the associated cash-settled equity swap agreements.

(h) Fair values

General

The carrying values of cash and temporary investments, accounts receivable, short-term obligations, short-term borrowings, accounts payable and certain provisions (including restructuring provisions) approximate their fair values due to the immediate or short-term maturity of these financial instruments. The fair values are determined directly by reference to quoted market prices in active markets.

The carrying values of our investments accounted for using the cost method do not exceed their fair values. The fair values of our investments accounted for as available-for-sale are based on quoted market prices in active markets or other clear and objective evidence of fair value.

The fair value of our long-term debt is based on quoted market prices in active markets.

The fair values of the derivative financial instruments we use to manage our exposure to currency risk are estimated based on quoted market prices in active markets for the same or similar financial instruments or on the current rates offered to us for financial instruments of the same maturity, as well as discounted future cash flows determined using current rates for similar financial instruments of similar maturities subject to similar risks (such fair value estimates being largely based on the Canadian dollar: U.S. dollar forward exchange rate as at the statement of financial position dates).

The fair values of the derivative financial instruments we use to manage our exposure to increases in compensation costs arising from certain forms of share-based compensation are based on fair value estimates of the related cash-settled equity forward agreements provided by the counterparty to the transactions (such fair value estimates being largely based on our Common Share price as at the statement of financial position dates).

The financial instruments that we measure at fair value on a recurring basis in periods subsequent to initial recognition and the level within the fair value hierarchy at which they are measured are set out in the following table.

			Fair value measurements at reporting date using					
	Carrying value		Quoted prices in active markets for identical items (Level 1)		Significant other observable inputs (Level 2)		Significant unobservable inputs (Level 3)	
As at December 31 (millions)	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Assets								
Foreign exchange derivatives	**$ 4**	$ 10	**$ –**	$ –	**$ 4**	$ 10	**$ –**	$ –
Share-based compensation derivatives	**20**	7	**–**	–	**20**	7	**–**	–
Available-for-sale portfolio investments	**41**	62	**–**	–	**41**	62	**–**	–
	$ 65	$ 79	**$ –**	$ –	**$ 65**	$ 79	**$ –**	$ –
Liabilities								
Foreign exchange derivatives	**$ 108**	$ 30	**$ –**	$ –	**$ 108**	$ 30	**$ –**	$ –
Share-based compensation derivatives	**–**	3	**–**	–	**–**	3	**–**	–
Starting interest rate derivatives	**1**	–	**–**	–	**1**	–	**–**	–
	$ 109	$ 33	**$ –**	$ –	**$ 109**	$ 33	**$ –**	$ –

Derivative

The derivative financial instruments that we measure at fair value on a recurring basis subsequent to initial recognition are set out in the following table.

As at December 31 (millions)		2017					2016		
	Designation	Maximum maturity date	Notional amount	Fair value and carrying value	Price or rate	Maximum maturity date	Notional amount	Fair value and carrying value	Price or rate
Current Assets[1]									
Derivatives used to manage									
Currency risk arising from U.S. dollar-denominated purchases	HFH[2]	**2018**	**$ 110**	**$ 2**	**US$1.00:C$1.24**	2017	$ 263	$ 7	US$1.00:C$1.30
Currency risk arising from U.S. dollar-denominated purchases	HFT[3]	**–**	**$ –**	**–**	**–**	2017	$ 8	–	US$1.00:C$1.28
Currency risk arising from U.S. dollar revenues	HFT[3]	**2018**	**$ 71**	**1**	**US$1.00:C$1.25**	2017	$ 4	–	US$1.00:C$1.34
Changes in share-based compensation costs (*Note 14(b)*)	HFH[2]	**2018**	**$ 73**	**14**	**$ 40.91**	2017	$ 6	1	$ 41.00
Currency risk arising from U.S. dollar-denominated long-term debt (*Note 26(b)–(c)*)	HFH[2]	**2018**	**$ 124**	**1**	**US$1.00:C$1.24**	2017	$ 191	3	US$1.00:C$1.32
				$ 18				$ 11	
Other Long-Term Assets[1]									
Derivatives used to manage									
Changes in share-based compensation costs (*Note 14(b)*)	HFH[2]	**2019**	**$ 63**	**$ 6**	**$ 45.46**	2018	$ 69	$ 6	$ 40.77
Current Liabilities[1]									
Derivatives used to manage									
Currency risk arising from U.S. dollar-denominated purchases	HFH[2]	**2018**	**$ 376**	**$ 14**	**US$1.00:C$1.30**	2017	$ 69	$ 2	US$1.00:C$1.38
Currency risk arising from U.S. dollar revenues	HFT[3]	**–**	**$ –**	**–**	**–**	2017	$ 124	5	US$1.00:C$1.34
Changes in share-based compensation costs (*Note 14(b)*)	HFH[2]	**–**	**$ –**	**–**	**–**	2017	$ 65	3	$ 45.76
Currency risk arising from U.S. dollar-denominated long-term debt (*Note 26(b)–(c)*)	HFH[2]	**2018**	**$ 1,036**	**18**	**US$1.00:C$1.28**	2017	$ 422	2	US$1.00:C$1.35
Interest rate risk associated with planned refinancing of debt maturing	HFH[2]	**2018**	**$ 300**	**1**	**2.14%, GOC 10-year term**	–	–	–	–
				$ 33				$ 12	
Other Long-Term Liabilities[1]									
Derivatives used to manage									
Currency risk arising from U.S. dollar-denominated long-term debt (*Note 26(b)–(c)*)	HFH[2]	**2027**	**$ 1,910**	**$ 76**	**US$1.00:C$1.32**	2027	$ 1,036	$ 21	US$1.00:C$1.32

1 Derivative financial assets and liabilities are not set off.
2 Designated as held for hedging (HFH) upon initial recognition (cash flow hedging item); hedge accounting is applied. Unless otherwise noted, hedge ratio is 1:1 and is established by assessing the degree of matching between the notional amounts of hedging items and the notional amounts of the associated hedged items.
3 Designated as held for trading (HFT) upon initial recognition; hedge accounting is not applied.

Non-derivative

Our long-term debt, which is measured at amortized cost, and the fair value thereof, are set out in the following table.

As at December 31 (millions)	2017		2016	
	Carrying value	**Fair value**	Carrying value	Fair value
Long-term debt (*Note 26*)	**$ 13,660**	**$ 14,255**	$ 12,931	$ 13,533

(i) Recognition of derivative gains and losses

The following table sets out the gains and losses, excluding income tax effects, arising from derivative instruments that are classified as cash flow hedging items and their location within the Consolidated statements of income and other comprehensive income.

Credit risk associated with such derivative instruments, as discussed further in *(b)*, would be the primary source of hedge ineffectiveness. There was no ineffective portion of derivative instruments classified as cash flow hedging items for the periods presented.

	Amount of gain (loss) recognized in other comprehensive income (effective portion) (*Note 11*)		Gain (loss) reclassified from other comprehensive income to income (effective portion) (*Note 11*)		
				Amount	
Years ended December 31 (millions)	**2017**	2016	Location	**2017**	2016
Derivatives used to manage currency risk					
Arising from U.S. dollar-denominated purchases	**$ (23)**	$ (12)	Goods and services purchased	**$ (5)**	$ (9)
Arising from U.S. dollar-denominated long-term debt (*Note 26(b)–(c)*)	**(109)**	(54)	Financing costs	**(146)**	(20)
	(132)	(66)		**(151)**	(29)
Derivatives used to manage other price risk					
Arising from changes in share-based compensation costs (*Note 14(b)*)	**24**	19	Employee benefits expense	**17**	8
	$ (108)	$ (47)		**$ (134)**	$ (21)

The following table sets out the gains and losses arising from derivative instruments that are classified as held for trading and that are not designated as being in a hedging relationship, and their location within the Consolidated statements of income and other comprehensive income.

		Gain (loss) recognized in income on derivatives	
Years ended December 31 (millions)	Location	**2017**	2016
Derivatives used to manage currency risk	Financing costs	**$ 3**	$ (2)

5 Segment information

General

Operating segments are components of an entity that engage in business activities from which they earn revenues and incur expenses (including revenues and expenses related to transactions with the other component(s)), the operations of which can be clearly distinguished and the operating results of which are regularly reviewed by a chief operating decision-maker to make resource allocation decisions and to assess performance.

As at December 31, 2017, we do not currently aggregate operating segments, and thus our reportable segments as at December 31, 2017, are also wireless and wireline. The wireless segment includes network revenues (mobile data and mobile voice) and equipment sales arising from mobile technologies. The wireline segment includes wireline data revenues (which include Internet protocol; television; hosting, managed information technology and cloud-based services; business process outsourcing; certain healthcare solutions; and home security), voice and other telecommunications services revenues (excluding wireless arising from mobile technologies), and equipment sales. Segmentation is based on similarities in technology (mobile versus fixed), the technical expertise required to deliver the services and products, customer characteristics, the distribution channels used and regulatory treatment. Intersegment sales are recorded at the exchange value, which is the amount agreed to by the parties.

The segment information regularly reported to our Chief Executive Officer (our chief operating decision-maker) through December 31, 2017, and the reconciliations thereof to our revenues and income before income taxes, are set out in the following table.

	Wireless		Wireline		Eliminations		Consolidated	
Years ended December 31 (millions)	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Operating revenues								
External revenues								
Service	**$ 6,994**	$ 6,569	**$ 5,484**	$ 5,431	**$ –**	$ –	**$ 12,478**	$ 12,000
Equipment	**505**	509	**219**	216	**–**	–	**724**	725
Revenues arising from contracts with customers	**7,499**	7,078	**5,703**	5,647	**–**	–	**13,202**	12,725
Other operating income	**36**	37	**66**	37	**–**	–	**102**	74
	7,535	7,115	**5,769**	5,684	**–**	–	**13,304**	12,799
Intersegment revenues	**43**	58	**206**	194	**(249)**	(252)	**–**	–
	$ 7,578	$ 7,173	**$ 5,975**	$ 5,878	**$ (249)**	$ (252)	**$ 13,304**	$ 12,799
EBITDA[1] contribution	**$ 3,099**	$ 2,906	**$ 1,675**	$ 1,323	**$ –**	$ –	**$ 4,774**	$ 4,229
CAPEX, excluding spectrum licences[2]	**$ 978**	$ 982	**$ 2,116**	$ 1,986	**$ –**	$ –	**$ 3,094**	$ 2,968

Operating revenues – external (above)	**$ 13,304**	$ 12,799
Goods and services purchased	**5,935**	5,631
Employee benefits expense	**2,595**	2,939
EBITDA (above)	**4,774**	4,229
Depreciation	**1,617**	1,564
Amortization	**552**	483
Operating income	**2,605**	2,182
Financing costs	**573**	520
Income before income taxes	**$ 2,032**	$ 1,662

1 Earnings before interest, income taxes, depreciation and amortization (EBITDA) does not have any standardized meaning prescribed by IFRS-IASB and is therefore unlikely to be comparable to similar measures presented by other issuers; we define EBITDA as operating revenues less goods and services purchased and employee benefits expense. We have issued guidance on, and report, EBITDA because it is a key measure that management uses to evaluate the performance of our business, and it is also utilized in measuring compliance with certain debt covenants.

2 Total capital expenditures (CAPEX); see *Note 31(a)* for a reconciliation of capital expenditures, excluding spectrum licences to cash payments for capital assets, excluding spectrum licences reported in the Consolidated statements of cash flows.

Geographical information

We attribute revenues from external customers to individual countries on the basis of the location where the goods and/or services are provided. We do not have significant revenues that we attribute to countries other than Canada (our country of domicile), nor do we have significant amounts of property, plant, equipment, intangible assets and/or goodwill located outside of Canada.

6 Revenue from contracts with customers

Accounts receivable

As at December 31 (millions)	Note	**2017**	2016
Customer accounts receivable	*4(b)*	**$ 1,221**	$ 1,217
Accrued receivables – customer		**143**	131
Allowance for doubtful accounts	*4(b)*	**(43)**	(54)
		1,321	1,294
Accrued receivables – other		**302**	177
		$ 1,623	$ 1,471

7 Other operating income

Years ended December 31 (millions)	Note	2017	2016
Government assistance, including deferral account amortization		**$ 32**	$ 36
Investment income, gain on disposal of assets and other		**44**	37
Change in business combination-related accrued receivable	*18(b)*	**26**	–
Interest income	*21(c)*	**–**	1
		$ 102	$ 74

We receive government assistance, as defined by IFRS-IASB, from a number of sources and include such amounts received in Other operating income.

CRTC subsidy

Local exchange carriers' costs of providing the level of residential basic telephone services that the CRTC requires to be provided in high cost serving areas are greater than the amounts the CRTC allows the local exchange carriers to charge for the level of service. To ameliorate the situation, the CRTC directs the collection of contribution payments, in a central fund, from all registered Canadian telecommunications service providers (including voice, data and wireless service providers) that are then disbursed to incumbent local exchange carriers as subsidy payments to partially offset the costs of providing residential basic telephone services in non-forborne high cost serving areas. The subsidy payments are based upon a total subsidy requirement calculated on a per network access line/per band subsidy rate. For the year ended December 31, 2017, our subsidy receipts were $19 million (2016 – $20 million).

The CRTC currently determines, at a national level, the total annual contribution requirement necessary to pay the subsidies and then collects contribution payments from the Canadian telecommunications service providers, calculated as a percentage of their CRTC-defined telecommunications service revenue. The final contribution expense rate for 2017 was 0.60% and the interim rate for 2018 has been set at 0.54%. For the year ended December 31, 2017, our contributions to the central fund, which are accounted for as goods and services purchased, were $27 million (2016 – $23 million).

Government of Quebec

Salaries for qualifying employment positions in the province of Quebec, mainly in the information technology sector, are eligible for tax credits. In respect of such tax credits, for the year ended December 31, 2017, we recorded $7 million (2016 – $6 million).

8 Employee benefits expense

Years ended December 31 (millions)		2017			2016
	Note	**Total**	Traditional	Transformative compensation *(Note 16(c))*	Total
Employee benefits expense – gross					
Wages and salaries		**$ 2,594**	$ 2,548	$ 185	$ 2,733
Share-based compensation[1]	*14*	**128**	114	67	181
Pensions – defined benefit	*15(b)*	**82**	92	–	92
Pensions – defined contribution	*15(f)*	**88**	89	41	130
Other defined benefits	*15(g)*	**–**	1	–	1
Restructuring costs[1]	*16(b)*	**26**	112	–	112
Other		**156**	153	12	165
		3,074	3,109	305	3,414
Capitalized internal labour costs					
Property, plant and equipment		**(321)**	(314)	–	(314)
Intangible assets subject to amortization		**(158)**	(161)	–	(161)
		(479)	(475)	–	(475)
		$ 2,595	$ 2,634	$ 305	$ 2,939

1 For the year ended December 31, 2017, $(7) (2016 – $4) of share-based compensation expense (recovery) was included in restructuring costs.

9 Financing costs

Years ended December 31 (millions)	Note	2017	2016
Interest expense			
Interest on long-term debt – gross		**$ 561**	$ 538
Capitalized long-term debt interest[1]	*18(a)*	**–**	(52)
Interest on long-term debt – net		**561**	486
Interest on short-term borrowings and other		**5**	4
Interest accretion on provisions	*25*	**13**	12
		579	502
Employee defined benefit plans net interest	*15(b),(g)*	**6**	6
Foreign exchange		**(5)**	15
		580	523
Interest income		**(7)**	(3)
		$ 573	$ 520

1 Long-term debt interest at a composite rate of 3.31% was capitalized to intangible assets with indefinite lives in the comparative period.

10 Income taxes

(a) Expense composition and rate reconciliation

Years ended December 31 (millions)	2017	2016
Current income tax expense		
For the current reporting period	**$ 205**	$ 506
Adjustments recognized in the current period for income taxes of prior periods	**(82)**	(38)
	123	468
Deferred income tax expense (recovery)		
Arising from the origination and reversal of temporary differences	**324**	(64)
Revaluation of deferred income tax liability to reflect future statutory income tax rates	**28**	(4)
Adjustments recognized in the current period for income taxes of prior periods	**78**	26
	430	(42)
	$ 553	$ 426

Our income tax expense and effective income tax rate differ from those calculated by applying the applicable statutory rates for the following reasons:

Years ended December 31 ($ in millions)	2017		2016	
Income taxes calculated at applicable statutory rates	**$ 541**	**26.6%**	$ 444	26.7%
Revaluation of deferred income tax liability to reflect future income tax rates	**28**	**1.3**	(4)	(0.2)
Adjustments recognized in the current period for income taxes of prior periods	**(4)**	**(0.2)**	(12)	(0.8)
Other	**(12)**	**(0.5)**	(2)	(0.1)
Income tax expense per Consolidated statements of income and other comprehensive income	**$ 553**	**27.2%**	$ 426	25.6%

(b) Temporary differences

We must make significant estimates in respect of the composition of our deferred income tax liability. Our operations are complex and the related income tax interpretations, regulations, legislation and jurisprudence are continually changing. As a result, there are usually some income tax matters in question.

Temporary differences comprising the net deferred income tax liability and the amounts of deferred income taxes recognized in the Consolidated statements of income and other comprehensive income and the Consolidated statements of changes in owners' equity are estimated as follows:

(millions)	Property, plant and equipment and intangible assets subject to amortization	Intangible assets with indefinite lives	Partnership income unallocated for income tax purposes	Net pension and share-based compensation amounts	Reserves not currently deductible	Losses available to be carried forward[1]	Other	Net deferred income tax liability
As at January 1, 2016	$ 785	$ 1,380	$ 195	$ (45)	$ (160)	$ (3)	$ 3	$ 2,155
Deferred income tax expense recognized in								
Net income	85	77	(200)	(7)	12	(3)	(6)	(42)
Other comprehensive income	–	–	–	4	–	–	(10)	(6)
Deferred income taxes charged directly to owners' equity and other	–	–	–	–	–	–	(5)	(5)
As at December 31, 2016[2]	870	1,457	(5)	(48)	(148)	(6)	(18)	2,102
Deferred income tax expense recognized in								
Net income	**348**	**84**	**5**	**(11)**	**8**	**(1)**	**(3)**	**430**
Other comprehensive income	**–**	**–**	**–**	**(61)**	**–**	**–**	**4**	**(57)**
Deferred income taxes charged directly to owners' equity and other	**3**	**20**	**–**	**–**	**–**	**–**	**(3)**	**20**
As at December 31, 2017[3]	**$ 1,221**	**$ 1,561**	**$ –**	**$ (120)**	**$ (140)**	**$ (7)**	**$ (20)**	**$ 2,495**

1 We expect to be able to utilize our non-capital losses prior to expiry.
2 Deferred tax liability of $2,107, net of deferred tax asset of $5 (included in Other long-term assets).
3 Deferred tax liability of $2,500, net of deferred tax asset of $5 (included in Other long-term assets).

IFRS-IASB requires the separate disclosure of temporary differences arising from the carrying value of investments in subsidiaries and partnerships exceeding their tax base, for which no deferred income tax liabilities have been recognized because the parent is able to control the timing of the reversal of the difference and it is probable that it will not reverse in the foreseeable future. In our specific instance, this is relevant to our investments in Canadian subsidiaries and Canadian partnerships. We are not required to recognize such deferred income tax liabilities, as we are in a position to control the timing and manner of the reversal of the temporary differences, which would not be expected to be exigible to income tax, and it is probable that such differences will not reverse in the foreseeable future. We are in a position to control the timing and manner of the reversal of temporary differences in respect of our non-Canadian subsidiaries, and it is probable that such differences will not reverse in the foreseeable future.

(c) Other

We have net capital losses, and such losses may only be applied against realized taxable capital gains. We expect to include a net capital loss carry-forward of $NIL (2016 – $4 million) in our Canadian income tax returns. During the year ended December 31, 2017, we recognized the benefit of $4 million (2016 – $NIL) of net capital losses.

We conduct research and development activities, which are eligible to earn Investment Tax Credits. During the year ended December 31, 2017, we recorded Investment Tax Credits of $12 million (2016 – $5 million). Of this amount, $7 million (2016 – $1 million) was recorded as a reduction of property, plant and equipment and/or intangible assets and the balance was recorded as a reduction of Goods and services purchased.

11 Other comprehensive income

(millions)	Items that may subsequently be reclassified to income										Item never reclassified to income	
	Change in unrealized fair value of derivatives designated as cash flow hedges in current period (*Note 4(i)*)											
	Derivatives used to manage currency risk			Derivatives used to manage other price risk								
	Gains (losses) arising	Prior period (gains) losses transferred to net income	Total	Gains (losses) arising	Prior period (gains) losses transferred to net income	Total	Total	Cumulative foreign currency translation adjustment	Change in unrealized fair value of available-for-sale financial assets	Accumulated other comprehensive income	Employee defined benefit plans re-measurements	Other comprehensive income
Accumulated balance as at January 1, 2016			$ 6			$ (6)	$ –	$ 43	$ 16	$ 59		
Other comprehensive income (loss)												
Amount arising	$ (66)	$ 29	(37)	$ 19	$ (8)	11	(26)	5	–	(21)	$ –	$ (21)
Income taxes	$ (18)	$ 9	(9)	$ 5	$ (2)	3	(6)	–	–	(6)	–	(6)
Net			(28)			8	(20)	5	–	(15)	$ –	$ (15)
Accumulated balance as at December 31, 2016			(22)			2	(20)	48	16	44		
Other comprehensive income (loss)												
Amount arising	**$ (132)**	**$ 151**	**19**	**$ 24**	**$ (17)**	**7**	**26**	**5**	**(13)**	**18**	**$ (234)**	**$ (216)**
Income taxes	**$ (21)**	**$ 27**	**6**	**$ 6**	**$ (5)**	**1**	**7**	**–**	**(2)**	**5**	**(62)**	**(57)**
Net			**13**			**6**	**19**	**5**	**(11)**	**13**	**$ (172)**	**$ (159)**
Accumulated balance as at December 31, 2017			**$ (9)**			**$ 8**	**$ (1)**	**$ 53**	**$ 5**	**$ 57**		
Attributable to:												
Common Shares										**$ 51**		
Non-controlling interests										**6**		
										$ 57		

As at December 31, 2017, our estimate of the net amount of existing gains (losses) arising from the unrealized fair value of derivatives designated as cash flow hedges that are reported in accumulated other comprehensive income and are expected to be reclassified to net income in the next twelve months, excluding income tax effects, is $5 million.

12 Per share amounts

Basic net income per Common Share is calculated by dividing net income attributable to Common Shares by the total weighted average number of Common Shares outstanding during the period. Diluted net income per Common Share is calculated to give effect to share option awards and restricted stock units.

The following table presents the reconciliation of the denominators of the basic and diluted per share computations. Net income was equal to diluted net income for all periods presented.

Years ended December 31 (millions)	**2017**	2016
Basic total weighted average number of Common Shares outstanding	**593**	592
Effect of dilutive securities		
Share option awards	**–**	1
Diluted total weighted average number of Common Shares outstanding	**593**	593

For the years ended December 31, 2017 and 2016, no outstanding TELUS Corporation share option awards were excluded in the computation of diluted net income per Common Share.

13 Dividends per share

(a) Dividends declared

Years ended December 31 (millions except per share amounts)				**2017**				2016
	Declared				Declared			
Common Share dividends	**Effective**	**Per share**	**Paid to shareholders**	**Total**	Effective	Per share	Paid to shareholders	Total
Quarter 1 dividend	Mar. 10, 2017	**$ 0.4800**	Apr. 3, 2017	**$ 283**	Mar. 11, 2016	$ 0.44	Apr. 1, 2016	$ 261
Quarter 2 dividend	June 9, 2017	**0.4925**	July 4, 2017	**293**	June 10, 2016	0.46	July 4, 2016	274
Quarter 3 dividend	Sep. 8, 2017	**0.4925**	Oct. 2, 2017	**292**	Sep. 9, 2016	0.46	Oct. 3, 2016	272
Quarter 4 dividend	Dec. 11, 2017	**0.5050**	Jan. 2, 2018	**299**	Dec. 9, 2016	0.48	Jan. 3, 2017	284
		$ 1.9700		**$ 1,167**		$ 1.84		$ 1,091

On February 7, 2018, the Board of Directors declared a quarterly dividend of $0.5050 per share on our issued and outstanding Common Shares payable on April 2, 2018, to holders of record at the close of business on March 9, 2018. The final amount of the dividend payment depends upon the number of Common Shares issued and outstanding at the close of business on March 9, 2018.

(b) Dividend Reinvestment and Share Purchase Plan

We have a Dividend Reinvestment and Share Purchase Plan under which eligible holders of Common Shares may acquire additional Common Shares by reinvesting dividends and by making additional optional cash payments to the trustee. Under this Plan, we have the option of offering Common Shares from Treasury or having the trustee acquire Common Shares in the stock market. We may, at our discretion, offer Common Shares at a discount of up to 5% from the market price under the Plan.

In respect of Common Share dividends declared during the year ended December 31, 2017, $58 million (2016 – $59 million) was to be reinvested in Common Shares acquired by the trustee from Treasury (2016 – in the stock market), with no discount applicable.

Under the share purchase feature of the Plan, eligible shareholders can make optional cash payments to purchase our Common Shares at the market price without brokerage commissions or service charges; such purchases are subject to a minimum investment of $100 per transaction and a maximum investment of $20,000 per calendar year.

14 Share-based compensation

(a) Details of share-based compensation expense

Reflected in the Consolidated statements of income and other comprehensive income as Employee benefits expense and in the Consolidated statements of cash flows are the following share-based compensation amounts:

Years ended December 31 (millions)				2017			2016
	Note	**Employee benefits expense**	**Associated operating cash outflows**	**Statement of cash flows adjustment**	Employee benefits expense	Associated operating cash outflows	Statement of cash flows adjustment
Restricted stock units[1]	*(b)*	**$ 83**	**$ (67)**	**$ 16**	$ 81	$ (83)	$ (2)
Transformative compensation[2]	*16(c)*	**–**	**–**	**–**	64	(64)	–
Employee share purchase plan[3]	*(c)*	**37**	**(37)**	**–**	40	(40)	–
Share option awards	*(d)*	**1**	**–**	**1**	–	–	–
		$ 121	**$ (104)**	**$ 17**	$ 185	$ (187)	$ (2)

1 The expense arising from restricted stock units was net of cash-settled equity swap agreement effects (see *Note 4(i)*). Within employee benefits expense (see *Note 8*), restricted stock unit expense of $90 (2016 – $77) is presented as share-based compensation and the balance is included in restructuring costs.

2 As set out in Note *16(c)*, in 2016 we made immediately vesting, transformative compensation lump-sum payments to substantially all of our existing unionized and non-unionized Canadian-sited workforces. For the unionized and non-unionized workforces, approximately 40% of the after-tax value of such qualifying lump-sum payments was paid in our Common Shares (see *Note 28(b)*) by way of an employee benefit plan trust.

As a result of our being considered for accounting purposes to control an employee benefit plan trust that was used to effect these Common Share payments, such transactions have been recognized as treasury stock transactions and we have applied the cost method of accounting. As at December 31, 2016, the employee benefit plan trust held no Common Shares.

3 Employees who received an immediately vesting, transformative compensation lump-sum payment in 2016 contributed a percentage of their payment to the employee share purchase plan consistent with their regular compensation payment, as further described in *(c)*. Our associated employer expense and contributions were $NIL (2016 – $3).

For the year ended December 31, 2017, the associated operating cash outflows in respect of restricted stock units were net of cash inflows arising from the cash-settled equity swap agreements of $14 million (2016 – $9 million). For the year ended December 31, 2017, the income tax benefit arising from share-based compensation was $32 million (2016 – $49 million).

(b) Restricted stock units

General

We use restricted stock units as a form of retention and incentive compensation. Each restricted stock unit is nominally equal in value to one equity share and is nominally entitled to the dividends that would arise thereon if it were an issued and outstanding equity share. The notional dividends are recorded as additional issuances of restricted stock units during the life of the restricted stock unit. Due to the notional dividend mechanism, the grant-date fair value of restricted stock units equals the fair market value of the corresponding equity shares at the grant date. The restricted stock units generally become payable when vesting is complete and typically vest over a period of 33 months (the requisite service period). The vesting method of restricted stock units, which is determined on or before the date of grant, may be either cliff or graded; the majority of restricted stock units outstanding are cliff-vesting. The associated liability is normally cash-settled.

TELUS Corporation restricted stock units

We also award restricted stock units that largely have the same features as our general restricted stock units, but have a variable payout (0%–200%) that depends upon the achievement of our total customer connections performance condition (with a weighting of 25%) and the total shareholder return on our Common Shares relative to an international peer group of telecommunications companies (with a weighting of 75%). The grant-date fair value of the notional subset of our restricted stock units affected by the total customer connections performance condition equals the fair market value of the corresponding Common Shares at the grant date, and thus the notional subset has been included in the presentation of our restricted stock units with only service conditions. The recurring estimate, which reflects a variable payout, of the fair value of the notional subset of our restricted stock units affected by the relative total shareholder return performance condition is determined using a Monte Carlo simulation.

The following table presents a summary of outstanding TELUS Corporation non-vested restricted stock units.

Number of non-vested restricted stock units as at December 31	**2017**	2016
Restricted stock units without market performance conditions		
Restricted stock units with only service conditions	**3,327,464**	3,260,745
Notional subset affected by total customer connections performance condition	**154,452**	130,234
	3,481,916	3,390,979
Restricted stock units with market performance conditions		
Notional subset affected by relative total shareholder return performance condition	**463,357**	390,703
	3,945,273	3,781,682

The following table presents a summary of the activity related to TELUS Corporation restricted stock units without market performance conditions.

Years ended December 31	2017			2016		
	Number of restricted stock units[1]		**Weighted average grant-date fair value**	Number of restricted stock units[1]		Weighted average grant-date fair value
	Non-vested	**Vested**		Non-vested	Vested	
Outstanding, beginning of period						
Non-vested	**3,390,979**	**–**	**$ 41.71**	3,564,412	–	$ 41.42
Vested	**–**	**29,108**	**$ 38.09**	–	29,008	$ 40.00
Issued						
Initial award	**1,825,688**	**–**	**$ 43.56**	1,942,446	–	$ 39.74
In lieu of dividends	**206,715**	**455**	**$ 43.98**	209,027	381	$ 41.63
Vested	**(1,766,680)**	**1,766,680**	**$ 43.73**	(2,024,130)	2,024,130	$ 39.31
Settled in cash	**–**	**(1,698,008)**	**$ 43.63**	–	(2,004,126)	$ 39.29
Forfeited and cancelled	**(174,786)**	**(65,387)**	**$ 42.88**	(300,776)	(20,285)	$ 35.70
Outstanding, end of period						
Non-vested	**3,481,916**	**–**	**$ 41.87**	3,390,979	–	$ 41.71
Vested	**–**	**32,848**	**$ 41.00**	–	29,108	$ 38.09

1 Excluding the notional subset of restricted stock units affected by the relative total shareholder return performance condition.

With respect to certain issuances of TELUS Corporation restricted stock units, we have entered into cash-settled equity forward agreements that fix our cost; that information, as well as a schedule of non-vested TELUS Corporation restricted stock units outstanding as at December 31, 2017, is set out in the following table.

Vesting in years ending December 31	Number of fixed-cost restricted stock units	Our fixed cost per restricted stock unit	Number of variable-cost restricted stock units	Total number of non-vested restricted stock units[1]
2018	1,792,286	$ 40.91	28,951	1,821,237
2019	1,385,734	$ 45.46	274,945	1,660,679
	3,178,020		303,896	3,481,916

1 Excluding the notional subset of restricted stock units affected by the relative total shareholder return performance condition.

TELUS International (Cda) Inc. restricted stock units

We also award restricted stock units that largely have the same features as the TELUS Corporation restricted stock units, but have a variable payout (0%–150%) that depends upon the achievement of TELUS International (Cda) Inc. financial performance and non-market quality-of-service performance conditions.

The following table presents a summary of the activity related to TELUS International (Cda) Inc. restricted stock units.

Years ended December 31	2017					2016				
	US$ denominated			**Canadian $ denominated**		US$ denominated		Canadian $ denominated		
	Number of restricted stock units		**Grant-date fair value**	**Number of vested restricted stock units**	**Grant-date fair value**	Number of non-vested restricted stock units	Grant-date fair value	Number of restricted stock units		Grant-date fair value
	Non-vested	**Vested**						Non-vested	Vested	
Outstanding, beginning of period										
Non-vested	**163,785**	**–**	**US$ 21.90**	**–**	**$ –**	–	US$ –	–	–	$ –
Vested	**–**	**–**	**US$ –**	**32,299**	**$ 21.36**	–	US$ –	–	–	$ –
Issued – initial award	**213,768**		**US$ 26.40**	**–**	**$ –**	163,785	US$ 21.90	32,299	–	$ 21.36
Vested	**(208)**	**208**	**US$ 24.10**	**–**	**$ –**	–	US$ –	(32,299)	32,299	$ 21.36
Exercised	**–**	**(208)**	**US$ 24.10**	**–**	**$ –**	–	US$ –	–	–	$ –
Forfeited and cancelled	**(2,559)**	**–**	**US$ 24.10**	**–**	**$ –**	–	US$ –	–	–	$ –
Outstanding, end of period										
Non-vested	**374,786**	**–**	**US$ 24.45**	**–**	**$ –**	163,785	US$ 21.90	–	–	$ –
Vested	**–**	**–**	**US$ –**	**32,299**	**$ 21.36**	–	US$ –	–	32,299	$ 21.36

(c) Employee share purchase plan

We have an employee share purchase plan under which eligible employees up to a certain job classification can purchase our Common Shares through regular payroll deductions by contributing between 1% and 20% of their pay; for more highly compensated job classifications, employees may contribute between 1% and 55% of their pay. For every dollar contributed by an employee, up to a maximum of 6% of eligible employee pay, we are required to make a contribution at a percentage between 20% and 40%. For the years ended December 31, 2017 and 2016, we contributed 40% for employees up to a certain job classification; for more highly compensated job classifications, we contributed 35%. We record our contributions as a component of Employee benefits expense and our contribution vests on the earlier of a plan participant's last day in our employ or the last business day of the calendar year of our contribution, unless the plan participant's employment is terminated with cause, in which case the plan participant will forfeit any in-year contribution from us.

In respect of Common Shares held within the employee share purchase plan, Common Share dividends declared during the year ended December 31, 2017, of $31 million (2016 – $27 million) were to be reinvested in Common Shares acquired by the trustee from Treasury (2016 – in the stock market), with no discount applicable.

(d) Share option awards

General

We use share option awards as a form of retention and incentive compensation. We apply the fair value method of accounting for share-based compensation awards granted to officers and other employees. Share option awards typically have a three-year vesting period (the requisite service period), but may vest over periods of up to five years. The vesting method of share option awards, which is determined on or before the date of grant, may be either cliff or graded; all share option awards granted subsequent to 2004 have been cliff-vesting.

The weighted average fair value of share option awards granted is calculated by using the Black-Scholes model (a closed-form option pricing model). The risk-free interest rate used in determining the fair value of the share option awards is based on a Government of Canada yield curve that is current at the time of grant. The expected lives of the share option awards are based on our historical share option award exercise data. Similarly, expected volatility considers the historical volatility in the price of our Common Shares for TELUS Corporation share options and average historical volatility in the prices of a peer group's shares in respect of TELUS International (Cda) Inc. share options. The dividend yield is the annualized dividend current at the time of grant divided by the share option award exercise price. Dividends are not paid on unexercised share option awards and are not subject to vesting.

TELUS Corporation share options

Employees may receive options to purchase Common Shares at a price equal to the fair market value at the time of grant. Share option awards granted under the plan may be exercised over specific periods not to exceed seven years from the time of grant. No share options were awarded in fiscal 2017 or 2016.

These share option awards have a net-equity settlement feature. The optionee does not have the choice of exercising the net-equity settlement feature; it is at our option whether the exercise of a share option award is settled as a share option or settled using the net-equity settlement feature.

The following table presents a summary of the activity related to the TELUS Corporation share option plan.

Years ended December 31	**2017**		2016	
	Number of share options	**Weighted average share option price**	Number of share options	Weighted average share option price
Outstanding, beginning of period	**1,417,693**	**$ 24.49**	2,375,596	$ 22.96
Exercised[1]	**(652,926)**	**$ 21.90**	(925,682)	$ 20.75
Forfeited	**(3,908)**	**$ 27.56**	(13,112)	$ 24.49
Expired	**(20,388)**	**$ 16.31**	(19,109)	$ 15.29
Outstanding, end of period[2]	**740,471**	**$ 26.99**	1,417,693	$ 24.49

1 The total intrinsic value of share option awards exercised for the year ended December 31, 2017, was $15 million (2016 – $19 million), reflecting a weighted average price at the dates of exercise of $44.63 per share (2016 – $41.06 per share). The difference between the number of share options exercised and the number of Common Shares issued (as reflected in the Consolidated statements of changes in owners' equity) is the effect of our choosing to settle share option award exercises using the net-equity settlement feature.

2 All outstanding TELUS Corporation share options are vested, their range of prices is $23.08–$31.69 per share and their weighted average remaining contractual life is 0.9 years.

TELUS International (Cda) Inc. share options

Employees may receive equity share options (equity-settled) to purchase TELUS International (Cda) Inc. common shares at a price equal to, or a multiple of, the fair market value at the time of grant and/or phantom share options (cash-settled) that provide them with exposure to TELUS International (Cda) Inc. common share price appreciation. Share option awards granted under the plan may be exercised over specific periods not to exceed ten years from the time of grant. All equity share option awards and most phantom share option awards have a variable payout (0%–100%) that depends upon the achievement of TELUS International (Cda) Inc. financial performance and non-market quality-of-service performance conditions.

The following table presents a summary of the activity related to the TELUS International (Cda) Inc. share option plan.

Years ended December 31	2017				2016			
	US$ denominated		**Canadian $ denominated**		US$ denominated		Canadian $ denominated	
	Number of share options	**Weighted average share option price[1]**	**Number of share options**	**Share option price[2]**	Number of share options	Weighted average share option price[1]	Number of share options	Share option price[2]
Outstanding, beginning of period	**573,354**	**US$ 30.86**	**53,832**	**$ 21.36**	–	US$ –	–	$ –
Granted	**175,272**	**US$ 27.70**	**–**	**$ –**	573,354	US$ 30.86	53,832	$ 21.36
Outstanding, end of period	**748,626**	**US$ 30.12**	**53,832**	**$ 21.36**	573,354	US$ 30.86	53,832	$ 21.36

1 The range of share option prices is US$21.90–US$40.25 per TELUS International (Cda) Inc. equity share and the weighted average remaining contractual life is 9.2 years (2016 – 10.0 years).
2 The weighted average remaining contractual life is 8.5 years (2016 – 9.5 years).

15 Employee future benefits

We have a number of defined benefit and defined contribution plans that provide pension and other retirement and post-employment benefits to most of our employees. As at December 31, 2017 and 2016, all registered defined benefit pension plans were closed to substantially all new participants and substantially all benefits had vested. The benefit plans in which our employees are participants reflect developments in our corporate history.

TELUS Corporation Pension Plan
Management and professional employees in Alberta who joined us prior to January 1, 2001, and certain unionized employees who joined us prior to June 9, 2011, are covered by this contributory defined benefit pension plan, which comprises slightly more than one-half of our total defined benefit obligation accrued. The plan contains a supplemental benefit account that may provide indexation of up to 70% of the annual increase in a specified cost-of-living index. Pensionable remuneration is determined by the average of the best five years of remuneration in the last ten years preceding retirement.

Pension Plan for Management and Professional Employees of TELUS Corporation
This defined benefit pension plan, which with certain limited exceptions ceased accepting new participants on January 1, 2006, and which comprises approximately one-quarter of our total defined benefit obligation accrued, provides a non-contributory base level of pension benefits. Additionally, on a contributory basis, employees annually can choose increased and/or enhanced levels of pension benefits above the base level. At an enhanced level of pension benefits, the plan has indexation of 100% of the annual increase in a specified cost-of-living index, to an annual maximum of 2%. Pensionable remuneration is determined by the annualized average of the best 60 consecutive months of remuneration.

TELUS Québec Defined Benefit Pension Plan
This contributory defined benefit pension plan, which ceased accepting new participants on April 14, 2009, covers any employee not governed by a collective agreement in Quebec who joined us prior to April 1, 2006, any non-supervisory employee governed by a collective agreement who joined us prior to September 6, 2006, and certain other unionized employees. The plan comprises approximately one-tenth of our total defined benefit obligation accrued. The plan has no indexation and pensionable remuneration is determined by the average of the best four years of remuneration.

TELUS Edmonton Pension Plan
This contributory defined benefit pension plan ceased accepting new participants on January 1, 1998. Indexation is 60% of the annual increase in a specified cost-of-living index and pensionable remuneration is determined by the annualized average of the best 60 consecutive months of remuneration. The plan comprises less than one-tenth of our total defined benefit obligation accrued.

Other defined benefit pension plans
In addition to the foregoing plans, we have non-registered, non-contributory supplementary defined benefit pension plans, which have the effect of maintaining the earned pension benefit once the allowable maximums in the registered plans are attained. As is common with non-registered plans of this nature, these plans are typically funded only as benefits are paid. These plans comprise less than 5% of our total defined benefit obligation accrued.

We have three contributory non-indexed defined benefit pension plans arising from a pre-merger acquisition, which comprise less than 1% of our total defined benefit obligation accrued; these plans ceased accepting new participants in September 1989.

Telecommunication Workers Pension Plan

Certain employees in British Columbia are covered by a negotiated-cost, target-benefit union pension plan. Our contributions are determined in accordance with provisions of negotiated labour contracts, the current one of which expires December 31, 2021, and are generally based on employee gross earnings. We are not required to guarantee the benefits or assure the solvency of the plan, and we are not liable to the plan for other participating employers' obligations. For the years ended December 31, 2017 and 2016, our contributions comprised a significant proportion of the employer contributions to the union pension plan; similarly, a significant proportion of the plan participants were our active and retired employees.

British Columbia Public Service Pension Plan

Certain employees in British Columbia are covered by a public service pension plan. Contributions are determined in accordance with provisions of labour contracts negotiated by the Province of British Columbia and are generally based on employee gross earnings.

Defined contribution pension plans

We offer three defined contribution pension plans, which are contributory, and these are the pension plans that we sponsor that are available to our non-unionized and certain of our unionized employees. Employees, annually, can generally choose to contribute to the plans at a rate of between 3% and 6% of their pensionable earnings. Generally, we match 100% of the contributions of employees up to 5% of their pensionable earnings and 80% of employee contributions greater than that. Membership in a defined contribution pension plan is generally voluntary until an employee's third-year service anniversary. In the event that annual contributions exceed allowable maximums, excess amounts are in certain cases contributed to a non-registered supplementary defined contribution pension plan.

Other defined benefit plans

Other defined benefit plans, which are all non-contributory and, as at December 31, 2017 and 2016, non-funded, are comprised of a healthcare plan for retired employees and a life insurance plan, both of which ceased accepting new participants on January 1, 1997.

(a) Defined benefit pension plans – funded status overview

Information concerning our defined benefit pension plans, in aggregate, is as follows:

As at December 31 (millions)	2017	2016
Present value of the defined benefit obligations		
Balance at beginning of year	**$ 8,837**	$ 8,620
Current service cost	**100**	109
Past service cost	**(2)**	2
Interest expense	**331**	340
Actuarial loss (gain) arising from:		
Demographic assumptions	**77**	25
Financial assumptions	**526**	184
Benefits paid	**(450)**	(443)
Balance at end of year	**9,419**	8,837
Plan assets		
Fair value at beginning of year	**8,873**	8,641
Return on plan assets		
Notional interest income on plan assets at discount rate	**330**	339
Actual return on plan assets greater than discount rate	**360**	247
Contributions		
Employer contributions *(d)*	**66**	70
Employees' contributions	**22**	25
Benefits paid	**(450)**	(443)
Administrative fees	**(6)**	(6)
Fair value at end of year	**9,195**	8,873
Effect of asset ceiling limit		
Beginning of year	**(115)**	(74)
Change	**5**	(41)
End of year	**(110)**	(115)
Fair value of plan assets at end of year, net of asset ceiling limit	**9,085**	8,758
Funded status – plan surplus (deficit)	**$ (334)**	$ (79)

The plan surplus (deficit) is reflected in the Consolidated statements of financial position as follows:

As at December 31 (millions)	Note	2017	2016
Funded status – plan surplus (deficit)			
Pension benefit plans		**$ (334)**	$ (79)
Other benefit plans		**(47)**	(47)
		$ (381)	$ (126)
Presented in the Consolidated statements of financial position as:			
Other long-term assets	*20*	**$ 156**	$ 358
Other long term liabilities	*27*	**(537)**	(484)
		$ (381)	$ (126)

The measurement date used to determine the plan assets and defined benefit obligations accrued was December 31.

(b) Defined benefit pension plans – details

Expense

Our defined benefit pension plan expense (recovery) was as follows:

Years ended December 31 (millions)				2017				2016
Recognized in	**Employee benefits expense (*Note 8*)**	**Financing costs (*Note 9*)**	**Other comprehensive income (*Note 11*)**	**Total**	Employee benefits expense (*Note 8*)	Financing costs (*Note 9*)	Other comprehensive income (*Note 11*)	Total
Current service cost	**$ 78**	**$ –**	**$ –**	**$ 78**	$ 84	$ –	$ –	$ 84
Past service costs	**(2)**	**–**	**–**	**(2)**	2	–	–	2
Net interest; return on plan assets								
Interest expense arising from defined benefit obligations accrued	**–**	**331**	**–**	**331**	–	340	–	340
Return, including interest income, on plan assets[1]	**–**	**(330)**	**(360)**	**(690)**	–	(339)	(247)	(586)
Interest effect on asset ceiling limit	**–**	**4**	**–**	**4**	–	3	–	3
	–	**5**	**(360)**	**(355)**	–	4	(247)	(243)
Administrative fees	**6**	**–**	**–**	**6**	6	–	–	6
Re-measurements arising from:								
Demographic assumptions	**–**	**–**	**77**	**77**	–	–	25	25
Financial assumptions	**–**	**–**	**526**	**526**	–	–	184	184
	–	**–**	**603**	**603**	–	–	209	209
Changes in the effect of limiting net defined benefit assets to the asset ceiling	**–**	**–**	**(9)**	**(9)**	–	–	38	38
	$ 82	**$ 5**	**$ 234**	**$ 321**	$ 92	$ 4	$ –	$ 96

1 The interest income on the plan assets portion of the employee defined benefit plans net interest amount included in Financing costs reflects a rate of return on plan assets equal to the discount rate used in determining the defined benefit obligations accrued.

Disaggregation of defined benefit pension plan funding status

Defined benefit obligations accrued are the actuarial present values of benefits attributed to employee services rendered to a particular date.

Our disaggregation of defined benefit pension plan surpluses and deficits at year-end is as follows:

As at December 31 (millions)				2017				2016
	Defined benefit obligations accrued	**Plan assets**	**Difference**	**PBSR solvency position[1]**	Defined benefit obligations accrued	Plan assets	Difference	PBSR solvency position[1]
Pension plans that have plan assets in excess of defined benefit obligations accrued	**$ 8,116**	**$ 8,272**	**$ 156**	**$ 335**	$ 7,610	$ 7,968	$ 358	$ 320
Pension plans that have defined benefit obligations accrued in excess of plan assets								
Funded	**1,099**	**813**	**(286)**	**(80)**	1,034	790	(244)	(67)
Unfunded	**204**	**–**	**(204)**	**N/A[2]**	193	–	(193)	N/A[2]
	1,303	**813**	**(490)**	**(80)**	1,227	790	(437)	(67)
	$ 9,419	**$ 9,085**	**$ (334)**	**$ 255**	$ 8,837	$ 8,758	$ (79)	$ 253
Defined benefit obligations accrued owed to:								
Active members	**$ 2,285**				$ 2,140			
Deferred members	**560**				557			
Pensioners	**6,574**				6,140			
	$ 9,419				$ 8,837			

1 The Office of the Superintendent of Financial Institutions, by way of the *Pension Benefits Standards Regulations, 1985* (PBSR) (see *(d)*), requires that a solvency valuation be performed on a periodic basis. The actual PBSR solvency positions are determined in conjunction with mid-year annual funding reports prepared by actuaries (see *(d)*); as a result, the PBSR solvency positions in this table as at December 31, 2017 and 2016, are interim estimates and updated estimates, respectively. The interim estimate as at December 31, 2016, was a net surplus of $294.

Interim estimated solvency ratios as at December 31, 2017, ranged from 90% to 105% (2016 – updated estimate is 92% to 105%; interim estimate was 93% to 107%) and the estimated three-year average solvency ratios, adjusted as required by the PBSR, ranged from 93% to 104% (2016 – updated estimate is 92% to 103%; interim estimate was 93% to 104%).

The solvency valuation effectively uses the fair value (excluding any asset ceiling limit effects) of the funded defined benefit pension plan assets (adjusted for theoretical wind-up expenses) to measure the solvency assets. Although the defined benefit obligations accrued and the solvency liabilities are calculated similarly, the assumptions used for each differ, primarily in respect of retirement ages and discount rates, and the solvency liabilities, due to the required assumption that each plan is terminated on the valuation date, do not reflect assumptions about future compensation levels. Relative to the experience-based estimates of retirement ages used for purposes of determining the defined benefit obligations accrued, the minimum no-consent retirement age used for solvency valuation purposes may result in either a greater or lesser pension liability, depending upon the provisions of each plan.

The solvency positions in this table reflect composite weighted average discount rates of 3.00% (2016 – 3.10%). A hypothetical decrease of 25 basis points in the composite weighted average discount rate would result in a $316 decrease in the PBSR solvency position as at December 31, 2017 (2016 – $303); these sensitivities are hypothetical, should be used with caution, are calculated without changing any other assumption and generally cannot be extrapolated because changes in amounts may not be linear.

2 PBSR solvency position calculations are not required for the three pension plans arising from a pre-merger acquisition or for the non-registered, unfunded pension plans.

Fair value measurements

Information about the fair value measurements of our defined benefit pension plan assets, in aggregate, is as follows:

			Fair value measurements at reporting date using			
	Total		Quoted prices in active markets for identical items		Other	
As at December 31 (millions)	**2017**	2016	**2017**	2016	**2017**	2016
Asset class						
Equity securities						
Canadian	**$ 1,385**	$ 1,172	**$ 1,129**	$ 1,135	**$ 256**	$ 37
Foreign	**1,867**	1,876	**853**	1,189	**1,014**	687
Debt securities						
Issued by national, provincial or local governments	**1,512**	1,463	**1,389**	1,362	**123**	101
Corporate debt securities	**1,208**	1,317	**–**	–	**1,208**	1,317
Asset-backed securities	**31**	31	**–**	–	**31**	31
Commercial mortgages	**1,659**	1,107	**–**	–	**1,659**	1,107
Cash, cash equivalents and other	**486**	1,151	**38**	29	**448**	1,122
Real estate	**1,047**	756	**–**	–	**1,047**	756
	9,195	8,873	**$ 3,409**	$ 3,715	**$ 5,786**	$ 5,158
Effect of asset ceiling limit	**(110)**	(115)				
	$ 9,085	$ 8,758				

As at December 31, 2017, we administered pension benefit trusts that held no TELUS Corporation Common Shares and held debt of TELUS Corporation with a fair value of approximately $3 million (2016 – $3 million) (see *(c) – Allowable and prohibited investment types*). As at December 31, 2017 and 2016, pension benefit trusts that we administered did not lease real estate to us.

Future benefit payments

Estimated future benefit payments from our defined benefit pension plans, calculated as at December 31, 2017, are as follows:

Years ending December 31 (millions)	
2018	$ 446
2019	454
2020	458
2021	465
2022	471
2023–2027	2,440

(c) Plan investment strategies and policies

Our primary goal for the defined benefit pension plans is to ensure the security of the retirement income and other benefits of the plan members and their beneficiaries. A secondary goal is to maximize the long-term rate of return on the defined benefit plans' assets within a level of risk acceptable to us.

Risk management

We consider absolute risk (the risk of contribution increases, inadequate plan surplus and unfunded obligations) to be more important than relative return risk. Accordingly, the defined benefit plans' designs, the nature and maturity of defined benefit obligations and the characteristics of the plans' memberships significantly influence investment strategies and policies. We manage risk by specifying allowable and prohibited investment types, setting diversification strategies and determining target asset allocations.

Allowable and prohibited investment types

Allowable and prohibited investment types, along with associated guidelines and limits, are set out in each plan's required Statement of Investment Policies and Procedures (SIPP), which is reviewed and approved annually by the designated governing body. The SIPP guidelines and limits are further governed by the permitted investments and lending limits set out in the *Pension Benefits Standards Regulations, 1985*. As well as conventional investments, each fund's SIPP may provide for the use of derivative products to facilitate investment operations and to manage risk, provided that no short position is taken, no use of leverage is made and no guidelines and limits established in the SIPP are violated. Internally and externally managed funds are not permitted to directly invest in our securities and are prohibited from increasing grandfathered investments in our securities; any such grandfathered investments were made prior to the merger of BC TELECOM Inc. and TELUS Corporation, our predecessors.

Diversification

Our strategy for investments in equity securities is to be broadly diversified across individual securities, industry sectors and geographical regions. A meaningful portion (20%–30% of total plan assets) of the plans' investment in equity securities is allocated to foreign equity securities with the intent of further diversifying plan assets. Debt securities may include a meaningful allocation to mortgages, with the objective of enhancing cash flow and providing greater scope for the management of the bond component of the plan assets. Debt securities also may include real return bonds to provide inflation protection, consistent with the indexed nature of some defined benefit obligations. Real estate investments are used to provide diversification of plan assets, hedging of potential long-term inflation and comparatively stable investment income.

Relationship between plan assets and benefit obligations

With the objective of lowering the long-term costs of our defined benefit pension plans, we purposely mismatch plan assets and benefit obligations. This mismatching is effected by including equity investments in the long-term asset mix, as well as fixed income securities and mortgages with durations that differ from those of the benefit obligations.

As at December 31, 2017, the present value-weighted average timing of estimated cash flows for the obligations (duration) of the defined benefit pension plans was 13.9 years (2016 – 13.6 years) and of the other defined benefit plans was 6.8 years (2016 – 7.3 years). Compensation for liquidity issues that may have otherwise arisen from the mismatching of plan assets and benefit obligations is provided by broadly diversified investment holdings (including cash and short-term investments) and cash flows from dividends, interest and rents from those diversified investment holdings.

Asset allocations

Our defined benefit pension plans' target asset allocations and actual asset allocations are as follows:

	Target allocation	Percentage of plan assets at end of year	
Years ended December 31	2018	**2017**	2016
Equity securities	20–50%	**35%**	34%
Debt securities	40–75%	**53%**	57%
Real estate	5–25%	**12%**	9%
Other	0–10%	**–**	–
		100%	100%

(d) Employer contributions

The determination of the minimum funding amounts necessary for substantially all of our registered defined benefit pension plans is governed by the *Pension Benefits Standards Act, 1985*, which requires that, in addition to current service costs being funded, both going-concern and solvency valuations be performed on a specified periodic basis.

- Any excess of plan assets over plan liabilities determined in the going-concern valuation reduces our minimum funding requirement for current service costs, but may not reduce the requirement to an amount less than the employees' contributions. The going-concern valuation generally determines the excess (if any) of a plan's assets over its liabilities on a projected benefit basis.
- As of the date of these consolidated financial statements, the solvency valuation generally requires that a plan's average solvency liabilities, determined on the basis that the plan is terminated on the valuation date, in excess of its assets (if any) be funded, at a minimum, in equal annual amounts over a period not exceeding five years. So as to manage the risk of overfunding the plans, which results from the solvency valuation for funding purposes utilizing the average solvency ratios, our funding may include the provision of letters of credit. As at December 31, 2017, undrawn letters of credit in the amount of $188 million (2016 – $175 million) secured certain obligations of the defined benefit pension plans, including non-registered, unfunded plans.

Our best estimate of fiscal 2018 employer contributions to our defined benefit plans is approximately $50 million for defined benefit pension plans. This estimate is based upon the mid-year 2017 annual funding valuations that were prepared by actuaries using December 31, 2016, actuarial valuations. The funding reports are based on the pension plans' fiscal years, which are calendar years. The next annual funding valuations are expected to be prepared mid-year 2018.

(e) Assumptions

As referred to in *Note 1(b)*, management is required to make significant estimates related to certain actuarial and economic assumptions that are used in determining defined benefit pension costs, defined benefit obligations accrued and pension plan assets. These significant estimates are of a long-term nature, consistent with the nature of employee future benefits.

Demographic assumptions

In determining the defined benefit pension expense recognized in net income for the years ended December 31, 2017 and 2016, we utilized the Canadian Institute of Actuaries CPM 2014 mortality tables.

Financial assumptions

The discount rate, which is used to determine a plan's defined benefit obligations accrued, is based upon the yield on long-term, high-quality fixed-term investments, and is set annually. The rate of future increases in compensation is based upon current benefits policies and economic forecasts.

The significant weighted average actuarial assumptions arising from these estimates and adopted in measuring our defined benefit obligations accrued are as follows:

	2017	2016
Discount rate[1] used to determine:		
Net benefit costs for the year ended December 31	**3.80%**	4.00%
Defined benefit obligations accrued as at December 31	**3.40%**	3.80%
Current service cost in subsequent fiscal year	**3.50%**	4.00%
Rate of future increases in compensation used to determine:		
Net benefit costs for the year ended December 31	**2.51%**	3.00%
Defined benefit obligations accrued as at December 31	**2.70%**	2.51%

1 The discount rate disclosed in this table reflects the computation of an average discount rate that replicates the timing of the obligation cash flows.

Sensitivity of key assumptions

The sensitivity of our key assumptions for our defined benefit pension plans was as follows:

Years ended, or as at, December 31		**2017**		2016
Increase (decrease) (millions)	**Change in obligations**	**Change in expense**	Change in obligations	Change in expense
Sensitivity of key demographic assumptions to an increase of one year[1] in life expectancy	**$ 270**	**$ 11**	$ 228	$ 10
Sensitivity of key financial assumptions to a hypothetical decrease of 25 basis points[1] in:				
Discount rate	**$ 337**	**$ 16**	$ 310	$ 17
Rate of future increases in compensation	**$ (34)**	**$ (3)**	$ (27)	$ (3)

1 These sensitivities are hypothetical and should be used with caution. Favourable hypothetical changes in the assumptions result in decreased amounts, and unfavourable hypothetical changes in the assumptions result in increased amounts, of the obligations and expenses. Changes in amounts based on a variation in assumptions of one year or 25 basis points generally cannot be extrapolated because the relationship of the change in assumption to the change in amounts may not be linear. Also, in this table, the effect of a variation in a particular assumption on the change in obligations or change in expenses is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (for example, increases in the discount rate may result in changes in expectations about the rate of future increases in compensation), which might magnify or counteract the sensitivities.

(f) Defined contribution plans – expense

Our total defined contribution pension plan costs recognized were as follows:

Years ended December 31 (millions)	**2017**			2016
	Total	Traditional	Transformative compensation (*Notes 8, 16(c)*)	Total
Union pension plan and public service pension plan contributions	**$ 23**	$ 26	$ 36	$ 62
Other defined contribution pension plans	**65**	63	5	68
	$ 88	$ 89	$ 41	$ 130

We expect that our 2018 union pension plan and public service pension plan contributions will be approximately $25 million.

(g) Other defined benefit plans

For the year ended December 31, 2017, other defined benefit current service cost was $NIL (2016 – $1 million), financing cost was $1 million (2016 – $2 million) and other re-measurements recorded in other comprehensive income were $NIL (2016 – $NIL). Estimated future benefit payments from our other defined benefit plans, calculated as at December 31, 2017, are $2 million annually for the five-year period from 2018 to 2022 and $7 million for the five-year period from 2023 to 2027.

16 Restructuring and other costs

(a) Details of restructuring and other costs

With the objective of reducing ongoing costs, we incur associated incremental, non-recurring restructuring costs, as discussed further in *(b)* following. We may also incur atypical charges when undertaking major or transformational changes to our business or operating models, as discussed further in *(c)* following. We also include incremental external costs incurred in connection with business acquisition or disposition activity, as well as litigation costs, in the context of significant losses or settlements, in other costs.

Restructuring and other costs are presented in the Consolidated statements of income and other comprehensive income, as set out in the following table:

	Restructuring *(b)*		Other *(c)*		Total	
Years ended December 31 (millions)	**2017**	2016	**2017**	2016	**2017**	2016
Goods and services purchased	**$ 66**	$ 62	**$ 37**	$ –	**$ 103**	$ 62
Employee benefits expense	**26**	112	**10**	305	**36**	417
	$ 92	$ 174	**$ 47**	$ 305	**$ 139**	$ 479

(b) Restructuring provisions

Employee-related provisions and other provisions, as presented in *Note 25*, include amounts in respect of restructuring activities. In 2017, restructuring activities included ongoing and incremental efficiency initiatives, including personnel-related costs and rationalization of real estate. These initiatives were intended to improve our long-term operating productivity and competitiveness.

(c) Other costs

For the year ended December 31, 2017, incremental external costs were incurred in connection with business acquisition activity. In connection with our acquisition of a portion of Manitoba Telecom Services Inc. postpaid wireless subscribers, as discussed further in *Note 18(b)*, non-recurring atypical business integration expenditures that would be considered neither restructuring costs nor part of the fair value of the net assets acquired have been included in other costs.

For the year ended December 31, 2016, other costs were in respect of immediately vesting, transformative compensation expense for substantially all of our existing unionized (see *Note 29(c)*) and non-unionized Canadian-situated workforces; a portion of the expense is considered share-based compensation for accounting purposes, as set out in *Note 14(a)*. The compensation vested immediately, and thus was expensed when incurred, as there was no requisite service period of the recipients. The one-time payment to our existing unionized Canadian-situated workforce was compensation in respect of collective agreement concessions that moderate future labour costs and underpin productivity improvements, as well as in lieu of salary increases that would otherwise have been effective July 1, 2016, 2017 and 2018; the one-time payment to our non-unionized Canadian-situated workforce was in lieu of general salary increases that would otherwise have been awarded in 2017 and 2018.

17 Property, plant and equipment

(millions)	Note	Network assets	Buildings and leasehold improvements	Other	Land	Assets under construction	Total
At cost							
As at January 1, 2016		$ 27,191	$ 2,847	$ 1,120	$ 55	$ 413	$ 31,626
Additions[1]		762	45	39	–	1,472	2,318
Additions arising from business acquisitions		–	1	1	–	–	2
Dispositions, retirements and other		(739)	(78)	(223)	–	–	(1,040)
Assets under construction put into service		1,070	139	84	–	(1,293)	–
As at December 31, 2016		28,284	2,954	1,021	55	592	32,906
Additions[1]		**972**	**51**	**44**	**–**	**1,426**	**2,493**
Additions arising from business acquisitions	*18(b)*	**25**	**8**	**9**	**–**	**–**	**42**
Dispositions, retirements and other		**(1,724)**	**(63)**	**(48)**	**(7)**	**–**	**(1,842)**
Assets under construction put into service		**1,167**	**127**	**69**	**–**	**(1,363)**	**–**
As at December 31, 2017		**$ 28,724**	**$ 3,077**	**$ 1,095**	**$ 48**	**$ 655**	**$ 33,599**
Accumulated depreciation							
As at January 1, 2016		$ 19,351	$ 1,810	$ 729	$ –	$ –	$ 21,890
Depreciation		1,357	99	108	–	–	1,564
Dispositions, retirements and other		(758)	(73)	(181)	–	–	(1,012)
As at December 31, 2016		19,950	1,836	656	–	–	22,442
Depreciation		**1,396**	**106**	**115**	**–**	**–**	**1,617**
Dispositions, retirements and other		**(1,708)**	**(58)**	**(62)**	**–**	**–**	**(1,828)**
As at December 31, 2017		**$ 19,638**	**$ 1,884**	**$ 709**	**$ –**	**$ –**	**$ 22,231**
Net book value							
As at December 31, 2016		$ 8,334	$ 1,118	$ 365	$ 55	$ 592	$ 10,464
As at December 31, 2017		**$ 9,086**	**$ 1,193**	**$ 386**	**$ 48**	**$ 655**	**$ 11,368**

1 For the year ended December 31, 2017, additions include $7 (2016 – $(40)) in respect of asset retirement obligations (see *Note 25*).

As at December 31, 2017, our contractual commitments for the acquisition of property, plant and equipment totalled $184 million over a period ending December 31, 2019 (2016 – $436 million over a period ending December 31, 2020).

18 Intangible assets and goodwill

(a) Intangible assets and goodwill, net

	Intangible assets subject to amortization					Intangible assets with indefinite lives			
(millions)	Customer contracts, related customer relationships and leasehold interests	Software	Access to rights-of-way and other	Assets under construction	Total	Spectrum licences	Total intangible assets	Goodwill[1]	Total intangible assets and goodwill
At cost									
As at January 1, 2016	$ 473	$ 3,801	$ 90	$ 216	$ 4,580	$ 8,480	$ 13,060	$ 4,125	$ 17,185
Additions	–	50	4	575	629	164	793	–	793
Additions arising from business acquisitions	12	4	–	–	16	–	16	22	38
Dispositions, retirements and other (including capitalized interest (see *Note 9*))	–	(137)	(3)	–	(140)	49	(91)	–	(91)
Assets under construction put into service	–	577	2	(579)	–	–	–	–	–
Net foreign exchange differences	–	–	–	–	–	–	–	4	4
As at December 31, 2016	485	4,295	93	212	5,085	8,693	13,778	4,151	17,929
Additions	**–**	**74**	**5**	**538**	**617**	**–**	**617**	**–**	**617**
Additions arising from business acquisitions *(b)*	**134**	**101**	**–**	**–**	**235**	**–**	**235**	**433**	**668**
Dispositions, retirements and other	**(61)**	**(209)**	**(1)**	**–**	**(271)**	**–**	**(271)**	**–**	**(271)**
Assets under construction put into service	**–**	**406**	**–**	**(406)**	**–**	**–**	**–**	**–**	**–**
Net foreign exchange differences	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3)**	**(3)**
As at December 31, 2017	**$ 558**	**$ 4,667**	**$ 97**	**$ 344**	**$ 5,666**	**$ 8,693**	**$ 14,359**	**$ 4,581**	**$ 18,940**
Accumulated amortization									
As at January 1, 2016	$ 280	$ 2,739	$ 56	$ –	$ 3,075	$ –	$ 3,075	$ 364	$ 3,439
Amortization	43	436	4	–	483	–	483	–	483
Dispositions, retirements and other	–	(143)	(1)	–	(144)	–	(144)	–	(144)
As at December 31, 2016	323	3,032	59	–	3,414	–	3,414	364	3,778
Amortization	**48**	**500**	**4**	**–**	**552**	**–**	**552**	**–**	**552**
Dispositions, retirements and other	**(61)**	**(202)**	**(2)**	**–**	**(265)**	**–**	**(265)**	**–**	**(265)**
As at December 31, 2017	**$ 310**	**$ 3,330**	**$ 61**	**$ –**	**$ 3,701**	**$ –**	**$ 3,701**	**$ 364**	**$ 4,065**
Net book value									
As at December 31, 2016	$ 162	$ 1,263	$ 34	$ 212	$ 1,671	$ 8,693	$ 10,364	$ 3,787	$ 14,151
As at December 31, 2017	**$ 248**	**$ 1,337**	**$ 36**	**$ 344**	**$ 1,965**	**$ 8,693**	**$ 10,658**	**$ 4,217**	**$ 14,875**

1 Accumulated amortization of goodwill is amortization recorded prior to 2002; there are no accumulated impairment losses in the accumulated amortization of goodwill.

As at December 31, 2017, our contractual commitments for the acquisition of intangible assets totalled $36 million over a period ending December 31, 2020 (2016 – $82 million over a period ending December 31, 2020).

(b) Business acquisitions

Manitoba Telecom Services Inc. postpaid wireless

On May 2, 2016, BCE Inc. announced that it had entered into a definitive agreement to acquire all issued and outstanding shares of Manitoba Telecom Services Inc.; as of September 30, 2016, all court and shareholder approvals had been obtained; as of February 15, 2017, all regulatory approvals had been obtained; and the transaction closed on March 17, 2017. In June 2016, we submitted a notification and advanced ruling request to the Competition Bureau regarding our previously announced agreement in principle with BCE Inc., pursuant to which we intended to acquire a portion of Manitoba Telecom Services Inc.'s postpaid wireless subscribers, certain network assets and dealer locations in Manitoba, upon the successful completion of BCE Inc.'s acquisition of Manitoba Telecom Services Inc.

On April 1, 2017, we acquired postpaid wireless customer contracts, certain network assets and rights to 15 retail locations in Manitoba. The primary reason for this acquisition is to increase the number of our postpaid wireless subscribers in Manitoba and to enhance our distribution of wireless products and customer services across all of Manitoba.

The primary factor that contributed to the recognition of goodwill was the earnings capacity of the acquired business in excess of the net tangible and intangible assets acquired (such excess arising from the benefits of acquiring established businesses in multiple locations). The amount assigned to goodwill is not expected to be deductible for income tax purposes.

Kroll Computer Systems Inc.

On May 15, 2017, we acquired 100% of Kroll Computer Systems Inc., the primary reason for which is to enhance our geographic reach and the quality of our product offering as a national pharmacy management services provider.

The primary factor that contributed to the recognition of goodwill was the earnings capacity of the acquired business in excess of the net tangible and intangible assets acquired (such excess arising from the acquired workforce and the benefits of acquiring an established business). The amount assigned to goodwill is expected to be deductible for income tax purposes.

Voxpro Limited

On August 31, 2017, we acquired 55% of Voxpro Limited, a business process outsourcing and contact centre services company with facilities in Ireland, the United States and Romania. The investment was made with a view to expanding further into supporting customers providing Internet-related services and products, bolstering sales capabilities in our chosen markets, and acquiring multi-site redundancy in support of other facilities.

In respect of the 55% acquired business, we concurrently provided a written put option to the remaining selling shareholders under which they could put the remaining 45% of the shares commencing in 2021. The acquisition-date fair value of the puttable shares held by the non-controlling shareholders has been recorded as a provision (see *Note 25*). Also concurrent with our acquisition of the initial 55% interest, the non-controlling shareholders provided us with a purchased call option, which mirrors the written put option.

The primary factor that contributed to the recognition of goodwill was the earnings capacity of the acquired business in excess of the net tangible and intangible assets acquired (such excess arising from the acquired workforce and the benefits of acquiring an established business). The amount assigned to goodwill is not expected to be deductible for income tax purposes.

Individually immaterial transactions

During the years ended December 31, 2017 and 2016, we acquired 100% ownership of multiple businesses complementary to our existing lines of business. The primary factor that contributed to the recognition of goodwill was the earnings capacity of the acquired businesses in excess of the net tangible and intangible assets acquired (such excess arising from: the low levels of tangible assets relative to the earnings capacity of the businesses; expected synergies; the benefits of acquiring established businesses with certain capabilities in their industries; and the geographic presence of the acquired businesses). A portion of the amounts assigned to goodwill may be deductible for income tax purposes.

Acquisition-date fair values

The acquisition-date fair values assigned to the assets acquired and liabilities assumed are set out in the following table:

(millions)	Manitoba Telecom Services Inc. postpaid wireless	Kroll Computer Systems Inc.	Voxpro Limited[1]	Individually immaterial transactions	Total
Assets					
Current assets					
Cash	$ –	$ 1	$ 3	$ –	$ 4
Accounts receivable[2]	9	3	20	–	32
Other	7	–	4	1	12
	16	4	27	1	48
Non-current assets					
Property, plant and equipment					
Network assets	23	–	–	2	25
Buildings and leasehold improvements	–	–	8	–	8
Other	–	1	8	–	9
Intangible assets subject to amortization[3]					
Customer contracts, customer relationships (including those related to customer contracts) and leasehold interests	54	26	38	16	134
Software	–	101	–	–	101
	77	128	54	18	277
Total identifiable assets acquired	93	132	81	19	325
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	1	1	19	–	21
Advance billings and customer deposits	2	4	–	1	7
Provisions	7	–	–	–	7
	10	5	19	1	35
Non-current liabilities					
Provisions	6	3	–	–	9
Other long-term liabilities	–	–	1	–	1
Deferred income taxes	18	–	5	–	23
	24	3	6	–	33
Total liabilities assumed	34	8	25	1	68
Net identifiable assets acquired	59	124	56	18	257
Goodwill	207	126	85	15	433
Net assets acquired	$ 266	$ 250	$ 141	$ 33	$ 690
Acquisition effected by way of:					
Cash consideration	$ 306	$ 150	$ 58	$ 31	$ 545
Accrued receivable[4]	(40)	–	–	–	(40)
Accounts payable and accrued liabilities	–	–	–	2	2
Provisions	–	–	60	–	60
Issue of TELUS Corporation Common Shares	–	100	–	–	100
Pre-existing relationship effectively settled	–	–	23	–	23
	$ 266	$ 250	$ 141	$ 33	$ 690

1 The purchase price allocation, primarily in respect of customer relationships, had not been finalized as of the date of these consolidated financial statements. As is customary in a business acquisition transaction, until the time of acquisition of control, we did not have full access to Voxpro Limited's books and records. Upon having sufficient time to review Voxpro Limited's books and records, we expect to finalize our purchase price allocation.

Prior to acquisition, we had advanced $23 to Voxpro Limited; this pre-existing relationship was effectively settled at the date of the business combination with no gain or loss recognized.

2 The fair value of the accounts receivable is equal to the gross contractual amounts receivable and reflects the best estimates at the acquisition date of the contractual cash flows expected to be collected.

3 Customer contracts and customer relationships (including those related to customer contracts) are expected to be amortized over a period of 8 to 10 years; software is expected to be amortized over a period of 10 years.

4 The total transaction price is a function of the number of qualifying postpaid wireless subscribers acquired. If less than the targeted number of qualifying postpaid wireless subscribers is acquired, the total transaction price will be reduced on a pro-rated basis; a receivable has been accrued for the estimate of such reduction, net of associated adjustments.

To the extent that the actual number of qualifying wireless subscribers acquired is greater (less) than provided for in the purchase price allocation, such adjustment to the transaction price will result in a charge (recovery) recorded in Other operating income, reflecting treatment as a contingent consideration deposit; during the year ended December 31, 2017, we recorded a change in the contingent consideration receivable of $26 (*Note 7*). We have accrued our best estimate of the amount of the contingent consideration deposit we expect to recover.

Pro forma disclosures

The following pro forma supplemental information represents certain results of operations as if the business acquisitions noted above had been completed at the beginning of the fiscal 2017 year.

Year ended December 31, 2017 (millions except per share amounts)	As reported[1]	Pro forma[2]
Operating revenues	$ 13,304	$ 13,426
Net income	$ 1,479	$ 1,474
Net income per Common Share		
Basic	$ 2.46	$ 2.45
Diluted	$ 2.46	$ 2.45

1 As reported operating revenues and net income include $49 and $20, respectively, in respect of the operations of Manitoba Telecom Services Inc. postpaid wireless (excluding the change in the contingent consideration receivable (*Note 7*)), $17 and $NIL, respectively, in respect of the operations of Kroll Computer Systems Inc., and $51 and $NIL, respectively, in respect of the operations of Voxpro Limited.

2 Pro forma amounts reflect the acquired businesses. In respect of Manitoba Telecom Services Inc. postpaid wireless, pro forma adjustments for revenues and goods and services purchased are not available as the seller's information systems were not configured to capture such information; as a proxy, the revenues and goods and services purchased amounts for the three-month period ended June 30, 2017, have been used for pro forma purposes. The results of the acquired businesses have been included in our Consolidated statements of income and other comprehensive income effective the dates of acquisition.

The pro forma supplemental information is based on estimates and assumptions that are believed to be reasonable. The pro forma supplemental information is not necessarily indicative of our consolidated financial results in future periods or the actual results that would have been realized had the business acquisitions been completed at the beginning of the periods presented. The pro forma supplemental information includes incremental intangible asset amortization, financing and other charges as a result of the acquisitions, net of the related tax effects.

(c) Business acquisitions – subsequent to reporting period

AlarmForce Industries

On January 4, 2018, we acquired 100% of the customers, assets and operations of AlarmForce Industries Inc. in British Columbia, Alberta and Saskatchewan, for cash consideration of approximately $69 million; the primary reason for which is to leverage our telecommunications infrastructure and expertise to continue to enhance connected home, business, security and health services for our customers.

As of February 8, 2018, our initial provision for the net identifiable assets acquired is in the range of $10 million–$20 million; as is customary in a business acquisition transaction, until the time of acquisition of control, we did not have full access to the relevant portions of the books and records of AlarmForce Industries. Upon having sufficient time to review the relevant portions of the books and records of AlarmForce Industries, as well as obtaining new and additional information about the related facts and circumstances as of the acquisition date, we will adjust the provisional amounts for identifiable assets acquired and liabilities assumed and thus finalize our purchase price allocation.

Xavient Information Systems

On February 6, 2018, through our TELUS International (Cda) Inc. subsidiary, we acquired 65% of Xavient Information Systems, a group of information technology consulting and software services companies with facilities in the United States and India, for consideration of approximately $144 million (US$115 million) in cash and approximately $19 million (US$15 million) in TELUS International (Cda) Inc. common shares. The investment was made with a view to enhancing our ability to provide complex and higher-value information technology services, improve our related sales and solutioning capabilities and acquire multi-site redundancy in support of other facilities.

In respect of the 65% acquired business, we concurrently provided a written put option to the remaining selling shareholders; the written put option for the remaining 35% of the economic interest would become exercisable no later than December 31, 2020. The acquisition-date fair value of the puttable shares held by the non-controlling shareholders will be recorded as a provision in the three-month period ended March 31, 2018; we currently estimate that such fair value would be in the range of $150 million (US$120 million). Also concurrent with our acquisition of the initial 65% interest, the non-controlling shareholders provided us with a purchased call option, which substantially mirrors the written put option.

As of February 8, 2018, our initial provision for the net identifiable assets acquired is in the range of $95 million–$125 million (US$75 million–US$100 million); as is customary in a business acquisition transaction, until the time of acquisition of control, we did not have full access to the books and records of Xavient Information Systems. Upon having sufficient time to review the books and records of Xavient Information Systems, as well as obtaining new and additional information about the related facts and circumstances as of the acquisition date, we will adjust the provisional amounts for identifiable assets acquired and liabilities assumed and thus finalize our purchase price allocation.

(d) Intangible assets with indefinite lives – spectrum licences

Our intangible assets with indefinite lives include spectrum licences granted by Innovation, Science and Economic Development Canada which are used for the provision of both mobile and fixed wireless services. The spectrum licence policy terms indicate that the spectrum licences will likely be renewed. We expect our spectrum licences to be renewed every 20 years following a review of our compliance with licence terms. In addition to current usage, our licensed spectrum can be used for planned and new technologies. As a result of our assessment of the combination of these significant factors, we currently consider our spectrum licences to have indefinite lives and, as referred to in *Note 1(b)*, this represents a significant judgment for us.

(e) Impairment testing of intangible assets with indefinite lives and goodwill

General

As referred to in *Note 1(i)*, the carrying values of intangible assets with indefinite lives and goodwill are periodically tested for impairment and, as referred to in *Note 1(b)*, this test represents a significant estimate for us, while also requiring significant judgments to be made.

The allocated carrying values of intangible assets with indefinite lives and goodwill are set out in the following table.

	Intangible assets with indefinite lives		Goodwill		Total	
As at December 31 (millions)	**2017**	2016	**2017**	2016	**2017**	2016
Wireless	**$ 8,693**	$ 8,693	**$ 2,860**	$ 2,647	**$ 11,553**	$ 11,340
Wireline	**–**	–	**1,357**	1,140	**1,357**	1,140
	$ 8,693	$ 8,693	**$ 4,217**	$ 3,787	**$ 12,910**	$ 12,480

The recoverable amounts of the cash-generating units' assets have been determined based on a fair value less costs of disposal calculation. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the cash-generating units' assets, given the necessity of making key economic assumptions about the future. Recoverable amounts based on the fair value less costs of disposal are categorized as Level 3 fair value measures.

We validate our recoverable amount calculation results through a market-comparable approach and an analytical review of industry facts and facts that are specific to us. The market-comparable approach uses current (at time of test) market consensus estimates and equity trading prices for U.S. and Canadian firms in the same industry. In addition, we ensure that the combination of the valuations of the cash-generating units is reasonable based on our current (at time of test) market value.

Key assumptions

The fair value less costs of disposal and the value in use calculations both use discounted cash flow projections that employ the following key assumptions: future cash flows and growth projections (including judgments about the allocation of future capital expenditures to support both wireless and wireline operations); associated economic risk assumptions and estimates of the likelihood of achieving key operating metrics and drivers; estimates of future generational infrastructure capital expenditures; and the future weighted average cost of capital. We consider a range of reasonably possible amounts to use for key assumptions and decide upon amounts that represent management's best estimates of market amounts. In the normal course, we make changes to key assumptions so that they reflect current (at time of test) economic conditions, updates of historical information used to develop the key assumptions and changes (if any) in our debt ratings.

The key assumptions for cash flow projections are based upon our approved financial forecasts, which span a period of three years and are discounted, for December 2017 annual test purposes, at a consolidated post-tax notional rate of 7.0% (2016 – 7.0%). For impairment testing valuations, cash flows subsequent to the three-year projection period are extrapolated, for December 2017 annual test purposes, using perpetual growth rates of 2.25% (2016 – 2.0%) for each of the wireless cash-generating unit and the wireline cash-generating unit; these growth rates do not exceed the long-term average growth rates observed in the markets in which we operate.

We believe that any *reasonably possible* change in the key assumptions on which the calculation of the recoverable amounts of our cash-generating units is based would not cause the cash-generating units' carrying values (including the intangible assets with indefinite lives and the goodwill allocated to each cash-generating unit) to exceed their recoverable amounts. If the future were to *adversely* differ from management's best estimates of key assumptions and associated cash flows were to be materially adversely affected, we could potentially experience future material impairment charges in respect of our intangible assets with indefinite lives and goodwill.

Sensitivity testing

Sensitivity testing was conducted as a part of the December 2017 annual impairment test, a component of which was hypothetical changes in the future weighted average cost of capital. Stress testing included a scenario of moderate declines in annual cash flows with all other assumptions being held constant; under this scenario, we would be able to recover the carrying values of our intangible assets with indefinite lives and goodwill for the foreseeable future.

19 Leases

We occupy leased premises in various locations and have the right of use of land, buildings and equipment under operating leases. For the year ended December 31, 2017, real estate and vehicle operating lease expenses, which are net of the amortization of deferred gains on the sale-leaseback of buildings and the occupancy costs associated with leased real estate, were $191 million (2016 – $176 million); occupancy costs associated with leased real estate totalled $128 million (2016 – $133 million).

As referred to in *Note 16*, we have consolidated our administrative real estate holdings and, in some instances, this has resulted in subletting land and buildings. The future minimum lease payments under operating leases are as follows:

As at December 31 (millions)			2017			2016
Years ending	**Operating leases with arm's-length lessors[1]**	**Operating leases with related party lessors[2]**	**Total**	Operating leases with arm's-length lessors[1]	Operating leases with related party lessors[2]	Total
1 year hence	**$ 218**	**$ 6**	**$ 224**	$ 211	$ 6	$ 217
2 years hence	**191**	**12**	**203**	192	6	198
3 years hence	**169**	**13**	**182**	171	12	183
4 years hence	**147**	**13**	**160**	147	13	160
5 years hence	**122**	**13**	**135**	125	13	138
Thereafter	**534**	**208**	**742**	599	220	819
	$ 1,381	**$ 265**	**$ 1,646**	$ 1,445	$ 270	$ 1,715

1 Immaterial amounts for minimum lease receipts from sublet land and buildings have been netted against the minimum lease payments in this table. Minimum lease payments exclude occupancy costs and thus will differ from future amounts reported for operating lease expenses. As at December 31, 2017, commitments for occupancy costs under operating leases totalled $816 (2016 – $869).

2 As set out in *Note 21(c)*, we have entered into leases with the real estate joint ventures. This table includes 100% of the minimum lease payment amounts due under these leases; of the total, $109 (2016 – $112) is due to our economic interests in the real estate joint ventures and $156 (2016 – $158) is due to our partners' economic interests in the real estate joint ventures.

Of the total amount above as at December 31, 2017:

- Approximately 33% (2016 – 34%) was in respect of our five largest leases, all of which were for office premises over various terms, with expiry dates ranging from 2024 to 2036 (2016 – ranging from 2024 to 2036); the weighted average remaining term of these leases is approximately 13 years (2016 – 14 years).
- Approximately 29% (2016 – 30%) was in respect of wireless site leases; the weighted average remaining term of these leases is approximately 17 years (2016 – 17 years).

Most of our leases for real estate that we use for office or network (including wireless site) purposes typically have extension options which we use to protect our investment in leasehold improvements (including wireless site equipment) and/or which reflect the importance of the underlying right-of-use lease assets to our operations.

See *Note 2(b)* for details of significant changes to IFRS-IASB which are not yet effective and have not yet been applied, but which will significantly affect the timing of the recognition of operating lease expenses and their recognition in the Consolidated statement of financial position, as well as their classification in the Consolidated statement of income and other comprehensive income and the Consolidated statement of cash flows.

20 Other long-term assets

As at December 31 (millions)	Note	**2017**	2016
Pension assets	*15(a)*	**$ 156**	$ 358
Investments		**41**	62
Prepaid maintenance		**57**	62
Real estate joint venture advances	*21(c)*	**47**	21
Real estate joint ventures	*21(c)*	**15**	30
Other		**105**	107
		$ 421	$ 640

21 Real estate joint ventures

(a) General

In 2011, we partnered, as equals, with an arm's-length party in a residential condominium, retail and commercial real estate redevelopment project, TELUS Garden, in Vancouver, British Columbia. TELUS is a tenant in TELUS Garden, which is now our global headquarters. The new-build office tower received 2009 Leadership in Energy and Environmental Design (LEED) Platinum certification, and the neighbouring new-build residential condominium tower was built to the LEED Gold standard.

In 2013, we partnered, as equals, with two arm's-length parties (one of which is our TELUS Garden partner) in a residential, retail and commercial real estate redevelopment project, TELUS Sky, in Calgary, Alberta. The new-build tower, scheduled for completion in 2019, is to be built to the LEED Platinum standard.

(b) Real estate joint ventures – summarized financial information

As at December 31 (millions)	2017	2016
Assets		
Current assets		
Cash and temporary investments, net	**$ 20**	$ 15
Escrowed deposits for tenant inducements and liens	**1**	5
Sales contract deposits held by arm's-length trustee	**–**	2
Other	**4**	6
Property under development – residential condominiums (subject to sales contracts)	**–**	13
	25	41
Non-current assets		
Property under development – investment property	**194**	121
Investment property	**256**	261
	450	382
	$ 475	$ 423

As at December 31 (millions)	2017	2016
Liabilities and owners' equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 13**	$ 18
Sales contract deposits		
Payable	**–**	3
Held by arm's-length trustee	**–**	2
Current portion of 3.7% mortgage and senior secured 3.4% bonds	**5**	4
Construction holdback liabilities	**10**	7
	28	34
Non-current liabilities		
Construction credit facilities	**141**	63
3.7% mortgage due September 2024	**27**	–
Senior secured 3.4% bonds due July 2025	**208**	213
	376	276
Liabilities	**404**	310
Owners' equity		
TELUS[1]	**29**	48
Other partners	**42**	65
	71	113
	$ 475	$ 423

1 The equity amounts recorded by the real estate joint ventures differ from those recorded by us by the amount of the deferred gains on our real estate contributed and the valuation provision we have recorded in excess of that recorded by one of the real estate joint ventures.

Years ended December 31 (millions)	2017	2016
Revenue		
From investment property	**$ 34**	$ 34
From sale of residential condominiums	**$ 19**	$ 262
Depreciation and amortization	**$ 8**	$ 8
Interest expense[1]	**$ 8**	$ 10
Net income (loss) and comprehensive income (loss)[2]	**$ (6)**	$ 72

1 During the year ended December 31, 2017, the real estate joint ventures capitalized $3 (2016 – $4) of financing costs.
2 As the real estate joint ventures are partnerships, no provision for income taxes of the partners is made in determining the real estate joint ventures' net income (loss) and comprehensive income (loss).

(c) Our real estate joint ventures activity

Our real estate joint ventures investment activity is set out in the following table.

Years ended December 31 (millions)	2017			2016		
	Loans and receivables[1]	**Equity[2]**	**Total**	Loans and receivables[1]	Equity[2]	Total
Related to real estate joint ventures' statements of income and other comprehensive income						
Comprehensive income (loss) attributable to us[3]	**$ –**	**$ 2**	**$ 2**	$ –	$ 33	$ 33
Related to real estate joint ventures' statements of financial position						
Items not affecting currently reported cash flows						
Recognition of gain initially deferred on our real estate initially contributed	**–**	**1**	**1**	–	8	8
Construction credit facilities financing costs charged by us and other (*Note 7*)	**–**	**–**	**–**	1	–	1
Cash flows in the current reporting period						
Construction credit facilities						
Amounts advanced	**26**	**–**	**26**	33	–	33
Amounts repaid	**–**	**–**	**–**	(63)	–	(63)
Financing costs paid to us	**–**	**–**	**–**	(1)	–	(1)
Repayment of funds advanced	**–**	**–**	**–**	(18)	–	(18)
Funds repaid to us and earnings distributed	**–**	**(18)**	**(18)**	–	(21)	(21)
Net increase (decrease)	**26**	**(15)**	**11**	(48)	20	(28)
Real estate joint ventures carrying amounts						
Balance, beginning of period	**21**	**30**	**51**	69	25	94
Valuation provision	**–**	**–**	**–**	–	(15)	(15)
Balance, end of period	**$ 47**	**$ 15**	**$ 62**	$ 21	$ 30	$ 51

1 Loans and receivables are included in our Consolidated statements of financial position as Real estate joint venture advances and are comprised of advances under construction credit facilities (see *(d)*) and, prior to its repayment during the year ended December 31, 2016, an $18 mortgage on the TELUS Garden residential condominium tower.
2 We account for our interests in the real estate joint ventures using the equity method of accounting.
3 As the real estate joint ventures are partnerships, no provision for income taxes of the partners is made in determining the real estate joint ventures' net income (loss) and comprehensive income (loss); provision for income taxes is made in determining the comprehensive income (loss) attributable to us.

During the year ended December 31, 2017, the TELUS Garden real estate joint venture recognized $12 million (2016 – $11 million) of revenue from our TELUS Garden office tenancy; of this amount, one-half is due to our economic interest in the real estate joint venture and one-half is due to our partner's economic interest in the real estate joint venture.

(d) Commitments and contingent liabilities

Construction commitments

The TELUS Sky real estate joint venture is expected to spend a total of approximately $400 million on the construction of a mixed-use tower. As at December 31, 2017, the real estate joint venture's construction-related contractual commitments were approximately $82 million through to 2019 (2016 – $121 million through to 2018).

Construction credit facilities

The TELUS Sky real estate joint venture has a credit agreement with three Canadian financial institutions (as 66⅔% lender) and TELUS Corporation (as 33⅓% lender) to provide $342 million of construction financing for the project. The TELUS Garden real estate joint venture had a credit agreement with two Canadian financial institutions (as 50% lender) and TELUS Corporation (as 50% lender) to provide construction financing for the residential condominium project; as at December 31, 2016, all outstanding amounts had been repaid.

The construction credit facilities contain customary real estate construction financing representations, warranties and covenants and are secured by demand debentures constituting first fixed and floating charge mortgages over the underlying real estate assets. The construction credit facilities are available by way of bankers' acceptance or prime loan and bear interest at rates in line with similar construction financing facilities.

As at December 31 (millions)	Note	2017	2016
Construction credit facilities commitment – TELUS Corporation			
Undrawn	*4(c)*	**$ 67**	$ 93
Advances		**47**	21
		114	114
Construction credit facilities commitment – other		**228**	228
		$ 342	$ 342

22 Short-term borrowings

On July 26, 2002, one of our subsidiaries, TELUS Communications Inc., entered into an agreement with an arm's-length securitization trust associated with a major Schedule I bank under which it is able to sell an interest in certain trade receivables up to a maximum of $500 million (2016 – $500 million). This revolving-period securitization agreement term ends December 31, 2018, and it requires minimum cash proceeds of $100 million from monthly sales of interests in certain trade receivables. TELUS Communications Inc. is required to maintain a credit rating of at least BB (2016 – BB) from Dominion Bond Rating Service or the securitization trust may require the sale program to be wound down prior to the end of the term.

When we sell our trade receivables, we retain reserve accounts, which are retained interests in the securitized trade receivables, and servicing rights. As at December 31, 2017, we had sold to the trust (but continued to recognize) trade receivables of $119 million (2016 – $116 million). Short-term borrowings of $100 million (2016 – $100 million) are comprised of amounts advanced to us by the arm's-length securitization trust pursuant to the sale of trade receivables.

The balance of short-term borrowings (if any) is comprised of amounts drawn on our bilateral bank facilities.

23 Accounts payable and accrued liabilities

As at December 31 (millions)	**2017**	2016
Accrued liabilities	**$ 1,066**	$ 1,013
Payroll and other employee-related liabilities	**403**	460
Restricted stock units liability	**66**	55
	1,535	1,528
Trade accounts payable	**717**	578
Interest payable	**147**	144
Other	**61**	80
	$ 2,460	$ 2,330

24 Advance billings and customer deposits

As at December 31 (millions)	**2017**	2016
Advance billings	**$ 747**	$ 697
Deferred customer activation and connection fees	**13**	17
Customer deposits	**21**	15
Regulatory deferral accounts	**1**	8
	$ 782	$ 737

25 Provisions

(millions)	Asset retirement obligation	Employee-related	Written put options	Other	Total
As at January 1, 2016	$ 377	$ 109	$ 46	$ 98	$ 630
Additions[1]	15	113	17	54	199
Use	(9)	(141)	(54)	(41)	(245)
Reversal	–	(4)	–	(8)	(12)
Interest effect[2]	(44)	–	1	–	(43)
Foreign exchange effects	–	–	(10)	–	(10)
As at December 31, 2016	339	77	–	103	519
Additions[1]	**13**	**39**	**71**	**58**	**181**
Use	**(6)**	**(75)**	**–**	**(40)**	**(121)**
Reversal[3]	**(53)**	**(5)**	**(11)**	**(1)**	**(70)**
Interest effect[2]	**58**	**–**	**2**	**–**	**60**
Foreign exchange effects	**–**	**–**	**1**	**–**	**1**
As at December 31, 2017	**$ 351**	**$ 36**	**$ 63**	**$ 120**	**$ 570**
Current	$ 11	$ 76	$ –	$ 37	$ 124
Non-current	328	1	–	66	395
As at December 31, 2016	$ 339	$ 77	$ –	$ 103	$ 519
Current	**$ 6**	**$ 35**	**$ –**	**$ 37**	**$ 78**
Non-current	**345**	**1**	**63**	**83**	**492**
As at December 31, 2017	**$ 351**	**$ 36**	**$ 63**	**$ 120**	**$ 570**

1 Employee-related additions are net of share-based compensation of $(7) (2016 – $4).
2 The difference of $47 (2016 – $(55)) between the interest effect in this table and the amount disclosed in *Note 9* is in respect of the change in the discount rates applicable to the provision, such difference being included in the cost of the associated asset(s) by way of being included with (netted against) the additions detailed in *Note 17*.
3 The written put option reversal is an adjustment to the Voxpro Limited purchase price allocation disclosed in *Note 18(b)*.

Asset retirement obligation

We establish provisions for liabilities associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development and/or normal operation of the assets. We expect that the cash outflows in respect of the balance accrued as at the financial statement date will occur proximate to the dates these assets are retired.

Employee-related

The employee-related provisions are largely in respect of restructuring activities (as discussed further in *Note 16(b)*). The timing of the cash outflows in respect of the balance accrued as at the financial statement date is substantially short-term in nature.

Written put options

In connection with certain business acquisitions, we have established provisions for written put options in respect of non-controlling interests. No cash outflows for the written put options outstanding at December 31, 2017, are expected prior to their initial exercisability in 2021.

Other

The provisions for other include: legal claims; non-employee related restructuring activities (as discussed further in *Note 16*); and contract termination costs and onerous contracts related to business acquisitions. Other than as set out following, we expect that the cash outflows in respect of the balance accrued as at the financial statement date will occur over an indeterminate multi-year period.

As discussed further in *Note 29*, we are involved in a number of legal claims and we are aware of certain other possible legal claims. In respect of legal claims, we establish provisions, when warranted, after taking into account legal assessments, information presently available, and the expected availability of recourse. The timing of cash outflows associated with legal claims cannot be reasonably determined.

In connection with certain business acquisitions, we have established provisions for contingent consideration, contract termination costs and onerous contracts acquired. In respect of contract termination costs and onerous contracts acquired, cash outflows are expected to occur through mid-2018.

26 Long-term debt

(a) Details of long-term debt

As at December 31 (millions)	Note	2017	2016
TELUS Corporation notes	(b)	**$ 11,561**	$ 11,367
TELUS Corporation commercial paper	(c)	**1,140**	613
TELUS Communications Inc. debentures	(e)	**620**	619
TELUS International (Cda) Inc. credit facility	(f)	**339**	332
Long-term debt		**$ 13,660**	$ 12,931
Current		**$ 1,404**	$ 1,327
Non-current		**12,256**	11,604
Long-term debt		**$ 13,660**	$ 12,931

(b) TELUS Corporation notes

The notes are senior, unsecured and unsubordinated obligations and rank equally in right of payment with all of our existing and future unsecured, unsubordinated obligations, are senior in right of payment to all of our existing and future subordinated indebtedness, and are effectively subordinated to all existing and future obligations of, or guaranteed by, our subsidiaries. The indentures governing the notes contain certain covenants which, among other things, place limitations on our ability and the ability of certain of our subsidiaries to: grant security in respect of indebtedness; enter into sale-leaseback transactions; and incur new indebtedness.

					Principal face amount		Redemption present value spread	
Series[1]	Issued	Maturity	Issue price	Effective interest rate[2]	Originally issued	Outstanding at financial statement date	Basis points	Cessation date
4.95% Notes, Series CD	March 2007	March 2017	$999.53	4.96%	$700 million	$NIL	24[3]	N/A
5.05% Notes, Series CG[4]	December 2009	December 2019	$994.19	5.13%	$1.0 billion	$1.0 billion	45.5[3]	N/A
5.05% Notes, Series CH[4]	July 2010	July 2020	$997.44	5.08%	$1.0 billion	$1.0 billion	47[3]	N/A
3.35% Notes, Series CJ[4]	December 2012	March 2023	$998.83	3.36%	$500 million	$500 million	40[5]	Dec. 15, 2022
3.35% Notes, Series CK[4]	April 2013	April 2024	$994.35	3.41%	$1.1 billion	$1.1 billion	36[5]	Jan. 2, 2024
4.40% Notes, Series CL[4]	April 2013	April 2043	$997.68	4.41%	$600 million	$600 million	47[5]	Oct. 1, 2042
3.60% Notes, Series CM[4]	November 2013	January 2021	$997.15	3.65%	$400 million	$400 million	35[3]	N/A
5.15% Notes, Series CN[4]	November 2013	November 2043	$995.00	5.18%	$400 million	$400 million	50[5]	May 26, 2043
3.20% Notes, Series CO[4]	April 2014	April 2021	$997.39	3.24%	$500 million	$500 million	30[5]	Mar. 5, 2021
4.85% Notes, Series CP[4]	Multiple[6]	April 2044	$987.91[6]	4.93%[6]	$500 million[6]	$900 million[6]	46[5]	Oct. 5, 2043
3.75% Notes, Series CQ[4]	September 2014	January 2025	$997.75	3.78%	$800 million	$800 million	38.5[5]	Oct. 17, 2024
4.75% Notes, Series CR[4]	September 2014	January 2045	$992.91	4.80%	$400 million	$400 million	51.5[5]	July 17, 2044
1.50% Notes, Series CS[4]	March 2015	March 2018	$999.62	1.51%	$250 million	$250 million	N/A[7]	N/A
2.35% Notes, Series CT[4]	March 2015	March 2022	$997.31	2.39%	$1.0 billion	$1.0 billion	35.5[5]	Feb. 28, 2022
4.40% Notes, Series CU[4]	March 2015	January 2046	$999.72	4.40%	$500 million	$500 million	60.5[5]	July 29, 2045
3.75% Notes, Series CV[4]	December 2015	March 2026	$992.14	3.84%	$600 million	$600 million	53.5[5]	Dec. 10, 2025
2.80% U.S. Dollar Notes[4,8]	September 2016	February 2027	US$991.89	2.89%	US$600 million	US$600 million	20[9]	Nov. 16, 2026
3.70% U.S. Dollar Notes[4,10]	March 2017	September 2027	US$998.95	3.71%	US$500 million	US$500 million	20[9]	June 15, 2027
4.70% Notes, Series CW[4]	March 2017	March 2048	$990.65	4.76%	$325 million	$325 million	58.5[5]	Sept. 6, 2047

1 Interest is payable semi-annually.
2 The effective interest rate is that which the notes would yield to an initial debt holder if held to maturity.
3 The notes are redeemable at our option, in whole at any time, or in part from time to time, on not fewer than 30 and not more than 60 days' prior notice. The redemption price is equal to the greater of (i) the present value of the notes discounted at the Government of Canada yield plus the redemption present value spread, or (ii) 100% of the principal amount thereof. In addition, accrued and unpaid interest, if any, will be paid to the date fixed for redemption.
4 This series of notes requires us to make an offer to repurchase the notes at a price equal to 101% of their principal amount plus accrued and unpaid interest to the date of repurchase upon the occurrence of a change in control triggering event, as defined in the supplemental trust indenture.
5 At any time prior to the respective maturity dates set out in the table, the notes are redeemable at our option, in whole at any time, or in part from time to time, on not fewer than 30 and not more than 60 days' prior notice. The redemption price is equal to the greater of (i) the present value of the notes discounted at the Government of Canada yield plus the redemption present value spread calculated over the period to maturity, other than in the case of the Series CT and Series CU notes, where it is calculated over the period to the redemption present value spread cessation date, or (ii) 100% of the principal amount thereof. In addition, accrued and unpaid interest, if any, will be paid to the date fixed for redemption. On or after the respective redemption present value spread cessation dates set out in the table, the notes are redeemable at our option, in whole but not in part, on not fewer than 30 and not more than 60 days' prior notice, at redemption prices equal to 100% of the principal amounts thereof.
6 $500 million of 4.85% Notes, Series CP were issued in April 2014 at an issue price of $998.74 and an effective interest rate of 4.86%. This series of notes was reopened in December 2015 and a further $400 million of notes were issued at an issue price of $974.38 and an effective interest rate of 5.02%.
7 The notes are not redeemable at our option, other than in the event of certain changes in tax laws.
8 We have entered into a foreign exchange derivative (a cross currency interest rate exchange agreement) which effectively converted the principal payments and interest obligations to Canadian dollar obligations with a fixed interest rate of 2.95% and an issued and outstanding amount of $792 million (reflecting a fixed exchange rate of $1.3205).
9 At any time prior to the respective maturity dates set out in the table, the notes are redeemable at our option, in whole at any time, or in part from time to time, on not fewer than 30 and not more than 60 days' prior notice. The redemption price is equal to the greater of (i) the present value of the notes discounted at the U.S. Adjusted Treasury Rate plus the redemption present value spread calculated over the period to the redemption present value spread cessation date, or (ii) 100% of the principal amount thereof. In addition, accrued and unpaid interest, if any, will be paid to the date fixed for redemption. On or after the respective redemption present value spread cessation dates set out in the table, the notes are redeemable at our option, in whole but not in part, on not fewer than 30 and not more than 60 days' prior notice, at redemption prices equal to 100% of the principal amounts thereof.
10 We have entered into a foreign exchange derivative (a cross currency interest rate exchange agreement) which effectively converted the principal payments and interest obligations to Canadian dollar obligations with a fixed interest rate of 3.41% and an issued and outstanding amount of $667 million (reflecting a fixed exchange rate of $1.3348).

(c) TELUS Corporation commercial paper

TELUS Corporation has an unsecured commercial paper program, which is backstopped by our $2.25 billion syndicated credit facility (see *(d)*) and is to be used for general corporate purposes, including capital expenditures and investments. This program enables us to issue commercial paper, subject to conditions related to debt ratings, up to a maximum aggregate amount at any one time of $1.4 billion (2016 – $1.4 billion). Foreign currency forward contracts are used to manage currency risk arising from issuing commercial paper denominated in U.S. dollars. Commercial paper debt is due within one year and is classified as a current portion of long-term debt, as the amounts are fully supported, and we expect that they will continue to be supported, by the revolving credit facility, which has no repayment requirements within the next year. As at December 31, 2017, we had $1,140 million of commercial paper outstanding, all of which was denominated in U.S. dollars (US$908 million), with an effective weighted average interest rate of 1.83%, maturing through April 2018.

(d) TELUS Corporation credit facility

As at December 31, 2017, TELUS Corporation had an unsecured revolving $2.25 billion bank credit facility, expiring on May 31, 2021, with a syndicate of financial institutions, which is to be used for general corporate purposes, including the backstopping of commercial paper.

TELUS Corporation's credit facility bears interest at prime rate, U.S. Dollar Base Rate, a bankers' acceptance rate or London interbank offered rate (LIBOR) (all such terms as used or defined in the credit facility), plus applicable margins. The credit facility contains customary representations, warranties and covenants, including two financial quarter-end ratio tests. These tests are that our net debt to operating cash flow ratio must not exceed 4.00:1.00 and our operating cash flow to interest expense ratio must not be less than 2.00:1.00, all as defined under the credit facility.

Continued access to TELUS Corporation's credit facility is not contingent on TELUS Corporation maintaining a specific credit rating.

As at December 31 (millions)	**2017**	2016
Net available	**$ 1,110**	$ 1,637
Backstop of commercial paper	**1,140**	613
Gross available	**$ 2,250**	$ 2,250

We had $224 million of letters of credit outstanding as at December 31, 2017 (2016 – $210 million), issued under various uncommitted facilities; such letter of credit facilities are in addition to the ability to provide letters of credit pursuant to our committed bank credit facility.

(e) TELUS Communications Inc. debentures

The Series 3 and 5 Debentures were issued by a predecessor corporation of TELUS Communications Inc., BC TEL, under a Trust Indenture dated May 31, 1990. The Series B Debentures were issued by a predecessor corporation of TELUS Communications Inc., AGT Limited, under a Trust Indenture dated August 24, 1994, and a supplemental trust indenture dated September 22, 1995.

				Principal face amount		
Series[1]	Issued	Maturity	Issue price	Originally issued	Outstanding at financial statement date	Redemption present value spread (basis points)
10.65% Debentures, Series 3	June 1991	June 2021	$998.00	$175 million	$175 million	N/A (non-redeemable)
9.65% Debentures, Series 5[2]	April 1992	April 2022	$972.00	$150 million	$249 million	N/A (non-redeemable)
8.80% Debentures, Series B	September 1995	September 2025	$995.10	$200 million	$200 million	15[3]

1 Interest is payable semi-annually.
2 Series 4 Debentures were exchangeable, at the holder's option, effective on April 8 of any year during the four-year period from 1996 to 1999, for Series 5 Debentures; $99 million of Series 4 Debentures were exchanged for Series 5 Debentures.
3 At any time prior to the maturity date set out in the table, the debentures are redeemable at our option, in whole at any time, or in part from time to time, on not less than 30 days' prior notice. The redemption price is equal to the greater of (i) the present value of the debentures discounted at the Government of Canada yield plus the redemption present value spread, or (ii) 100% of the principal amount thereof. In addition, accrued and unpaid interest, if any, will be paid to the date fixed for redemption.

The debentures became obligations of TELUS Communications Inc. pursuant to an amalgamation on January 1, 2001, are not secured by any mortgage, pledge or other charge and are governed by certain covenants, including a negative pledge and a limitation on issues of additional debt, subject to a debt to capitalization ratio and an interest coverage test. Effective June 12, 2009, TELUS Corporation guaranteed the payment of the debentures' principal and interest.

(f) TELUS International (Cda) Inc. credit facility

As at December 31, 2017, TELUS International (Cda) Inc. had a bank credit facility, secured by its assets, expiring on December 20, 2022, (2016 – May 31, 2021), with a syndicate of financial institutions. The credit facility is comprised of a US$350 million (2016 – US$115 million) revolving component and an amortizing US$120 million (2016 – US$215 million) term loan component. The credit facility is non-recourse to TELUS Corporation. As at December 31, 2017, $346 million ($339 million net of unamortized issue costs) was outstanding, which was denominated in U.S. dollars (US$276 million), with a weighted average interest rate of 3.32%. Subsequent to December 31, 2017, an incremental $94 million (US$75 million) was drawn (see *Note 18(c)*).

As at December 31 (millions)	2017			2016		
	Revolving component	**Term loan component**	**Total**	Revolving component	Term loan component	Total
Available	**US$ 193**	**US$ N/A**	**US$ 193**	US$ 72	US$ N/A	US$ 72
Outstanding	**157**	**119**	**276**	43	210	253
	US$ 350	**US$ 119**	**US$ 469**	US$ 115	US$ 210	US$ 325

TELUS International (Cda) Inc.'s credit facility bears interest at prime rate, U.S. Dollar Base Rate, a bankers' acceptance rate or London interbank offered rate (LIBOR) (all such terms as used or defined in the credit facility), plus applicable margins. The credit facility contains customary representations, warranties and covenants, including two financial quarter-end ratio tests. These tests are that TELUS International (Cda) Inc.'s net debt to operating cash flow ratio generally must not exceed 3.25:1.00 and its operating cash flow to debt service (interest and scheduled principal repayment) ratio must not be less than 1.50:1.00, all as defined in the credit facility.

The term loan is subject to an amortization schedule which requires that 5% of the principal advanced be repaid each year of the term of the agreement, with the balance due at maturity.

(g) Long-term debt maturities

Anticipated requirements to meet long-term debt repayments, calculated upon such long-term debts owing as at December 31, 2017, for each of the next five fiscal years are as follows:

Long-term debt denominated in	Canadian dollars	U.S. dollars				
			Derivative liability			
Years ending December 31 (millions)	Debt	Debt	(Receive)[1]	Pay	Total	Total
2018	$ 250	$ 1,147	$ (1,144)	$ 1,160	$ 1,163	$ 1,413
2019	1,000	8	–	–	8	1,008
2020	1,000	8	–	–	8	1,008
2021	1,075	8	–	–	8	1,083
2022	1,249	316	–	–	316	1,565
Thereafter	6,325	1,380	(1,380)	1,460	1,460	7,785
Future cash outflows in respect of long-term debt principal repayments	10,899	2,867	(2,524)	2,620	2,963	13,862
Future cash outflows in respect of associated interest and like carrying costs[2]	5,506	490	(431)	449	508	6,014
Undiscounted contractual maturities (*Note 4(c)*)	$ 16,405	$ 3,357	$ (2,955)	$ 3,069	$ 3,471	$ 19,876

1 Where applicable, principal-related cash flows reflect foreign exchange rates at December 31, 2017.
2 Future cash outflows in respect of associated interest and like carrying costs for commercial paper and amounts drawn under our credit facilities (if any) have been calculated based upon the rates in effect at December 31, 2017.

27 Other long-term liabilities

As at December 31 (millions)	Note	2017	2016
Pension and other post-employment benefit liabilities	*15(a)*	**$ 537**	$ 484
Deferred revenues		**81**	72
Restricted stock unit and deferred share unit liabilities		**68**	62
Derivative liabilities		**76**	21
Other		**67**	73
		829	712
Deferred customer activation and connection fees		**18**	24
		$ 847	$ 736

28 Common Share capital

(a) General

Our authorized share capital is as follows:

As at December 31	**2017**	2016
First Preferred Shares	**1 billion**	1 billion
Second Preferred Shares	**1 billion**	1 billion
Common Shares	**2 billion**	2 billion

Only holders of Common Shares may vote at our general meetings, with each holder of Common Shares entitled to one vote per Common Share held at all such meetings so long as not less than 66⅔% of the issued and outstanding Common Shares are owned by Canadians. With respect to priority in payment of dividends and in the distribution of assets in the event of our liquidation, dissolution or winding-up, whether voluntary or involuntary, or any other distribution of our assets among our shareholders for the purpose of winding up our affairs, preferences are as follows: First Preferred Shares; Second Preferred Shares; and finally Common Shares.

As at December 31, 2017, approximately 48 million Common Shares were reserved for issuance, from Treasury, under a share option plan (see *Note 14(d)*).

(b) Purchase of Common Shares for cancellation pursuant to normal course issuer bid

As referred to in *Note 3*, we may purchase a portion of our Common Shares for cancellation pursuant to normal course issuer bids in order to maintain or adjust our capital structure. During the year ended December 31, 2016, we purchased a number of our Common Shares for cancellation, through the facilities of the Toronto Stock Exchange, the New York Stock Exchange and/or alternative trading platforms or otherwise as may be permitted by applicable securities laws and regulations, including privately negotiated block purchases, as set out in the following table; there was no corresponding activity during the year ended December 31, 2017.

Year ended December 31		2016
(millions except footnote amounts)	Common Shares	Cost
Normal course issuer bid period:		
September 15, 2015 – September 14, 2016	3	$ 130
September 30, 2016 – September 29, 2017[1]	1	35
Total excluding employee benefit plan trust transactions	4	165
Employee benefit plan trust transactions	–	4
	4	$ 169

1 In November 2017, we received approval for a normal course issuer bid to purchase and cancel up to 8 million of our Common Shares (up to a maximum amount of $250 million) from November 13, 2017, to November 12, 2018. Additionally, we may enter into an automatic share purchase plan with a broker for the purpose of permitting us to purchase our Common Shares under the normal course issuer bid at times when we would not be permitted to trade in our own Common Shares during internal blackout periods, including during regularly scheduled quarterly blackout periods. Such purchases are determined by the broker in its sole discretion based on parameters we have established. We record a liability and charge share capital and retained earnings for purchases that may occur during such blackout periods based upon the parameters of the normal course issuer bid as at the statement of financial position date.

The excess of the purchase price over the average stated value of Common Shares purchased for cancellation is charged to retained earnings. We cease to consider the Common Shares to be outstanding on the date of our purchase of the Common Shares, although the actual cancellation of the Common Shares by the transfer agent and registrar occurs on a timely basis on a date shortly thereafter.

29 Contingent liabilities

(a) Claims and lawsuits

General

A number of claims and lawsuits (including class actions and intellectual property infringement claims) seeking damages and other relief are pending against us and, in some cases, numerous other wireless carriers and telecommunications service providers. As well, we have received notice of, or are aware of, certain possible claims (including intellectual property infringement claims) against us.

It is not currently possible for us to predict the outcome of such claims, possible claims and lawsuits due to various factors, including: the preliminary nature of some claims; uncertain damage theories and demands; an incomplete factual record; uncertainty concerning legal theories and procedures and their resolution by the courts, at both the trial and the appeal levels; and the unpredictable nature of opposing parties and their demands.

However, subject to the foregoing limitations, management is of the opinion, based upon legal assessments and information presently available, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would have a material effect on our financial position and the results of our operations, including cash flows, with the exception of the items enumerated following.

Certified class actions

Certified class actions against us include the following:

System access fee class actions

In 2004, a class action was brought in Saskatchewan against a number of past and present wireless service providers, including us, which alleged breach of contract, misrepresentation, unjust enrichment and violation of competition, trade practices and consumer protection legislation across Canada in connection with the collection of system access fees. In September 2007, a national opt-in class was certified by the Saskatchewan Court of Queen's Bench in relation to the unjust enrichment claim only; all appeals of this certification decision have now been exhausted. In February 2008, the Saskatchewan Court of Queen's Bench granted an order amending the certification order so as to exclude from the class of plaintiffs any customer bound by an arbitration clause with us. All appeals of this decision have now been exhausted. In addition to the 2004 class action brought in Saskatchewan, fourteen additional class actions were brought against us and other wireless service providers in the period 2004 to date in connection with the collection of system access fees in nine provinces. None of these additional fourteen class actions has ever been certified, and all have now been dismissed, discontinued or stayed.

Per minute billing class action

In 2008, a class action was brought in Ontario against us alleging breach of contract, breach of the Ontario *Consumer Protection Act*, breach of the *Competition Act* and unjust enrichment, in connection with our practice of "rounding up" wireless airtime to the nearest minute and charging for the full minute. The action sought certification of a national class. In November 2014, an Ontario class only was certified by the Ontario Superior Court of Justice in relation to the breach of contract, breach of the *Consumer Protection Act* and unjust enrichment claims; all appeals of the certification decision have now been exhausted. At the same time, the Ontario Superior Court of Justice declined to stay the claims of our business customers notwithstanding an arbitration clause in our customer service agreements with those customers. This latter decision was appealed and on May 31, 2017, the Ontario Court of Appeal dismissed our appeal. We have sought leave to appeal this decision to the Supreme Court of Canada.

Unilateral rate amendments class actions

In 2012, a class action was brought against us in Quebec alleging that we improperly unilaterally amended customer contracts to increase various wireless rates for optional services, contrary to the Quebec *Consumer Protection Act* and the *Civil Code of Quebec*. On June 13, 2013, the Superior Court of Quebec authorized this matter as a class action. This class action follows on a non-material 2008 class action brought in Quebec alleging that we improperly unilaterally amended customer contracts to charge for incoming SMS messages. On April 8, 2014, judgment was granted in part against us in the 2008 class action. We had appealed that judgment, but have now settled both the 2008 and 2012 class actions. This settlement received court approval in June 2016, is being implemented and has been fully accounted for in our financial statements.

Call set-up time class actions

In 2005, a class action was brought against us in British Columbia alleging that we have engaged in deceptive trade practices in charging for incoming calls from the moment the caller connects to the network, and not from the moment the incoming call is connected to the recipient. In 2011, the Supreme Court of Canada upheld a stay of all of the causes of action advanced by the plaintiff in this class action, with one exception, based on the arbitration clause that was included in our customer service agreements. The sole exception was the cause of action based on deceptive or unconscionable practices under the British Columbia *Business Practices and Consumer Protection Act*, which the Supreme Court of Canada declined to stay. In January 2016, the British Columbia Supreme Court certified this class action in relation to the claim under the *Business Practices and Consumer Protection Act*. The class is limited to residents of British Columbia who contracted with us for wireless services in the period from January 21, 1999, to April 2010. We have appealed the certification decision and the appeal hearing is expected to occur in March 2018. A companion class action was brought against us in Alberta at the same time as the British Columbia class action. The Alberta class action duplicates the allegations in the British Columbia action, but has not proceeded to date and is not certified.

Uncertified class actions

Uncertified class actions against us include:

9-1-1 class actions

In 2008, a class action was brought in Saskatchewan against us and other Canadian telecommunications carriers alleging that, among other matters, we failed to provide proper notice of 9-1-1 charges to the public, have been deceitfully passing them off as government charges, and have charged 9-1-1 fees to customers who reside in areas where 9-1-1 service is not available. The plaintiffs advance causes of action in breach of contract, misrepresentation and false advertising and seek certification of a national class. A virtually identical class action was filed in Alberta at the same time, but the Alberta Court of Queen's Bench declared that class action expired against us as of 2009. No steps were taken in this proceeding in 2017.

Electromagnetic field radiation class actions

In 2013, a class action was brought in British Columbia against us, other telecommunications carriers, and cellular telephone manufacturers alleging that prolonged usage of cellular telephones causes adverse health effects. The British Columbia class action alleges: strict liability; negligence; failure to warn; breach of warranty; breach of competition, consumer protection and trade practices legislation; negligent misrepresentation; breach of a duty not to market the products in question; and waiver of tort. Certification of a national class is sought, but the action has not proceeded to date and no steps were taken in 2016 or 2017. In 2015, a class action was brought in Quebec against us, other telecommunications carriers, and various other defendants alleging that electromagnetic field radiation causes adverse health effects, contravenes the Quebec *Environmental Quality Act*, creates a nuisance, and constitutes an abuse of right pursuant to the Quebec *Civil Code*. This action has not yet proceeded to an authorization hearing.

Public Mobile class actions

In 2014, class actions were brought against us in Quebec and Ontario on behalf of Public Mobile's customers, alleging that changes to the technology, services and rate plans made by us contravene our statutory and common law obligations. In particular, the Quebec action alleges that our actions constitute a breach of the Quebec *Consumer Protection Act*, the Quebec *Civil Code*, and the Ontario *Consumer Protection Act*. It has not yet proceeded to an authorization hearing. The Ontario class action alleges negligence, breach of express and implied warranty, breach of the *Competition Act*, unjust enrichment, and waiver of tort. No steps have been taken in this proceeding since it was filed and served.

Promotional pricing class action

In 2016, a class action was brought in Quebec against us, other telecommunications carriers, and various other defendants alleging that we violated the Quebec *Consumer Protection Act* by enticing Quebec consumer customers to contract with us by providing goods or services to them at a reduced price, or free as a trial, for a fixed period and, at the end of the fixed period, charging them the regular price if they did not take steps to either renegotiate or cancel their contract with us. The plaintiff has agreed to discontinue this claim against us, and the court authorized the discontinuation of the class action against us on July 13, 2017.

Handset subsidy class action

In 2016, a class action was brought in Quebec against us and other telecommunications carriers alleging that we breached the Quebec *Consumer Protection Act* and the *Civil Code of Quebec* by making false or misleading representations relating to the handset subsidy provided to our wireless customers, and by charging our wireless customers inflated rate plan prices and termination fees higher than those permitted under the *Act*. This action has not yet proceeded to an authorization hearing.

Intellectual property infringement claims

Claims and possible claims received by us include:

4G LTE network patent infringement claim

A patent infringement claim was filed in Ontario in 2016 alleging that communications between devices, including cellular telephones, and base stations on our 4G LTE network infringe three third-party patents. The trial for this matter has been scheduled to commence on October 28, 2019.

Summary

We believe that we have good defences to the above matters. Should the ultimate resolution of these matters differ from management's assessments and assumptions, a material adjustment to our financial position and the results of our operations, including cash flows, could result. Management's assessments and assumptions include that reliable estimates of any such exposure cannot be made considering the continued uncertainty about: the nature of the damages that may be sought by the plaintiffs; the causes of action that are being, or may ultimately be, pursued; and, in the case of the uncertified class actions, the causes of action that may ultimately be certified.

(b) Indemnification obligations

In the normal course of operations, we provide indemnification in conjunction with certain transactions. The terms of these indemnification obligations range in duration. These indemnifications would require us to compensate the indemnified parties for costs incurred as a result of failure to comply with contractual obligations, or litigation claims or statutory sanctions, or damages that may be suffered by an indemnified party. In some cases, there is no maximum limit on these indemnification obligations. The overall maximum amount of an indemnification obligation will depend on future events and conditions and therefore cannot be reasonably estimated. Where appropriate, an indemnification obligation is recorded as a liability. Other than obligations recorded as liabilities at the time of the related transactions, historically we have not made significant payments under these indemnifications.

See *Note 21(d)* for details regarding our guarantees to the real estate joint ventures.

As at December 31, 2017, we had no liability recorded in respect of our indemnification obligations.

(c) Concentration of labour

In 2015, we commenced collective bargaining with the Telecommunications Workers Union, United Steel Workers Local Union 1944 to renew the collective agreement that expired on December 31, 2015; the expired contract covered approximately 40% of our Canadian workforce as at December 31, 2015.

On October 3, 2016, the Telecommunications Workers Union, United Steel Workers Local Union 1944 and ourselves announced that the two parties had reached a tentative five-year collective agreement which would be subject to ratification by members of the Telecommunications Workers Union, United Steel Workers Local Union 1944. On November 23, 2016, the Telecommunications Workers Union, United Steel Workers Local Union 1944 announced that its members had voted to accept the October 3, 2016, tentative agreement. The terms and conditions of the new collective agreement are effective from November 27, 2016, to December 31, 2021, and covered approximately 37% of our Canadian workforce as at December 31, 2016.

In December 2016, a new collective agreement between the Syndicat des agents de maîtrise de TELUS and ourselves was ratified by a majority of its members. This collective agreement took effect on April 1, 2017, and will expire on March 31, 2022.

A new collective agreement between the Syndicat québécois des employés de TELUS and ourselves was also ratified in December 2016. The new agreement is effective from January 1, 2018 to December 31, 2022. The Syndicat québécois des employés de TELUS collective agreement in effect at the time of ratification remained in effect until its expiry on December 31, 2017.

30 Related party transactions

(a) Transactions with key management personnel

Our key management personnel have authority and responsibility for overseeing, planning, directing and controlling our activities and consist of our Board of Directors and our Executive Leadership Team.

Total compensation expense for key management personnel, and the composition thereof, is as follows:

Years ended December 31 (millions)	2017	2016
Short-term benefits	**$ 12**	$ 12
Post-employment pension[1] and other benefits	**4**	7
Share-based compensation[2]	**34**	35
	$ 50	$ 54

1 Our Executive Leadership Team members are either members of our *Pension Plan for Management and Professional Employees of TELUS Corporation* and non-registered, non-contributory supplementary defined benefit pension plans, or members of one of our defined contribution pension plans.

2 For the year ended December 31, 2017, share-based compensation expense was net of $4 (2016 – $2) of the effects of derivatives used to manage share-based compensation costs (*Note 14(b)*). For the year ended December 31, 2017, share-based compensation expense (recovery) of $(7) (2016 – $4) was included in restructuring costs (*Note 16*).

As disclosed in *Note 14*, we made initial awards of share-based compensation in 2017 and 2016, including, as set out in the following table, to our key management personnel. As most of these awards are cliff-vesting or graded-vesting and have multi-year requisite service periods, the expense will be recognized ratably over a period of years and thus only a portion of the 2017 and 2016 initial awards are included in the amounts in the table above.

Years ended December 31	2017			2016		
($ in millions)	**Number of restricted stock units**	**Notional value[1]**	**Grant-date fair value[1]**	Number of restricted stock units	Notional value[1]	Grant-date fair value[1]
Awarded in period	**686,595**	**$ 30**	**$ 30**	585,759	$ 23	$ 15

1 Notional value is determined by multiplying the Common Share price at the time of award by the number of units awarded. The grant-date fair value differs from the notional value because the fair values of some awards have been determined using a Monte Carlo simulation (see *Note 14(b)*).

As at December 31, 2017, no share options outstanding were held by key management personnel (including retirees). During the year ended December 31, 2017, key management personnel (including retirees) exercised 17,716 share options (2016 – 169,522 share options) that had an intrinsic value of less than $1 million (2016 – $4 million) at the time of exercise, reflecting a weighted average price at the date of exercise of $44.84 (2016 – $42.47).

The liability amounts accrued for share-based compensation awards to key management personnel are as follows:

As at December 31 (millions)	2017	2016
Restricted stock units	**$ 40**	$ 25
Deferred share units[1]	**24**	32
	$ 64	$ 57

1 Our *Directors' Deferred Share Unit Plan* provides that, in addition to his or her annual equity grant of deferred share units, a director may elect to receive his or her annual retainer and meeting fees in deferred share units, Common Shares or cash. Deferred share units entitle directors to a specified number of, or a cash payment based on the value of, our Common Shares. Deferred share units are paid out when a director ceases to be a director, for any reason, at a time elected by the director in accordance with the *Directors' Deferred Share Unit Plan*; during the year ended December 31, 2017, $14 (2016 – $4) was paid out.

Employment agreements with members of the Executive Leadership Team typically provide for severance payments if an executive's employment is terminated without cause: generally 18–24 months of base salary, benefits and accrual of pension service in lieu of notice, and 50% of base salary in lieu of an annual cash bonus. In the event of a change in control, Executive Leadership Team members are not entitled to treatment any different than that given to our other employees with respect to non-vested share-based compensation.

(b) Transactions with defined benefit pension plans

During the year ended December 31, 2017, we provided management and administrative services to our defined benefit pension plans; the charges for these services were on a cost recovery basis and amounted to $6 million (2016 – $6 million).

(c) Transactions with real estate joint ventures

During the years ended December 31, 2017 and 2016, we had transactions with the real estate joint ventures, which are related parties, as set out in *Note 21*.

31 Additional statement of cash flow information

(a) Statements of cash flows – operating activities and investing activities

Years ended December 31 (millions)	2017	2016
Net change in non-cash operating working capital		
Accounts receivable	**$ (70)**	$ (45)
Inventories	**(60)**	42
Prepaid expenses	**(27)**	(20)
Accounts payable and accrued liabilities	**126**	126
Income and other taxes receivable and payable, net	**(90)**	(128)
Advance billings and customer deposits	**38**	(28)
Provisions	**(59)**	(18)
	$ (142)	$ (71)

Years ended December 31 (millions)	Note	2017	2016
Cash payments for capital assets, excluding spectrum licences			
Capital asset additions, excluding spectrum licences			
Gross capital expenditures			
Property, plant and equipment	*17*	**$ (2,486)**	$ (2,358)
Intangible assets	*18*	**(617)**	(629)
		(3,103)	(2,987)
Additions arising from non-monetary transactions		**9**	19
Capital expenditures		**(3,094)**	(2,968)
Asset retirement obligations netted (included) in additions		**(7)**	40
		(3,101)	(2,928)
Other non-cash items included above			
Change in associated non-cash investing working capital		**(27)**	231
Non-cash change in asset retirement obligation		**47**	(55)
		20	176
		$ (3,081)	$ (2,752)

(b) Changes in liabilities arising from financing activities

		Year ended December 31, 2016					Year ended December 31, 2017				
		Statement of cash flows		Non-cash changes			Statement of cash flows		Non-cash changes		
(millions)	As at Jan. 1, 2016	Issued or received	Redemptions, repayments or payments	Foreign exchange movement (*Note 4(i)*)	Other	As at Dec. 31, 2016	**Issued or received**	**Redemptions, repayments or payments**	**Foreign exchange movement (*Note 4(i)*)**	**Other**	**As at Dec. 31, 2017**
Dividends payable to holders of Common Shares	$ 263	$ –	$ (1,070)	$ –	$ 1,091	$ 284	**$ –**	**$ (1,152)**	**$ –**	**$ 1,167**	**$ 299**
Dividends reinvested in shares from Treasury	–	–	–	–	–	–	**–**	**70**	**–**	**(70)**	**–**
	$ 263	$ –	$ (1,070)	$ –	$ 1,091	$ 284	**$ –**	**$ (1,082)**	**$ –**	**$ 1,097**	**$ 299**
Purchase of Common Shares for cancellation[1]	$ 10	$ –	$ (179)	$ –	$ 169	$ –	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**
Short-term borrowings	$ 100	$ 3	$ (3)	$ –	$ –	$ 100	**$ –**	**$ –**	**$ –**	**$ –**	**$ 100**
Long-term debt											
TELUS Corporation notes	$ 11,164	$ 785	$ (600)	$ 19	$ (1)	$ 11,367	**$ 990**	**$ (700)**	**$ (91)**	**$ (5)**	**$ 11,561**
TELUS Corporation commercial paper	256	4,568	(4,181)	(30)	–	613	**5,295**	**(4,710)**	**(58)**	**–**	**1,140**
TELUS Communications Inc. debentures	618	–	–	–	1	619	**–**	**–**	**–**	**1**	**620**
TELUS International (Cda) Inc. credit facility	–	373	(42)	9	(8)	332	**82**	**(56)**	**(20)**	**1**	**339**
Derivatives used to manage currency risk arising from U.S. dollar-denominated long-term debt – liability (asset)	(14)	4,181	(4,201)	11	43	20	**4,710**	**(4,746)**	**149**	**(40)**	**93**
	12,024	9,907	(9,024)	9	35	12,951	**11,077**	**(10,212)**	**(20)**	**(43)**	**13,753**
To eliminate effect of gross settlement of derivatives used to manage currency risk arising from U.S. dollar-denominated long-term debt	–	(4,181)	4,181	–	–	–	**(4,710)**	**4,710**	**–**	**–**	**–**
	$ 12,024	$ 5,726	$ (4,843)	$ 9	$ 35	$ 12,951	**$ 6,367**	**$ (5,502)**	**$ (20)**	**$ (43)**	**$ 13,753**
Issue of shares by subsidiary to non-controlling interest											
Gross proceeds on share issuance		$ 302	$ –	$ –	$ (302)	$ –	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**
Transaction costs		–	(8)	–	12	4	**–**	**(1)**	**–**	**–**	**3**
Income taxes charged directly to contributed surplus[2]		–	–	–	47	47	**–**	**–**	**–**	**(3)**	**44**
		302	(8)	–	(243)	51	**–**	**(1)**	**–**	**(3)**	**47**
To eliminate effect of gross settlement of transaction costs		(8)	8	–	–	–	**–**	**–**	**–**	**–**	**–**
		$ 294	$ –	$ –	$ (243)	$ 51	**$ –**	**$ (1)**	**$ –**	**$ (3)**	**$ 47**

1 Normal course issuer bid transactions, including employee benefit plan trust transactions (see *Note 28(b)*).

2 Income taxes charged directly to contributed surplus were comprised of a current income tax charge of $(3) (2016 – $50) and a deferred income tax recovery of $NIL (2016 – $3).