

24/7/365

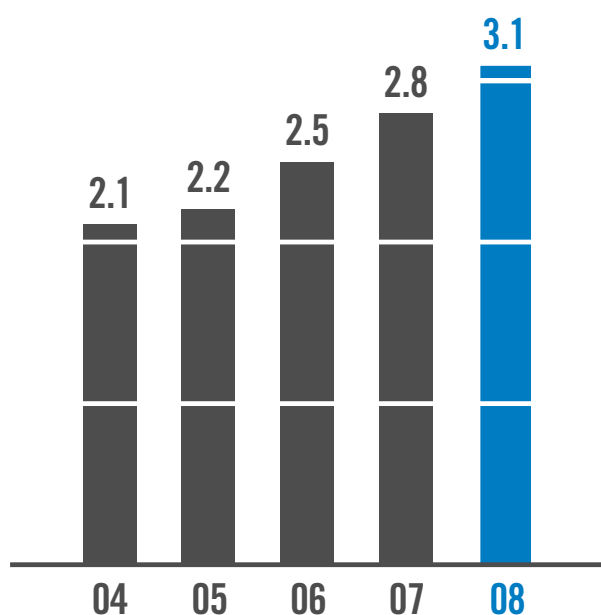
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The Annual General Meeting of Shareholders will be held on January 15, 2009 at 11:00am (Mountain Time) at the Shaw Barlow Trail Building, 2400 - 32 Avenue NE, Calgary, Alberta.

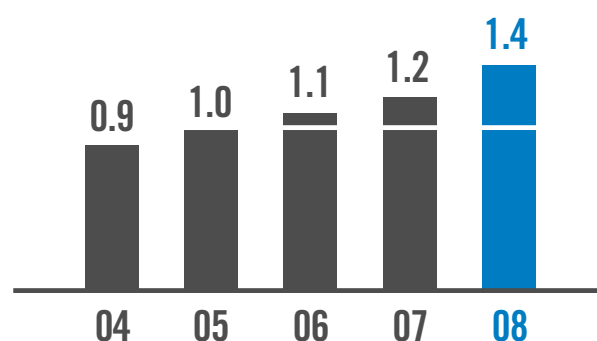
Over the years, our customers have always been our number one priority. By putting them first, we have grown into a leading entertainment and communications provider. Every day our 10,000 dedicated employees are focused on delivering an exceptional customer experience to create value for our shareholders and help build our business 24 hours a day, 7 days a week, 365 days a year.



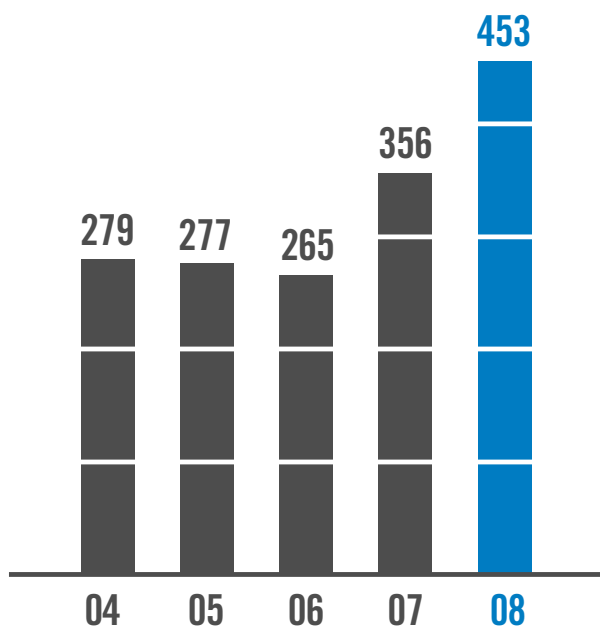
24/7/365 leads to other great numbers



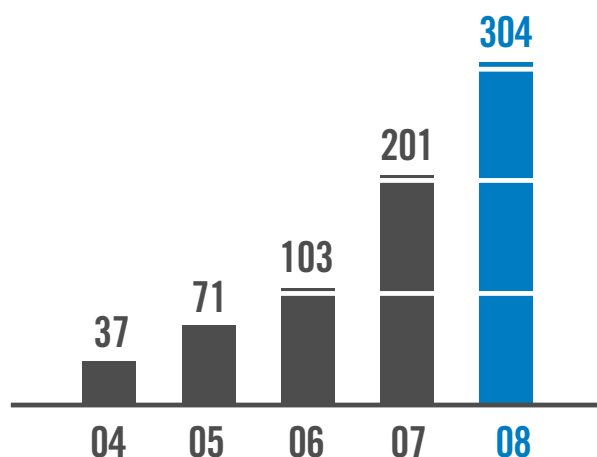
REVENUE
(in billions)



EBITDA
(in billions)



FREE CASH FLOW
(in millions)



DIVIDENDS
(in millions)

Shaw Communications Inc.
REPORT TO SHAREHOLDERS
August 31, 2008

Dear fellow Shareholders:

Shaw began as a cable television company and has evolved into a leading entertainment and communications company providing Internet and Digital Phone services, direct-to-home and other satellite services, business telecommunications, and next generation cable television services including an extensive selection of high-definition and on demand programming.

We have evolved through disciplined execution of our strategy and are grounded on a key principle: serving the customer. Everyday our employees are focused on delivering an exceptional customer experience, leading directly to the creation of value for our shareholders.

OUR CUSTOMER DRIVES OUR STRATEGY

Relentless focus on the customer requires creating innovative new products and services, launching new lines of business, delivering high quality customer service, and doing all of it with reliability and consistency so trust is built and we are chosen over the competition.

It demands the disciplined alignment of our strategy, our capital and operational assets, and our people so that we continue to grow the business while remaining financially strong and delivering an attractive return for our shareholders.

We are pleased to report to you, our shareholder, on another year of impressive operational and financial accomplishments based on this simple commitment to the Shaw customer. We believe that our focus on the customer is what continues to keep us ahead of our competition.

OPERATIONAL SUCCESS AND FINANCIAL RESULTS

Our financial results are strong:

- Consolidated service revenue increased 12% to \$3.10 billion.
- Total consolidated service operating income before amortization¹ improved 14% to \$1.41 billion.
- Free cash flow¹ improved 27% to \$453 million, after taking into account over \$85 million of increased capital investment.
- Our operating margins¹, which are best-in-class in North America, improved further this year.

Shaw is committed to enhancing shareholder value through continued earnings and free cash flow growth.

CUSTOMER GROWTH DRIVES RESULTS

Our customer base continues to grow:

- Basic cable customers increased to 2.25 million and we now have more than 900,000 Digital subscribers; our Digital customer base increased by over 140,000 this fiscal year driven largely by demand for high definition services, which our network is ideally positioned to deliver.
- Internet customers now exceed 1.5 million and our 70% penetration of basic customers is one of the highest in the North American industry, driven by the continued positive customer response to our range of value and speed options, service enhancements and reliability.

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- Digital phone lines surpassed 610,000, reflecting the expansion of service options, steady growth of our service area, and continued confidence in the dependability and value of the product.
- DTH added 13,000 subscribers and generated strong free cash flow.

Value enhancing bundles help ensure that our customers can take advantage of the triple play of voice, video and data; building loyalty and improving our overall economics. Customer growth and expansion of the range of our products and services is a major part of this successful year.

CONTINUOUS IMPROVEMENT AND INNOVATION

We live in a dynamic, technologically innovative, highly competitive and rapidly evolving marketplace. That is why we invested approximately \$725 million this year on system upgrades, improvements, innovations, efficiencies and assets which facilitate growth. Product improvements and technological innovations are required to remain competitive.

We also successfully acquired sufficient spectrum at a reasonable cost in the federal government's wireless spectrum auction to enable us to develop a major new customer service.

We continue to manage and plan our capital investments in a steady and continuous manner to ensure we are efficient and prudent in our deployment and spending.

STRENGTHENING OUR FINANCIAL POSITION

The market uncertainty reaffirms the prudence of our strategy of pursuing balanced growth and retaining a strong balance sheet.

- We repurchased \$100 million of our Class B Non-Voting Participating Shares this year for cancellation.
- We paid out more than \$300 million in dividends to shareholders in the past year. This represents an increase of over 50% compared to the prior year. With the most recent increase, the current equivalent annual dividend rate is \$0.80 on Shaw's Class B Non-Voting Participating Shares.
- We continue to lead the North American cable industry in dividend yield and currently rank in the top quartile of high-yielding corporations included in the S&P/TSX 300 Index.
- Our debt leverage metrics continue to improve and our balance sheet has never been stronger.

The shareholders and stakeholders of Shaw Communications Inc. have seen long-term growth in the value of their investment along with higher returns from increases in our monthly dividend payments.

CONTINUED EVOLUTION

We believe that challenging economic times may lie ahead and are fortunate that our principal Western Canadian markets remain relatively stable. We also recognize that competitive challenges will continue to grow. Our focus remains on the relationship with our customers and continuous improvement of our product service offerings. We believe that we have never been more strongly positioned from a competitive or financial standpoint. Our strategy is sound; we will remain focused and disciplined in serving our customers.

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We are proud of the dedication, loyalty, energy and enthusiasm of our entire team. They deliver on every challenge that we present to them. We are also grateful to shareholders who invest in Shaw Communications Inc. As we continue to evolve, you remain an important part of our success.

[Signed]

JR Shaw
Executive Chair

[Signed]

Jim Shaw
Chief Executive Officer and Vice Chair

¹ See definitions under key performance drivers in Management's Discussion and Analysis.

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2008

November 25, 2008

FORWARD

Tabular dollars are in thousands of Canadian dollars, except per share amounts or unless otherwise indicated. All per share amounts reflect common per share amounts, and are based on unrounded amounts. Percentage changes are based on rounded amounts. Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements.

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CAUTION CONCERNING FORWARD LOOKING STATEMENTS

Certain statements included in this Management's Discussion and Analysis may constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used, the words "anticipate", "believe", "expect", "plan", "intend", "target", "guideline", "goal", and similar expressions generally identify forward-looking statements. These forward-looking statements include, but are not limited to, references to future capital expenditures (including the amount and nature thereof), financial guidance related to service operating income before amortization and free cash flow, business strategies and measures to implement strategies, competitive strengths, goals, expansion and growth of Shaw's business and operations, plans and references to the future success of Shaw. These forward-looking statements are based on certain assumptions and analyses made by Shaw in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with the expectations and predictions of Shaw is subject to a number of risks and uncertainties described in the section "Known events, trends, risks and

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uncertainties" included in this report. These factors include general economic, market or business conditions; the opportunities (or lack thereof) that may be presented to and pursued by Shaw; increased competition in the markets in which Shaw operates and from the development of new markets for emerging technologies; changes in laws, regulations and decisions by regulators in Shaw's industries in both Canada and the United States; Shaw's status as a holding company with separate operating subsidiaries; changing conditions in the entertainment, information and communications industries; risks associated with the economic, political and regulatory policies of local governments and laws and policies of Canada and the United States; and other factors, many of which are beyond the control of Shaw. Should one or more of these risks materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those as described herein. Consequently, all of the forward-looking statements made in this report and the documents incorporated by reference herein are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by Shaw will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Shaw.

You should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement (and such risks, uncertainties and other factors) speaks only as of the date on which it was originally made and Shaw expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained in this document to reflect any change in expectations with regard to those statements or any other change in events, conditions or circumstances on which any such statement is based, except as required by law. New factors affecting the Company emerge from time to time, and it is not possible for Shaw to predict what factors will arise or when. In addition, Shaw cannot assess the impact of each factor on its business or the extent to which any particular factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Shaw Communications Inc.
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I. INTRODUCTION TO THE BUSINESS

A. Company overview – core business and strategies

i) Shaw Communications Inc.

Shaw Communications Inc. ("Shaw" or "the Company") is a diversified Canadian communications company whose core business is providing broadband cable television, Internet, Digital Phone, telecommunications services (through Shaw Business Solutions) and satellite direct-to-home services (through Star Choice) to approximately 3.4 million customers. It provides customers with high-quality entertainment, information and communications services, utilizing a variety of distribution technologies.

Shaw's strategy is to maximize shareholder value through the generation of free cash flow.¹ The key elements of this strategy include: leveraging its network infrastructure to offer customers a wider variety of products and services; enhancing existing products to provide greater value to customers; providing best-in-class 24/7/365 service; bundling product offerings to provide value to both Shaw and the customer; and focusing on sound capital management and operational efficiencies to maintain a competitive edge.

Shaw is organized into two business segments. The relative size of each of the segments as a percentage of consolidated service revenue in fiscal 2008 is as follows: Cable – 77%; Satellite – 23%. During 2008 Shaw's business generated consolidated service revenues of \$3.10 billion.

ii) Cable

Cable is comprised of Shaw's cable television, Internet, Digital Phone and Business Solutions operations. Shaw is the largest cable television provider in Western Canada with over 2.2 million cable television customers in five provinces (British Columbia, Alberta, Saskatchewan, Manitoba and northwestern Ontario), representing approximately 30% of the Canadian cable television market. Through its technologically advanced broadband network, Shaw had 1,565,962 Internet customers, 906,320 digital cable customers and 611,931 digital phone lines as at August 31, 2008. Shaw's penetration of Internet is one of the highest in North America, at 70% of basic cable customers. Shaw Business Solutions develops and manages Shaw's inter-city fiber network that serves as the primary Internet backbone for Shaw's broadband Internet customers and provides Internet, data connectivity and telecommunication services to large businesses and other organizations. Shaw's extensive fiber network provides international connections through interconnection agreements and strategic alliances with other service providers.

Shaw's strategy is to leverage its network by providing additional services beyond traditional cable. In past years, Shaw enhanced the quality, depth and capacity of its plant and network infrastructure through significant capital investments. The plant and network is essentially fully digital and two-way capable. These investments have enabled Shaw to leverage its existing network and expand its service offerings to include digital programming, Internet, Video-on-Demand ("VOD"), High Definition Television ("HD"), and Digital Phone.

Shaw offers a full range of analog and digital video services ranging from a basic service to a full digital cable service with access to HD channels, premium and VOD channels, music channels and an interactive program guide.

Shaw Internet currently uses the DOCSIS™ 2.0 specifications. This cable modem technology enabled Shaw to increase the capabilities and reliability of its high-speed data network by

¹ See definitions and discussion under key performance drivers in Management's Discussion and Analysis.

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increasing the capacity and throughput in both the upstream and downstream portions of the cable plant. As a result, the network has the ability to provide up to 30 megabit per second (Mbps) capacity in both directions. The DOCSIS™ standard is continually being improved, and Shaw plans to begin implementing DOCSIS version 3.0 in the upcoming year to meet customers' increasing speed and capacity demands. Shaw currently offers high-speed Internet service with downstream speeds from 256 Kbps to 25 Mbps, depending on the service selected.

The entry into the triple play market of voice, video and data with the launch of Digital Phone in 2005 was a significant milestone for Shaw. As at August 31, 2008, Shaw Digital Phone service is available to over 90% of homes passed. In 2005 Shaw launched the Digital Phone service in Calgary, Edmonton and Winnipeg, and since then has expanded its Digital Phone footprint to include Vancouver, Victoria, Saskatoon, Kelowna and many other smaller centers. The Company plans to continue to expand its Digital Phone service area.

In offering Digital Phone service, Shaw is utilizing PacketCable™ technology and DOCSIS™ specifications. The customers' existing phone lines are connected into a modem usually installed at the location of the central wiring in the customer's premise. The modem converts the voice conversation (sound waves) into digital IP packets that are carried to an IP based telephone switch ("softswitch"). At this point the packets are transformed again into traditional telephone signals for connection to the public switched telephone network or may be routed through the IP network to the called party. Unlike internet phone providers who use the internet to route calls, Shaw's Digital Phone service uses Shaw's own private managed broadband network and the public switched telephone network to route calls, allowing the Company to ensure a consistent level of quality and reliability to its phone customers.

Shaw offers residential customers several Digital Phone services allowing them to choose the right value option to meet their needs. Shaw Digital Phone combines local, long distance and the most popular calling features into a simple package for a fixed monthly fee. The service includes a local residential line, unlimited anytime long distance calling within Canada and the U.S., 1000 international calling minutes per month to Europe, the U.K. and Asia Pacific, as well as various calling features including voicemail, call display, call forwarding, three-way calling, call return and call waiting. Shaw Digital Phone Lite is an offering tailored for light long distance users. The service includes a local phone line, popular calling features and long distance at competitive rates. In the current year Shaw introduced Shaw Digital Phone Basic, an offering for customers requiring limited phone features. The service includes a local phone line, Caller ID, and long distance at competitive rates. Professional installation, access to E-911, directory and operator services, and 24/7/365 customer support are part of all of the Digital Phone service offerings at no additional cost.

During 2007 Shaw invested in new systems allowing the Company to operate independently as a Competitive Local Exchange Carrier ("CLEC") using its own back office infrastructure. Shaw launched these systems late in 2007 and during 2008 gained cost efficiencies as these were fully rolled out. Shaw is now also better able to provide an exceptional customer experience due to increased control over the customer order and fulfillment process. During 2007 the Company successfully implemented a Class 4 toll switch which allows for the routing of telephone traffic to the lowest cost long distance provider. Least cost routing is now fully deployed across Shaw's network providing further cost efficiencies.

In the latter part of 2007 Shaw started to offer commercial voice service including a variety of Small Office Home Office ("SOHO") services for the home based or smaller business and a Primary Rate Interface ("PRI") service for the medium to larger business.

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Shaw's continued investment in plant infrastructure will accommodate further growth opportunities in digital programming, VOD, HD, Internet, and Digital Phone. The home entertainment experience continues to improve with on-demand and personalization of products and services and the Company continues to ensure that its broadband network and interactive capabilities are being used to their full potential.

Shaw's strategy of enhancing existing products to provide greater value to customers and providing exceptional customer service continued throughout 2008. Shaw currently has four levels of Internet including High Speed Nitro, High Speed Xtreme-I, High Speed Internet and High Speed Lite. During 2008 Shaw introduced "PowerBoost", a temporary speed burst for customers which enhances content downloads. Shaw also continued to enhance its available programming and increase HD offerings. The Company now offers 50 HD channels, including 19 HD PPV services. Shaw continued the deployment of digital simulcast, a technology where all analog channels are converted into a digital service, and now digitally simulcasts to over 80% of homes passed. This technology allows for the deployment of a low priced digital cable terminal ("DCT"). The terminal permits access to all digital features including the on-screen programming guide, music, and VOD and PPV movies and events. These ongoing initiatives allow Shaw to meet the needs of their customers' home entertainment requirements and contribute to continued subscriber growth.

Shaw has a customer-centric strategy designed to deliver high-quality customer service, simplicity and value to its customers through various bundled service offerings. Delivering value to customers creates value for Shaw's stakeholders through incremental penetration, operational efficiencies and reduced churn.

Finally, the Company creates value through operating efficiencies. It continues to accomplish this through its "clustering" strategy, which involves geographical consolidation and re-alignment of its cable systems to take advantage of potential administrative, operating and marketing synergies that arise from larger, focused operations. Over a number of years, Shaw has acquired and divested various cable systems to complement its cable clusters. As a result, Shaw has consolidated its position as the dominant provider of cable television services in Western Canada. During 2007 Shaw completed acquisitions of several cable systems including Whistler Cable, Grand Forks, Wood Lake, Lumby and Pender Island, all in British Columbia, as well as Norcom Telecommunications Limited operating in Kenora, Ontario. In 2006, Shaw acquired Pemberton Cable and Saltspring Cablevision, both in British Columbia. Most recently Shaw announced the acquisition of the Campbell River cable system in British Columbia and expects to close the transaction in the first half of 2009. All of these acquisitions are complementary to and provide synergies with existing operations.

iii) Satellite

Satellite is comprised of DTH (Star Choice) and Satellite Services. DTH distributes digital video and audio programming services via DTH satellite to Canadian residences and commercial establishments. It is one of two DTH satellite operators licensed by the Canadian Radio-television and Telecommunications Commission ("CRTC") to deliver digital subscription video and audio programming services via satellite directly to subscribers' homes and businesses. Satellite Services has two principal lines of business: (a) through Shaw Broadcast Services, redistributing television and radio signals via satellite to cable operators and other multi-channel system operators in Canada and the US, referred to as a satellite relay distribution undertaking ("SRDU"), and providing uplink and network management services for conventional, specialty and pay broadcasters on a contract basis; and b) through Shaw Tracking, providing mobile tracking and messaging services to

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almost 600 companies in the long-haul trucking industry in Canada, with over 40,000 vehicles using its services.

Star Choice began the national roll-out of its digital DTH services in 1997 and, at August 31, 2008, had 892,528 subscribers across Canada. Star Choice's customer acquisition strategy has evolved from predominantly rural households not served by cable or underserved by cable (i.e., served by cable systems that offer fewer than 80 channels) to households that have access to a full range of cable services primarily in urban areas. Star Choice broadcasts more than 450 digital video and audio channels, including 42 HD channels.

Star Choice and Satellite Services share a common satellite infrastructure. They each distribute largely the same digital video and audio signals to different markets (residential and business), thereby allowing Shaw to derive distinct revenue streams from different customers using a common platform.

B. Seasonality

Although financial results of the business segments are generally not subject to significant seasonal fluctuations, subscriber activity may fluctuate from one quarter to another. For example, the Cable segment typically experiences the highest levels of subscriber growth during the first quarter as post-secondary students return to school, customers return from vacation or reconnect cable in anticipation of the new television season. Correspondingly, subscriber growth tends to be lower or negative in the third and fourth quarters as the school year ends, vacation period begins and the television season ends. Subscriber growth in the Satellite business segment is also affected by vacation schedules as customers reconnect and disconnect DTH services at summer homes. Further, customers who vacation in warmer climates during the winter months may also connect and reconnect DTH or cable services on a seasonal basis. New subscriber activations may also be positively affected by the Christmas holiday season. While subscriber activity is subject to seasonal fluctuations, it may also be affected by competition and varying amounts of promotional activity undertaken by the Company.

C. Key performance drivers

Shaw measures the success of its strategies using a number of key performance drivers which are outlined below, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions.

FINANCIAL MEASURES:

i) Service revenue

Service revenue is a measurement determined in accordance with Canadian and US generally accepted accounting principles ("GAAP"). It represents the inflow of cash, receivables or other consideration arising from the sale of products and services. Service revenue is net of items such as trade or volume discounts and certain excise and sales taxes. It is the base on which free cash flow, a key performance driver, is determined; therefore, it measures the potential to deliver free cash flow as well as indicating growth in a competitive market place.

The Company's continuous disclosure documents may provide discussion and analysis of non-GAAP financial measures. These financial measures do not have standard definitions prescribed by Canadian or US GAAP and therefore may not be comparable to similar measures disclosed by other companies. The Company utilizes these measures in making operating decisions and assessing its performance. Certain investors, analysts and others utilize these measures in assessing the Company's financial performance

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and as an indicator of its ability to service debt and return cash to shareholders. These non-GAAP measures have not been presented as an alternative to net income or any other measure of performance or liquidity prescribed by Canadian or US GAAP. The following contains a listing of the Company's use of non-GAAP financial measures and provides a reconciliation to the nearest GAAP measurement or provides a reference to such reconciliation.

ii) Service operating income before amortization and operating margin

Service operating income before amortization is calculated as service revenue less operating, general and administrative expenses and is presented as a sub-total line item in the Consolidated Statements of Income and Retained Earnings (Deficit). It is intended to indicate the Company's ability to service and/or incur debt, and therefore it is calculated before amortization (a non-cash expense) and interest. Service operating income before amortization is also one of the measures used by the investing community to value the business. Operating margin is calculated by dividing service operating income before amortization by service revenue.

Relative increases period over period in service operating income before amortization and in operating margin are indicative of the Company's success in delivering valued products and services to its customers in a cost-effective manner.

iii) Free cash flow

The Company uses free cash flow as a measure of the Company's ability to repay debt and return cash to shareholders. Consolidated free cash flow is calculated as follows:

(\$000's Cdn)	2008	2007	2006
Cable free cash flow ⁽¹⁾	305,338	237,601	193,398
Satellite free cash flow ⁽²⁾	147,293	118,591	72,047
Consolidated free cash flow	452,631	356,192	265,445

(1) The reconciliation of free cash flow for cable is provided on page 34.

(2) The reconciliation of free cash flow for satellite is provided on page 38.

Free cash flow for cable and satellite is calculated as service operating income before amortization, less interest, cash taxes paid or payable on net income, capital expenditures (on an accrual basis) and equipment costs (net). All of the line items used in the free cash flow calculation are as reported on a segmented basis in the Company's Note 15 to the Consolidated Financial Statements. Segmented capital expenditures and equipment costs (net) exclude capital expenditures in respect of the Burrard Landing Lot 2 Partnership (the "Partnership"). The Partnership, which the Company is required to proportionately consolidate, is financed by long term secured mortgage bonds with no recourse to the Company. Segmented service operating income before amortization, which is the starting point of the free cash flow calculation, excludes prepayments on an indefeasible right to use ("IRU") certain specifically identified fibers and the profit from satellite services equipment, both of which are recognized as amortization line elements in the income statement. As a result, prepayments on IRUs in amounts not exceeding the cost to build those fibers and equipment profit from satellite services are subtracted from the calculation of segmented capital expenditures and equipment costs (net).

Commencing in 2009, for the purposes of determining free cash flow, the Company will revise its calculation of capital expenditures to net proceeds on capital dispositions. Historically, the proceeds received on the sale of property, plant and equipment were not included in the free cash flow calculation as they were generally nominal. The Company expects these will be

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more material on a prospective basis as it commences to consolidate its operating groups at its new campus style facility in Calgary, disposes of redundant assets, and replaces various operating assets as it continues to upgrade and improve competitiveness.

STATISTICAL MEASURES:

Subscriber counts, including penetration and bundled customers

The Company measures the count of its customers in Cable and DTH (Star Choice). Basic cable subscribers include residential customers, multiple dwelling units ("MDUs") and commercial customers. A residential subscriber who receives at a minimum, basic cable service, is counted as one subscriber. In the case of MDUs, such as apartment buildings, each tenant with a minimum of basic cable service is counted as one subscriber, regardless of whether invoiced individually or having services included in his or her rent. Each building site of a commercial customer (e.g., hospitals, hotels or retail franchises) that is receiving at a minimum, basic cable service, is counted as one subscriber. Digital customers include the count of basic subscribers with one or more active DCTs. Internet customers include all modems on billing plus pending installations and Digital Phone lines includes all phone lines on billing plus scheduled installations due to the growth nature of these products. All subscriber counts exclude complimentary accounts but include promotional accounts.

Cable measures penetration for basic services as a percentage of homes passed and, in the case of all other services, as a percentage of basic customers.

Star Choice measures its count of subscribers in the same manner as cable counts its basic customers, except that it also includes seasonal customers who have indicated their intention to reconnect within 180 days of disconnection.

Subscriber counts and penetration statistics measure market share and also indicate the success of bundling and pricing strategies.

D. Critical accounting policies and estimates

The Company prepared its Consolidated Financial Statements in accordance with Canadian GAAP. An understanding of the Company's accounting policies is necessary for a complete analysis of results, financial position, liquidity and trends. Refer to Note 1 to the Consolidated Financial Statements for additional information on accounting policies. The following section discusses key estimates and assumptions that management has made under GAAP and how they affect the amounts reported in the Consolidated Financial Statements and notes. It also describes significant accounting policies where alternatives exist. In addition, within the critical accounting policies and estimates, Canadian-US GAAP differences are identified where they exist. Refer to Note 21 to the Consolidated Financial Statements for a complete reconciliation of Canadian-US GAAP differences. Following is a discussion of the Company's critical accounting policies:

i) Revenue and expense recognition

Revenue is considered earned as services are performed, provided that at the time of performance, ultimate collection is reasonably assured. Such performance is regarded as having been achieved when reasonable assurance exists regarding the measurement of the consideration that will be derived from rendering the service. Revenue from cable, Internet, Digital Phone and DTH customers includes subscriber service revenue when earned. The revenue is considered earned as the period of service relating to the customer billing elapses.

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The Company has multiple deliverable arrangements comprised of upfront fees (subscriber connection fee revenue and/or customer premise equipment revenue) and related subscription revenue. The Company determined that the upfront fees charged to customers do not constitute separate units of accounting; therefore, these revenue streams are assessed as an integrated package. Subscriber connection fees and amounts charged on customer premise equipment that have no utility to the customer separate and independent of the Company providing additional subscription services, must be deferred and recognized systematically over the periods that the subscription services are earned. As the equipment sales and the related subscription revenue are considered one transaction, recognition of the DCT, modem and DTH equipment revenue commences once the subscriber service is activated. In the case of connection fee revenue and equipment revenue from DCTs, DTH equipment and modems, there is no specified term for which the customer will receive the related subscription service; therefore the Company considered its customer churn rate and other factors, such as competition from new entrants in the video and Internet markets, to arrive at a period of deferral of two years. Revenue from truck tracking equipment is recognized over the period of the related service contract for airtime, which is generally five years. The Company also receives installation revenues in its Shaw Business Solutions operation on contracts with commercial customers which is deferred and recognized as service revenue on a straight-line basis over the related service contract, generally spanning two to ten years. Direct and incremental costs associated with the service contract, in an amount not exceeding the upfront installation revenue, are deferred and recognized as an operating expense on a straight-line basis over the same period.

In conjunction with these up-front fees, the Company also incurs incremental direct costs which include, in the case of equipment revenue, the cost of the equipment and related installation costs, and in the case of connection fee revenue, certain customer acquisition costs such as selling, administrative and reconnection costs. There are two alternatives to account for these incremental direct costs. The first alternative is to expense the costs immediately. The second alternative, as permitted by primary sources of GAAP, is to defer and amortize incremental costs directly related to the upfront revenue. Emerging Issues Committee ("EIC") abstract 141, "Revenue Recognition" states that the costs incurred related to the acquisition or origination of a customer contract should be accounted for on a basis similar to the three criteria set forth in EIC-27, "Revenues and Expenditures during the Pre-operating Period." The Company has determined that the aforementioned incremental costs identified above meet the criteria for deferral. First, the costs, such as the equipment and installation, are directly related to obtaining the equipment revenue or connection fee revenue from the new customer. Second, the costs are incremental in nature. Third, the costs are recoverable from the related revenues. Historically, the Company has determined that the excess cost of the equipment over the upfront equipment revenue is recoverable from the related revenues of the ongoing subscription revenue.

The Company has chosen to defer and amortize the related costs over the same period as the deferred revenue. This provides the best matching of the costs of the equipment and subscriber connection with the related up-front revenue and future revenue stream of subscription services. It is also consistent with the Canadian accounting standard "Financial Statement Concepts," which recognizes that expenses that are linked to revenue-generating activities in a cause and effect relationship are normally matched with the revenue in the accounting period in which the revenue is recognized.

The cost of equipment and installation costs associated with DCTs, DTH equipment and modems generally exceeds the amounts received from customers on the sale of equipment (the equipment is sold to the customer at a subsidized price). The Company defers the entire cost of the equipment,

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including the subsidy portion, as it has determined that this excess cost will be recovered from future subscription revenues and that the investment by the customer in the equipment creates value through increased retention. Under US GAAP, the Company is required to expense this excess immediately.

The Company has limited its deferral of certain customer acquisition costs to the amount of related deferred connection fee revenue due to the non-tangible nature of these costs. Under US GAAP, subscriber connection fees are recognized as revenue when the connection is completed as it is considered a partial recovery of initial selling expenses and related administrative expenses.

Income statement classification

The Company distinguishes amortization of deferred equipment revenue and deferred equipment costs from the revenue and expenses recognized from ongoing service activities on its income statement. Equipment revenue and costs are deferred and recognized over the anticipated term of the related future revenue (i.e., the monthly service revenue) with the period of recognition spanning two to five years. As a result, the amortization of deferred equipment revenue and deferred equipment costs are non-cash items on the income statement, similar to the Company's amortization of deferred IRU revenue, which the Company has always segregated from ongoing revenue. Further, within the lifecycle of a customer relationship, the customer generally purchases customer premise equipment infrequently, and generally at the beginning of that relationship, whereas the subscription revenue represents a continuous revenue stream throughout that customer relationship. Therefore, the segregated presentation provides a clearer distinction within the income statement between cash and non-cash activities and between up-front and continuous revenue streams, which assists financial statement readers to predict future cash flows from operations.

Subscriber connection and installation costs

The costs of physically connecting a new home are capitalized as part of the Company's distribution system as the service potential of the distribution system is enhanced by the ability to generate future subscriber revenue. Costs of disconnections are expensed as incurred as the activity does not generate future revenue.

ii) Allowance for doubtful accounts

The majority of the Company's revenues are earned from selling on credit to individual subscribers. Because there are some customers who do not pay their debts, selling on credit necessarily involves credit losses. The Company is required to make an estimate of an appropriate allowance for doubtful accounts on its receivables. In determining its estimate, the Company considers factors such as the number of days the subscriber account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances. The estimated allowance required is a matter of judgement and the actual loss eventually sustained may be more or less than the estimate, depending on events which have yet to occur and which cannot be foretold, such as future business, personal and economic conditions. Conditions causing deterioration or improvement in the aging of subscriber accounts and collections will increase or decrease bad debt expense.

iii) Property, plant and equipment – capitalization of direct labour and overhead

As outlined in the recommendations of the Canadian Institute of Chartered Accountants ("CICA"), the cost of property, plant and equipment includes direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the construction or development

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activity. The Company capitalizes direct labour and direct overhead incurred to construct new assets, upgrade existing assets and connect new subscribers. These costs are capitalized as they include the construction costs directly attributable to the acquisition, construction, development or betterment of plant through either increased service capacity or lowered associated operating costs. Repairs and maintenance expenditures are charged to operating expenses as incurred.

Direct labour and overhead costs are capitalized in three principal areas:

1. Corporate departments such as engineering and information technology. Engineering is primarily involved in overall planning and development of the cable/Internet/Digital Phone infrastructure. Labour and overhead costs directly related to this activity are capitalized as the activities directly relate to the planning and design of the construction of the distribution system. Over the past several years the information technology department has devoted considerable efforts towards the development of systems to support Digital Phone and projects related to new customer management, billing and operating support systems. Labour costs directly related to these and other projects are capitalized.
2. Cable regional construction departments, which are principally involved in constructing, rebuilding and upgrading the cable/Internet/Digital Phone infrastructure. Labour and overhead costs directly related to the construction activity are capitalized as the activities directly relate to the construction or upgrade of the distribution system. Capital projects include, but are not limited to, projects such as new subdivision builds, increasing network capacity for internet, Digital Phone and VOD by reducing the number of homes fed from each node, and upgrades of plant capacity.
3. Subscriber-related activities such as installation of new drops and Internet services. The labour and overhead directly related to the installation of new services are capitalized as the activity involves the installation of capital assets (i.e., wiring, filters, software, etc.) which enhance the service potential of the distribution system through the ability to earn future service revenues. Costs associated with service calls, collections, disconnects and reconnects that do not involve the installation of a capital asset are expensed.

Amounts of direct labour and direct overhead capitalized fluctuate from year to year depending on the level of customer growth and plant upgrades for new services. In addition, the level of capitalization fluctuates depending on the proportion of internal labour versus external contractors used in construction projects.

The percentage of direct labour capitalized in many cases is determined by the nature of employment in a specific department. For example, almost all labour and direct overhead of the cable regional construction departments is capitalized as a result of the nature of the activity performed by those departments. Capitalization is also based on piece rate work performed by unit-based employees, which is tracked directly. In some cases, the amount of capitalization depends on the level of maintenance versus capital activity that a department performs. In these cases, an analysis of work activity is applied to determine this percentage split; however, such analysis is subject to overall reasonability checks on the percentage capitalization based on known capital projects and customer growth.

iv) Property, plant and equipment – capitalization of interest

As permitted by Canadian GAAP, the cost of an item of property, plant and equipment that is acquired, constructed, or developed over time may include carrying costs, such as interest, which is directly attributable to such activity. Shaw does not capitalize interest on the construction of its own

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assets, with the exception of the Partnership's construction of the office/residential tower in Vancouver. The interest was capitalized on the tower as the construction of it had taken place over a significant period of time and the interest on the Partnership construction facility was directly attributable to such activity. Capitalization of interest ceased in 2005 when the tower was substantially completed and was ready for occupancy. Under US GAAP, interest costs are required to be capitalized as part of the cost of certain qualifying assets during the period of construction.

vi) Depreciation policies and useful lives

The Company depreciates the cost of property, plant and equipment over the estimated useful service lives of the items. These estimates of useful lives involve considerable judgment. In determining these estimates, the Company takes into account industry trends and company-specific factors, including changing technologies and expectations for the in-service period of these assets. On an annual basis, the Company reassesses its existing estimates of useful lives to ensure they match the anticipated life of the technology from a revenue-producing perspective. If technological change happens more quickly or in a different way than the Company has anticipated, the Company might have to shorten the estimated life of certain property, plant and equipment which could result in higher depreciation expense in future periods or an impairment charge to write down the value of property, plant and equipment.

vi) Asset impairment

The valuations of all long-lived assets, including deferred charges, broadcast rights, goodwill, investments in unconsolidated entities and property, plant and equipment are subject to annual review for impairment. The Company compares the carrying value of long-lived assets excluding investment in unconsolidated entities ("Capital Assets") to valuations using unlevered discounted cash flow analysis. A two-step process determines impairment of these Capital Assets. The first step determines when impairment is recognized and compares the carrying value of the Capital Assets to the sum of the undiscounted cash flows expected to result from its use and eventual disposition. If the carrying value exceeds this sum, a second step is performed which measures the amount of the impairment as the difference between the carrying value of these Capital Assets and their fair value calculated using quoted market price or discounted cash flows. Investments are compared to quoted market values (where available) or estimated net realizable value, and are reviewed to determine whether such impairment is other than temporary. An impaired asset is written down to its estimated fair market value based on the information available at that time. Considerable management judgment is necessary to estimate discounted cash flows. Assumptions used in these cash flows are consistent with internal forecasts and are compared for reasonability to forecasts prepared by external analysts. Changes in assumptions with respect to the competitive environment could result in impairment of assets.

vii) Employment benefit plans

Shaw has a defined benefit pension plan for key senior executives. The amounts reported in the financial statements relating to the defined benefit pension plan are determined using actuarial valuations that are based on several assumptions. The valuation uses management's assumptions for the discount rate, rate of compensation increase, and expected average remaining years of service of employees. While the Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income statement impact. The Company accounts for differences between actual and assumed results by recognizing differences in benefit obligations and plan performance over the working lives of the employees who benefit from the plan. The most significant assumption used to calculate

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the net employee benefit plan expense is the discount rate. The discount rate is the interest rate used to determine the present value of the future cash flows that is expected will be needed to settle employee benefit obligations. It is usually based on the yield on long-term, high-quality corporate fixed income investments and is determined at the end of every year. The following table illustrates the increase on the accrued benefit obligation and pension expense of a 1% decrease in the discount rate:

	Accrued Benefit Obligation at End of Fiscal 2008	Pension Expense Fiscal 2008
Discount Rate	6.25%	5.50%
Impact of: 1% decrease (\$'000's Cdn)	36,778	4,498

viii) Future income taxes

The Company has recognized future income tax assets in respect of its losses and losses of certain of Shaw's subsidiaries. Realization of future income tax assets is dependent upon generating sufficient taxable income during the period in which the temporary differences are deductible. The Company has evaluated the likelihood of realization of future income tax assets based on forecasts of taxable income of future years and based on the ability to reorganize its corporate structure to accommodate use of tax losses in future years. Assumptions used in these taxable income forecasts are consistent with internal forecasts and are compared for reasonability to forecasts prepared by external analysts. Significant changes in assumptions with respect to internal forecasts or the inability to implement tax planning strategies could result in future impairment of these assets.

ix) Commitments and contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Contractual and other commercial obligations primarily relate to network fees and operating lease agreements for use of transmission facilities, including maintenance of satellite transponders and lease of premises in the normal course of business. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities.

E. Related party transactions

Related party transactions are reviewed by Shaw's Corporate Governance and Nominating Committee, comprised of independent directors. The following sets forth certain transactions in which the Company is involved.

Normal course transactions

The Company has entered into certain transactions and agreements in the normal course of business with certain of its related parties.

Corus Entertainment Inc. ("Corus")

The Company and Corus are subject to common voting control. During the year, network, advertising and programming fees were paid to various Corus subsidiaries. The Company provided cable system

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distribution access, administrative services, uplinking of television signals and Internet services and circuits to various Corus subsidiaries. In addition, the Company provided Corus with television advertising spots in return for radio and television advertising.

Burrard Landing Lot 2 Holdings Partnership

The Company has a 33.33% interest in the Partnership. During the current year, the Company paid the Partnership for lease of office space in Shaw Tower. Shaw Tower, located in Vancouver, BC, is the Company's headquarters for its lower mainland operations.

F. New accounting standards

Shaw has adopted or will adopt a number of new accounting policies as a result of recent changes in Canadian accounting pronouncements. The ensuing discussion provides additional information as to the date that Shaw is or was required to adopt the new standards, the methods of adoption permitted by the standards, the method chosen by Shaw, and the effect on the financial statements as a result of adopting the new policy. The adoption or future adoption of these accounting policies has not and is not expected to result in changes to the Company's current business practices.

The following policies were adopted in fiscal 2008:

(i) Financial Instruments

The Company has adopted CICA Handbook Sections 3855, "Financial Instruments – Recognition and Measurement", 3861, "Financial Instruments – Disclosure and Presentation", 3865, "Hedges", 1530, "Comprehensive Income" and 3251, "Equity". These new standards address when a company should recognize a financial instrument on its balance sheet and how the instrument should be measured once recognized.

Adoption of these standards was effective September 1, 2007 on a retrospective basis without restatement of prior periods, except for the reclassification of equity balances to reflect Accumulated Other Comprehensive Income which included foreign currency translation adjustments.

On adoption of Section 1530, a new statement entitled "Consolidated Statements of Comprehensive Income (Loss)" was added to the Company's consolidated financial statements and includes net income (loss) as well as other comprehensive income (loss). Comprehensive income (loss) is comprised of net income (loss), changes in the fair value of derivative instruments designated as cash flow hedges and the net unrealized foreign currency translation gain (loss) from a self sustaining foreign operation, which was previously classified as a separate component of shareholders' equity. Accumulated other comprehensive income (loss) forms part of shareholders' equity.

In addition, the Company classified all financial instruments into one of the following five categories: 1) "loans and receivables", 2) "assets held-to-maturity", 3) "assets available-for-sale", 4) "financial liabilities", and 5) "held-for-trading". None of the Company's financial instruments have been classified as held-to-maturity or held-for-trading. Financial instruments designated as "available-for-sale" are carried at their fair value while financial instruments such as "loans and receivables" and "financial liabilities" are carried at amortized cost. Certain private investments where market value is not readily determinable will continue to be carried at cost.

All derivatives, including embedded derivatives that must be separately accounted for, are measured at fair value in the balance sheet. The transition date for the assessment of embedded

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derivatives was September 1, 2002. The changes in fair value of cash flow hedging derivatives are recorded in other comprehensive income (loss), to the extent effective, until the variability of cash flows relating to the hedged asset or liability is recognized in the consolidated statements of income. Any hedge ineffectiveness will be recognized in net income (loss) immediately.

Transaction costs, financing costs, proceeds on bond forward contracts associated with issuance of debt securities and fair value adjustments on debt assumed in business acquisitions are now netted against the related debt instrument and amortized to income using the effective interest rate method. Accordingly, long-term debt accretes over time to the principal amount that will be owing at maturity. The Company previously recorded debt issuance costs as deferred charges, bond forward proceeds and fair value adjustments as deferred credits and amortized them on a straight-line basis over the term of the related debt.

The impact on the Consolidated Balance Sheets as at August 31, 2008 and September 1, 2007 and on the Consolidated Statements of Income and Retained Earnings (Deficit) for 2008 is as follows:

	Increase (decrease)	
	August 31, 2008	September 1, 2007
	\$	\$
Consolidated balance sheets:		
Deferred charges	(24,852)	(30,746)
Current portion of derivative instruments	1,349	5,119
Long-term debt	(24,870)	(29,681)
Derivative instruments	518,856	521,560
Deferred credits	(453,033)	(459,656)
Future income taxes	(10,953)	(12,615)
Retained earnings	1,792	1,754
Accumulated other comprehensive loss	57,993	57,227
Increase in retained earnings:		
Adjusted for adoption of new accounting policy	1,754	1,754
Increase in net income	38	–
	1,792	1,754

	Increase (decrease) in net income
	August 31, 2008
	\$
Consolidated statement of income:	
Decrease in amortization of deferred charges	3,839
Increase in amortization of financing costs – long-term debt	(3,627)
Decrease in interest expense – debt	94
Increase in debt retirement costs	(252)
Increase in income tax expense	(16)
Increase in net income	38
Increase in earnings per share:	–

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(ii) Accounting changes

The Company adopted CICA Handbook Section 1506, "Accounting Changes", which prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The application of this standard had no impact on the Company's consolidated financial statements.

The following policies will be adopted in future years:

(iii) Inventories

In 2009, the Company will adopt CICA Handbook Section 3031, "Inventories", which provides more guidance on measurement and disclosure requirements. The Company does not expect this standard to have a significant impact on its consolidated financial statements upon adoption.

(iv) Financial instruments

In 2009, the Company will adopt CICA Handbook Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation". These standards require disclosure that enables financial statement users to evaluate and understand the significance of financial instruments for the Company's financial position and performance and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and how the Company manages those risks.

(v) Capital disclosures

In 2009, the Company will adopt CICA Handbook Section 1535 "Capital Disclosures". This standard requires the Company to disclose information that enables financial statement users to evaluate the Company's objectives, policies and processes for managing capital.

(vi) Goodwill and intangible assets

In 2010, the Company will adopt CICA Handbook Section 3064, "Goodwill and intangible assets", which replaces Sections 3062, "Goodwill and other intangible assets", and 3450, "Research and development costs". Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company is currently assessing the impact of adoption of this new accounting standard.

G. Known events, trends, risks and uncertainties

The Company is subject to a number of risks and uncertainties which could have a material adverse effect on its future profitability. Included herein is a "Caution Concerning Forward-Looking Statements" section which should be read in conjunction with this report.

The risks and uncertainties discussed below highlight the more important and relevant factors that could significantly affect the Company's operations. They do not represent an exhaustive list of all potential issues that could affect the financial results of the Company. The principal risks include:

- Competition and technological change, including change in regulatory risks
- Interest rate, foreign exchange, capital market and economic conditions risks
- Contingencies
- Uninsured risks of loss
- Reliance on suppliers
- Holding Company structure
- Control of Shaw by the Shaw family

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- Information systems and internal business processes
- Dividend payments

i) Competition and technological change

Cable and satellite providers operate in an open and competitive marketplace. Shaw's businesses currently face competition from regulated entities utilizing existing or new communications technologies and from currently unregulated internet and illegal satellite services. In addition, Shaw may face competition in the future from other technologies being developed or to be developed.

CABLE TELEVISION AND DTH

Shaw's cable television systems currently compete or may in the future compete with other distributors of video and audio signals, including DTH satellite services, satellite master antenna systems, multipoint distribution systems ("MDS"), other competitive cable television undertakings and telephone companies offering video service. To a lesser extent, Shaw's cable television systems compete with the direct reception by antenna of unencrypted over-the-air local and regional broadcast television signals. As noted above, Shaw also competes with unregulated internet services, and illegal satellite services including grey and black market and modified free-to-air satellite receivers.

MDS delivers television programming by unobstructed line-of-sight microwave transmission to subscribers equipped with special antennae. Since 1995, the CRTC has approved MDS applications of distributors competing with cable television service in given service areas. In particular, the CRTC has granted licenses to Craig Wireless International Inc. (formerly Skycable Inc.) with respect to certain areas of Manitoba and British Columbia, and to Image Wireless Communications Inc. with respect to certain areas of Alberta and Saskatchewan. The CRTC has also issued a license to Look Communications Inc. to operate MDS undertakings in southern and eastern Ontario and in Quebec.

Other competitive cable television undertakings are licensed to operate within the authorized service areas of incumbent cable licensees. Novus Entertainment Inc., one of these licensed providers, operates within one of Shaw's licensed service areas in Vancouver.

Canadian telephone companies are also licensed as broadcast distribution undertakings to provide standard and interactive television services. Telus Corporation currently offers Telus TV in select parts of Alberta and British Columbia; SaskTel offers Max TV in Saskatchewan; Manitoba Telecom Services Inc. ("MTS") offers viewers a competitive choice with MTS TV, primarily in Winnipeg, Manitoba, and Bell Canada offers services in parts of Ontario.

To date, none of these competitors has had a material impact on Shaw's overall cable television operations. Almost all of Shaw's cable systems are concentrated in major urban markets, having favourable demographics and growth potential, with most of the remainder in smaller clusters, linked via fiber optic distribution systems either to each other or to larger markets. Through this clustering strategy, Shaw maximizes the benefits of operating efficiencies, enabling it to be a low-cost service provider, which is a necessary component in strengthening its competitive position. In addition, Shaw plans to continue to deploy new technologies to increase channel capacity, to expand the range and quality of its services, and to enhance its programming and communication service offerings including, for example, VOD, interactive television, full digital line-ups, HD, and Digital Phone. Shaw's ability to offer its cable and telecommunications services in bundles allows for strong competitive offerings. The Company expects that competition will continue to increase

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and there can be no assurance that increased competition will not have a material adverse effect on Shaw's results of operations.

The Star Choice DTH business faces a similar competitive environment as cable television companies. Competitors include Bell ExpressVu (the only other licensed DTH satellite service currently operating in Canada), cable television companies, grey and black market satellite service providers and other competitors such as wireless operators, telephone companies and off-air television broadcasters.

DTH delivers programming via signals sent directly to receiving dishes from medium and high-powered satellites, as opposed to via broadcast, cable delivery or lower powered transmissions. DTH services presently provide more channels than some of Shaw's cable systems and are fully digital. Two licensed operators, Star Choice (a subsidiary of Shaw) and Bell ExpressVu, are currently providing DTH services in Canada. These DTH operators have achieved considerable customer growth and currently provide service to approximately 2.7 million Canadian households. In addition, grey and black market DTH providers (i.e., providers of US-based digital DTH programming services available in Canada without authorization from the CRTC or from the US DTH providers) also constitute competitive services. The Supreme Court of Canada has ruled that grey and black market DTH providers are violating the Radiocommunication Act (Canada), and are therefore providing an illegal service.

INTERNET

There are a number of different types of Internet service providers ("ISPs") offering residential and business Internet access services that compete with Shaw's Internet services. These include independent basic access service providers (both national and regional), incumbent telephone companies and wireless communications companies.

Many ISPs provide telephone dial-up Internet access services with typical access speeds of up to 56 kbps. Such services are provided by incumbent telephone companies and independent ISPs (mainly through the use of the telephone companies' facilities and services). According to a report from the CRTC dated July 2007, approximately 14% of all Internet subscribers in Canada used low-speed dial-up access services, while the other 86% used high-speed services.

High-speed Internet access services are principally provided through cable modem and digital subscriber line ("DSL") technology. High-speed services enable users to transmit and receive text, video, voice and data in digital form at significantly faster access speeds than dial-up access through a regular telephone line. Internet access services through cable modem technology are primarily provided by cable companies, although the CRTC has also authorized third-party ISPs to access cable companies' facilities to deliver high-speed Internet services. DSL services are principally offered by incumbent telephone companies such as BCE Inc., Telus Corporation, MTS, and SaskTel.

Internet access is also available in select cities in Western Canada through a wireless microwave technology known as WiMAX. This service requires a specialized modem and provides download speeds typically between 512 Kbps and 3 Mbps.

The ISPs have access to cable companies' facilities to deliver competing Internet access service. Currently, competing ISPs have access to high-speed access services of Shaw pursuant to a third party Internet access tariff that came into effect on November 2, 2004 and was subsequently updated on March 20, 2006. Such third party access services are available in Vancouver, Victoria, Calgary, Edmonton, Saskatoon and Winnipeg. To date one ISP has subscribed to the tariff. Until

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such time as an ISP subscribes to the tariff, or in areas where Shaw's third party Internet access services are not available, Shaw has been directed by the CRTC to allow ISPs to resell cable Internet services at a 25% discount from the retail rate. To date there are two ISPs using Shaw's resale services at the resale discount rate.

Although operating in a competitive environment, Shaw expects that consumer desire for Internet access services, generally, and for bandwidth-intensive applications on the Internet (including streaming video, digital downloading and interactive gaming), in particular, will lead to continued growth for high-speed Internet services.

SATELLITE SERVICES

In its Canadian SRDU business, Satellite Services faces competition principally from Bell ExpressVu, which received an SRDU license from the CRTC in 1999. At present, Satellite Services and Bell ExpressVu are the only licensed SRDU operators in Canada. Satellite Services also faces competition from the expansion of fiber distribution systems into territories previously served only by SRDU operators. This expansion permits delivery of distant US and Canadian conventional television stations to more remote locations without the use of satellite transmission.

INTERNET INFRASTRUCTURE

Through its Shaw Business Solutions subsidiaries, Shaw competes with other telecommunications carriers in providing high-speed broadband communications services (data and video transport and Internet connectivity services) to businesses, ISPs and other telecommunications providers. The telecommunications services industry in Canada is highly competitive, rapidly evolving and subject to constant change. Shaw Business Solutions competitors include incumbent local exchange carriers ("ILECS") (such as Telus Corporation and Bell Canada), competitive access providers, competitive local exchange carriers, ISPs, private networks built by large end users and other telecommunications companies. In addition, the development and implementation of new technologies by others could give rise to significant new competitors.

DIGITAL PHONE

The competitors of Shaw Digital Phone include incumbent telephone companies (such as Telus Corporation, Sask Tel, MTS, and subsidiaries or affiliates of BCE Inc.), CLECs (such as Rogers Telecom Inc., formerly Sprint Canada Inc.) and non-facilities-based Voice over Internet Protocol ("VoIP") providers (such as Primus Telecommunications Canada Inc. and Vonage Holdings Corp.).

The ILECs currently control the vast majority of the local telephone services market in Canada. Several of such competitors have larger operational and financial resources than the Corporation and are well established with residential customers in their respective markets.

In April 2006, the Minister of Industry appointed a three person panel to make recommendations on the major issues and priorities for telecommunications policy and regulatory reform with a view of modernizing Canada's telecommunications framework to the benefit of all Canadians. In March 2006, the panel issued its report. This report, which included 127 specific recommendations, called for a significant reduction in the role of the CRTC and greater reliance on market forces in the telecommunications sector.

Recent events in the local telecommunications sector are being driven by the Government's deregulatory initiatives. Specifically, the CRTC is acting on the December 14, 2006 Governor in Council order which directed it to "rely on market forces to the maximum extent feasible as the means of achieving the telecommunications policy objectives, and when relying on regulation to use

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measures that are efficient and proportionate to their purpose and that interfere with the operations of competitive market forces to the minimum extent necessary to meet the policy objectives”.

Over the past year a number of CRTC decisions have been issued which further emphasize this greater reliance on market forces as the preferred mechanism for regulating the market. This is a direct result of an appeal by the ILECs to the Federal Cabinet which resulted in the CRTC's forbearance decision being varied by substituting a facilities-based market test for the market share test. The facilities based test allows an ILEC to apply for deregulation by showing that they compete with both a wireline facilities based provider, whose service is available to 75% of the subscribers in the local exchange, and a wireless facilities provider in the exchange. This has resulted in numerous forbearance orders being granted to Telus, MTS, and Sask Tel that cover a large portion of Shaw's operating territory.

As the Corporation continues to expand the digital phone service into new areas, it expects the ILECs will be granted forbearance in those areas as well. These developments may negatively affect the business and prospects of Shaw Digital Phone.

IMPACT OF REGULATION

Substantially all of the Corporation's business activities are subject to regulations and policies established under various Acts (Broadcasting Act, Telecommunication Act and Radiocommunications Act). These regulations and policies are generally administered by the CRTC under the supervision of the Federal Departments of Industry and Canadian Heritage. Accordingly, the Corporation's results of operations are affected by changes in regulations and decisions by regulators. Changes in the regulation of Shaw's business activities, including decisions by regulators affecting the Corporation's operations (such as the granting or renewal of licenses; decisions concerning the regulation of ILECs in the provision of local services; the granting of additional distribution, broadcasting or programming licenses to competitors in the Corporation's markets; or the introduction of new copyright liabilities) or changes in interpretations of existing regulations by courts or regulators, could adversely affect the Corporation's results of operations. The Corporation's CRTC licenses must be renewed from time to time and cannot be transferred without regulatory approval.

The Corporation holds a separate license or license exemption for each of its cable systems, upon which its cable television is dependent. These licenses have generally been issued for terms of up to seven years. The majority of Shaw's licensed cable systems were recently renewed by the CRTC for a two-year period ending August 31, 2010. Shaw has never failed to obtain a license renewal for its cable systems.

The CRTC is currently reviewing the regulatory frameworks for Broadcast Distribution Undertakings (“BDU”) and for pay and speciality services. It is possible that changes to the regulations respecting the distribution and packaging of programming services will result, including the potential for new or increased fees.

The CRTC is also currently conducting a review of New Media (communications products and services delivered via the internet). In June 2008, the CRTC requested comments on the appropriate scope of the review. A public hearing is expected in 2009.

ii) Interest rate, foreign exchange, market value, capital market and economic conditions risks

Shaw manages its exposure to floating interest rates and US dollar foreign exchange fluctuation through the use of interest rate and cross-currency exchange agreements or “swaps”. In order to minimize the risk of counterparty default under its swap agreements, Shaw assesses the

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creditworthiness of its swap counterparties. Currently 100% of the total swap portfolio is held by financial institutions with Standard & Poor's (or equivalent) ratings ranging from AA- to A-1.

As at August 31, 2008 Shaw has the following financial exposures at risk in its day-to-day operations:

- (a) Interest rates: Due to the capital-intensive nature of Shaw's operations, the Company utilizes long-term financing extensively in its capital structure. The primary components of this structure are:
 - 1. Banking facilities as more fully described in Note 9 to the Consolidated Financial Statements.
 - 2. Various Canadian and US denominated senior notes and debentures with varying maturities issued in the public and private markets as more fully described in Note 9 to the Consolidated Financial Statements.

Interest on bank indebtedness is based on floating rates, while the senior notes and debentures are fixed-rate obligations. Shaw utilizes its credit facility to finance day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed-rate instruments through public market debt issues.

As at August 31, 2008, 98% of Shaw's consolidated long-term debt was fixed with respect to interest rates.

- (b) Foreign exchange: As the Company has grown it has accessed US capital markets for a portion of its borrowings. Since Shaw's revenues and assets are primarily denominated in Canadian dollars, it faces significant potential foreign exchange risks in respect of the servicing of the interest and principal components of its US dollar denominated debt. In view of this, the Company's policy with respect to US debt is that at least 70% of the amounts maturing within the next ten years be hedged to protect against exchange fluctuations, and at August 31, 2008, 100% of such maturities were hedged. The Company utilizes cross-currency swaps, where appropriate, to hedge its exposures on US dollar denominated bank and debenture indebtedness.

In addition, some of the Company's capital expenditures are incurred in US dollars, while its revenue is primarily denominated in Canadian dollars. Decreases in the value of the Canadian dollar relative to the US dollar could have a material adverse effect on the Company's cash flows. To mitigate some of the uncertainty in respect to capital expenditures, the Company regularly enters into forward contracts in respect of US dollar commitments. In respect of 2008, the Company entered into forward contracts providing for monthly or quarterly US dollar purchases under which the Company purchased approximately US \$103 million at an average exchange rate of 1.1505 Cdn. With respect to 2009, the Company has entered into forward contracts to purchase approximately US \$23 million over a period of 12 months commencing in September 2008 at an average exchange rate of 1.2443 Cdn.

Further information concerning the policy and use of derivative financial instruments is contained in Note 1 to the Consolidated Financial Statements.

- (c) Capital markets: The Company requires ongoing access to capital markets to support its operations. Changes in capital market conditions, including significant changes in market interest rates or lending practices, may have a material adverse effect on the

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Company's ability to raise or refinance short-term or long-term debt, and thus on its financial position and ability to operate.

- (d) Economic conditions: Recent forecasts for Canada's economic growth have trended downward reflecting the uncertainty in global financial and equity markets and the slowdown in global economic growth. While the Company believes the Western Canadian market will remain relatively stable and has assumed no significant deterioration in economic conditions, there can be no assurance that these events or any future events caused by volatility in world financial and equity markets or a decline in economic growth will not have an adverse effect on the Company's business and operating results.

iii) Contingencies

The Company and its subsidiaries are involved in litigation matters arising in the ordinary course and conduct of its business. Although such proceedings cannot be predicted with certainty, management does not expect that the outcome of these matters will have a material adverse effect on the corporation.

iv) Uninsured risks of loss

The Company presently relies on two satellites (Anik F2 and Anik F1R) owned by Telesat Canada ("Telesat") to conduct its DTH and Satellite Services business. The Company owns certain transponders on the Anik F2 and has long-term capacity service agreements in place in respect of transponders on both Anik F1R and Anik F2. Telesat has procured insurance policies on each satellite which are in effect until mid-calendar year 2009, both subject to renewal. Shaw funds a portion of this insurance cost such that in the event Telesat recovers insurance proceeds in connection with an insured loss, Shaw will be entitled to receive certain compensation payments. The Company anticipates that the insurance policies in respect of both satellites will be renewed and that Shaw will continue to contribute to the cost of these policies.

The Company does not maintain business interruption insurance covering damage or loss to one or more of the satellites used in its DTH and Satellite Services business as it believes the premium costs are uneconomic relative to the risk of insurance failure. Transponder capacity is available to the Company on an unprotected, non-preemptible service level basis, in both the case of the Anik F2 transponders that are owned by Shaw and the Anik F1R and Anik F2 transponders that are secured through service capacity agreements. The Company has priority access to spare transponders on each satellite in the case of interruption, although there is no assurance that such transponders would be available. In the event of satellite failure, service will only be restored as additional capacity becomes available. Restoration of satellite service on another satellite may require repositioning or re-pointing of customers' receiving dishes. As a result, the customers' level of service may be diminished or they may require a larger dish. Satellite failure could cause customers to deactivate their DTH subscriptions or otherwise have a material adverse effect on business and results of operations.

Network failures caused by damage by fire, natural disaster, power loss, hacking, computer viruses, disabling devices, acts of war or terrorism and other events could have a material adverse affect, including customer relationships and operating results. The Company protects its network through a number of measures including physical security, ongoing maintenance and placement of insurance on its network equipment and data centers. The Company self-insures the plant in the cable and Internet distribution system as the cost of insurance is generally prohibitive. The risk of loss is mitigated as most of the cable plant is located underground. In addition, it is likely that

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damages caused by any one incident would be limited to a localized geographic area and therefore resulting business interruption and financial damages would be limited. Further, the Company has back-up disaster recovery plans in the event of plant failure and redundant capacity with respect to certain portions of the system. In the past, it has successfully recovered from damages caused by natural disasters without significant cost or disruption of service. Although the Company has taken steps to reduce this risk, there can be no assurance that major disruptions will not occur.

v) Reliance on suppliers

Shaw's distribution and call center network is connected or relies on other telecommunication carriers and certain utility companies. Any of the events described in the preceding paragraph, as well as labour strikes and other work disruptions, bankruptcies, technical difficulties or other events affecting these carriers or utilities could also hurt business, including customer relationships and operating results.

The Company sources its customer premise and capital equipment and capital builds from certain key suppliers. While the Company has alternate sources for most of its purchases, the loss of a key supplier could adversely affect the Company in the short term.

vi) Holding company structure

Substantially all of Shaw's business activities are operated by its subsidiaries. As a holding company, the Company's ability to meet its financial obligations is dependent primarily upon the receipt of interest and principal payments on intercompany advances, management fees, cash dividends and other payments from its subsidiaries together with proceeds raised by the Company through the issuance of equity and the incurrence of debt, and from the proceeds from the sale of assets. The payment of dividends and the making of loans, advances and other payments to the Company by its subsidiaries may be subject to statutory or contractual restrictions, are contingent upon the earnings of those subsidiaries and are subject to various business and other considerations.

vii) Control of Shaw by the Shaw family

As at November 25, 2008, JR Shaw and members of his family and the corporations owned and/or controlled by JR Shaw and members of his family (the "JR Shaw Group") own approximately 78.9% of the outstanding Class A Shares of the Company. The Class A Shares are the only shares entitled to vote in all shareholder matters. All of the Class A Shares held by the JR Shaw Group are subject to a voting trust agreement entered into by such persons. The voting rights with respect to such Class A Shares are exercised by the representative of a committee of five trustees. Accordingly, the JR Shaw Group is, and as long as it owns a majority of the Class A Shares will continue to be, able to elect a majority of the Board of Directors of the Company and to control the vote on matters submitted to a vote of the Company's Class A shareholders.

viii) Information systems and internal business processes

Many aspects of the Company's business depend to a large extent on various IT systems and software and internal business processes. The Company is subject to risk as a result of potential failures of, or deficiencies in, these systems or processes. Although the Company has taken steps to reduce this risk, there can be no assurance that losses may not occur.

ix) Dividend payments

The Company currently pays monthly dividends in amounts approved on a quarterly basis by the Board of Directors. At the current approved dividend amount, the Company anticipates it will pay

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approximately \$340 million in dividends during 2009. While the Company expects to generate sufficient free cash flow in 2009 to fund these dividend payments, if actual results are different from expectations there can be no assurance that the Company will continue dividend payments at the current level.

II. SUMMARY OF QUARTERLY RESULTS

(In \$000's Cdn except per share amounts) Quarter	Service revenue	Service operating income before amortization ⁽¹⁾	Net income	Basic earnings per share ⁽²⁾	Funds flow from operations ⁽³⁾
2008					
Fourth	805,700	369,527	132,378	0.31	321,276
Third	792,149	356,089	128,113	0.30	310,984
Second	763,182	349,711	298,848	0.69	304,293
First	743,828	332,909	112,223	0.26	286,342
Total	3,104,859	1,408,236	671,562	1.56	1,222,895
2007					
Fourth	715,471	326,052	135,932	0.31	272,545
Third	702,238	310,748	91,658	0.21	259,470
Second	685,730	303,038	79,751	0.18	252,412
First	671,006	299,787	81,138	0.19	243,936
Total	2,774,445	1,239,625	388,479	0.90	1,028,363

(1) See key performance drivers on page 9.

(2) Diluted earnings per share equals basic earnings per share except for total fiscal 2008 and 2007 where diluted earnings per share is \$1.55 and \$0.89, respectively.

(3) Funds flow from operations is presented before changes in net non-cash working capital as presented in the Consolidated Statement of Cash Flows.

Generally, service revenue and service operating income before amortization have grown quarter-over-quarter as a result of customer growth and rate increases.

Net income has generally trended positively quarter-over-quarter as a result of a number of factors including the growth in service operating income before amortization. Also, during the fourth quarter of 2007, as well as the second and third quarters of 2008, the Company recorded future tax recoveries primarily related to a reduction in corporate income tax rates which contributed \$35.5 million, \$188.0 million and \$11.1 million, respectively, to net income in each of these quarters. Net income declined by \$29.9 million in the first and third quarters of 2008 by \$23.7 million and \$170.7 million, respectively, due to the tax recoveries recorded in each of the immediately preceding quarters.

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The following factors further assist in explaining the trend of quarterly service revenue and service operating income before amortization:

Growth in subscriber statistics as follows:

Subscriber Statistics	2008				2007			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Basic cable customers	8,138	6,524	2,495	4,122	12,664	6,625	3,289	(2,057)
Digital customers	39,496	48,006	32,658	23,020	25,331	28,641	20,875	15,709
Internet customers	34,719	31,517	23,185	24,785	35,877	40,694	27,873	29,857
Digital Phone Lines	50,339	56,536	57,700	61,999	38,197	41,721	51,128	41,604
DTH	1,544	4,977	4,686	1,736	2,426	928	5,337	1,686

New Product Launch:

- The initial product launch of Shaw Digital Phone service was in Calgary on February 14, 2005. Since this initial launch Shaw has continued to expand its Digital Phone service area and at the end of fiscal 2008 the service was available to over 90% of homes passed.

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III. RESULTS OF OPERATIONS

OVERVIEW OF FISCAL 2008 CONSOLIDATED RESULTS

(In \$000's Cdn except per share amounts)	2008	2007	2006	Change	
				2008 %	2007 %
Operations:					
Service revenue	3,104,859	2,774,445	2,459,284	11.9	12.8
Service operating income before amortization ⁽¹⁾	1,408,236	1,239,625	1,077,917	13.6	15.0
Service operating margin ⁽¹⁾	45.4%	44.7%	43.8%		
Funds flow from operations ⁽²⁾	1,222,895	1,028,363	847,197	18.9	21.4
Net income	671,562	388,479	458,250	72.9	(15.2)
Free cash flow ⁽¹⁾	452,631	356,192	265,445	27.1	34.2
Balance sheet:					
Total assets	8,357,801	8,163,739	7,661,543		
Long-term financial liabilities (including current portion of long-term debt)	2,785,955	3,125,398	3,034,109		
Per share data:					
Income per share – basic	\$ 1.56	\$ 0.90	\$ 1.05		
Income per share – diluted	\$ 1.55	\$ 0.89	\$ 1.05		
Weighted average number of participating shares outstanding during period (000's)	431,070	432,493	435,332		
Cash dividends paid per share					
Class A	0.702	0.462	0.235		
Class B	0.705	0.465	0.238		

(1) See key performance drivers on page 9.

(2) Funds flow from operations is presented before changes in non-cash working capital as presented in the Consolidated Statements of Cash Flows.

Highlights

- Net income was \$671.6 million for the year compared to income of \$388.5 million in 2007 and \$458.3 million in 2006.
- Earnings per share were \$1.56 compared to \$0.90 in 2007 and \$1.05 in 2006.
- Service revenue for the year improved 11.9% to \$3.10 billion from \$2.77 billion last year and \$2.46 billion in 2006.
- Service operating income before amortization of \$1.41 billion was up 13.6% over last year's amount of \$1.24 billion in 2007 and \$1.08 billion in 2006.
- Consolidated free cash flow increased to \$452.6 million from \$356.2 million in 2007 and \$265.4 million in 2006.

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- During 2008, the Company increased the dividend rate on Shaw's Class A Participating Shares and Class B Non-Voting Participating Shares to an equivalent dividend rate of \$0.7975 and \$0.80, respectively. Dividends paid in 2008 increased over \$100 million, or 52%, over 2007.
- On January 30, 2008, the Company redeemed all of its outstanding \$100 million 8.54% Series B Canadian Originated Preferred Securities ("COPrS").
- The footprint of Digital Phone continued to expand with the service now being available to over 90% of homes passed. During 2008 the Company added 226,574 Digital Phone lines and at August 31, 2008, the number of Digital Phone lines, including pending installations, was 611,931.
- Shaw's customer base continued to grow with increases of 21,279 for basic cable (2007 – 20,521); 143,180 for digital (2007 – 90,556); 114,206 for Internet (2007 – 134,301); and 12,943 (2007 – 10,377) for DTH.
- Shaw was successful in acquiring 20 megahertz of spectrum across most of its cable operating footprint in the recent Advanced Wireless Spectrum ("AWS") auction for a cost of approximately \$190.0 million.
- The Company repurchased for cancellation 4,898,300 Class B Non-Voting Shares for \$99.8 million (\$20.37 per share) during 2008.

Revenue and operating expenses

2008 vs. 2007

Consolidated service revenue of \$3.10 billion for the year improved 11.9% over the prior year. The increase was primarily due to customer growth and rate increases. Consolidated service operating income before amortization was up 13.6% over the comparable period to \$1.41 billion. The increase was driven by the revenue improvements partially offset by higher employee and other costs related to growth.

Shaw continued to deliver solid subscriber growth in all products. Digital Phone had record customer gains almost every quarter in 2008. The Company now has over 610,000 Digital Phone lines and penetration of Basic customers who have the service available to them stands at over 30%. Shaw continues to maintain one of the strongest broadband businesses in North America with 70% penetration of basic customers. Digital TV had a record year adding over 140,000 customers which represents an increase of over 55% compared to last year.

2007 vs. 2006

Consolidated service revenue of \$2.77 billion for the year increased 12.8% over 2006. The improvement was primarily due to customer growth and rate increases. Consolidated service operating income before amortization was up 15.0% over the comparable period to \$1.24 billion. The increases were driven by overall revenue growth, partially offset by increased costs related to the growth.

Throughout 2007, Shaw continued to see strong demand for its Digital Phone products and in just over two years from the initial launch, penetration of Digital Phone stood at over 20% of basic customers who have the service available to them. The strength of Digital Phone, the growth of other products and continued value enhancements to support pricing power contributed to the increase in Shaw's consolidated service revenues and service operating income before amortization of over 25% over the past two years.

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Amortization

(In \$000's Cdn)	2008	2007	2006	Change	
				2008 %	2007 %
Amortization revenue (expense) –					
Deferred IRU revenue	12,547	12,547	12,546	–	–
Deferred equipment revenue	126,601	104,997	80,256	20.6	30.8
Deferred equipment costs	(228,524)	(203,597)	(200,218)	12.2	1.7
Deferred charges	(1,025)	(5,153)	(5,328)	(80.1)	(3.3)
Property, plant and equipment	(414,732)	(381,909)	(385,607)	8.6	(1.0)

The increases in amortization of deferred equipment revenue and deferred equipment costs is primarily due to the continued growth in sales of higher priced HD digital equipment.

Amortization of deferred charges decreased as a result of the adoption of CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement". The Company previously recorded debt issuance costs as deferred charges and amortized them on a straight-line basis over the term of the related debt. Under the new standard, transaction and financing costs associated with issuance of debt securities are now netted against the related debt instrument and amortized into income using the effective interest rate method. The Company records the amortization of such transaction costs as amortization of financing costs as shown below.

The year over year fluctuations in amortization of property, plant and equipment is due to amortization on new capital purchases offset by the impact of assets becoming fully depreciated.

Amortization of financing costs and Interest expense

(In \$000's Cdn)	2008	2007	2006	Change	
				2008 %	2007 %
Amortization of financing costs – long-term debt	3,627	–	–	100.0	–
Interest	230,588	245,043	254,303	(5.9)	(3.6)

Amortization of financing costs on long-term debt arises on the adoption of the aforementioned accounting standard for financial instruments.

Interest expense decreased in both 2008 and 2007 as a result of lower average debt levels. In 2007, interest expense also decreased due to interest earned on short-term investments, as a portion of the proceeds from the \$400 million senior unsecured notes on March 2, 2007 was invested in short-term deposits pending the repayment of debt that matured in October 2007.

Gain on sale of investments

(In \$000's Cdn)	2008	2007	2006	Decrease in income	
				2008	2007
Gain on sale of investments	–	415	50,315	(415)	(49,900)

The gain on sale of investments in 2006 primarily resulted from the sale of the investment in Canadian Hydro Developers, Inc. ("Canadian Hydro").

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Other income and expenses

(In \$000's Cdn)	2008	2007	2006	Increase (decrease) in income	
				2008	2007
Debt retirement costs	(5,264)	–	(12,248)	(5,264)	12,248
Foreign exchange gain on unhedged long-term debt	–	–	5,369	–	(5,369)
Other gains	24,009	9,105	5,845	14,904	3,260

Debt retirement costs arose on the redemption of COPS. In connection with the early redemption of the \$100 million COPS in 2008, the Company incurred costs of \$4.3 million and wrote-off the remaining unamortized financing charges of \$1.0 million. In 2006, the Company redeemed the US \$172.5 million COPS and \$150 million COPS and wrote-off unamortized financing charges of \$12.2 million.

The foreign exchange gain in 2006 was in respect of translation of US dollar denominated unhedged long-term debt which included bank loans and COPS. As of June 2006, the Company no longer had any foreign denominated unhedged long-term debt.

The year-over-year increase in other gains was mainly in respect of a net customs duty recovery of \$22.3 million in 2008 and amounts reported on the disposal of property, plant and equipment in 2007.

Income tax expense

The income tax expense was calculated using current statutory income tax rates of 32.0% for 2008 and 33.75% for 2007 and 2006 and was adjusted for the reconciling items identified in Note 14 to the Consolidated Financial Statements. Future income tax recoveries of \$188.0 million, \$25.5 million and \$175.8 million related to reductions in corporate income tax rates were recorded in 2008, 2007 and 2006, respectively.

The significant growth in net income before taxes over the past several years has reduced the Company's tax loss carryforwards. Shaw anticipates these will be fully utilized during 2009 and the Company will commence being cash taxable at that time.

Investment in Burrard Landing Lot 2 Holdings Partnership

As described in Note 1 to the Consolidated Financial Statements, Shaw proportionately consolidates the assets, liabilities, revenues and expenses of its interest in the Partnership. During construction, all costs, including interest were capitalized to the cost of the building. The commercial construction of the building was completed in the fall of 2004, at which time Shaw began to record revenue and expenses in respect of the commercial activities which have a nominal impact on net income. Residential construction was completed in 2006 and Shaw recorded gains of \$1.7 million on the sale of residential units in that year.

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Net income per share

(In \$000's Cdn except per share amounts)	2008	2007	2006	Change	
				2008 %	2007 %
Net income	671,562	388,479	458,250	72.9	(15.2)
Divided by weighted average number of participating shares outstanding during period (000's)	431,070	432,493	435,332	(0.3)	(0.7)
Income per share – basic	\$ 1.56	\$ 0.90	\$ 1.05	73.3	(14.3)
Income per share – diluted	\$ 1.55	\$ 0.89	\$ 1.05	74.2	(15.2)

Net income

Net income was \$671.6 million in 2008 compared to \$388.5 million in 2007 and \$458.3 million in 2006. The year-over-year changes are summarized in the table below.

In 2008, net income increased \$283.1 million over the prior year. The improvement was mainly due to higher service operating income before amortization of \$168.6 million, and reduced interest expense of \$14.5 million, partially offset by increased amortization of \$35.7 million. The current year also included higher future tax recoveries primarily related to reductions in enacted income tax rates of \$163.6 million the benefit of which was partially offset by increased taxes in the current period related to higher service operating income before amortization.

In 2007, net income was \$69.8 million lower than 2006. Increased service operating income before amortization of \$161.7 million and decreased amortization and interest expense of \$25.1 million and \$9.3 million, respectively, were more than offset by higher future tax recoveries recorded in 2006 primarily related to reductions in future tax rates. The 2006 year also benefitted from higher other net costs and revenue due to the gain on sale of Canadian Hydro, partially offset by debt retirement costs on the redemption of two series of COPrS.

(In \$millions Cdn)	2008	2007
Increased service operating income before amortization	168.6	161.7
Decreased (increased) amortization of deferred net equipment costs and revenue and IRU revenue	(3.3)	21.3
Decreased (increased) amortization of deferred charges, financing costs and property, plant and equipment	(32.4)	3.8
Decreased interest expense	14.5	9.3
Change in other net costs and revenue ⁽¹⁾	9.2	(39.4)
Decreased (increased) income taxes	126.5	(226.5)
	283.1	(69.8)

(1) Other net costs and revenue include gain on sale of investments, debt retirement costs, foreign exchange gain on unhedged long-term debt, equity income on investees and other gains as detailed in the Consolidated Statements of Income and Retained Earnings (Deficit).

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SEGMENTED OPERATIONS REVIEW

CABLE

FINANCIAL HIGHLIGHTS

(\$000's Cdn)	2008	2007	2006	Change	
				2008 %	2007 %
Service revenue (third party)	2,375,586	2,082,652	1,808,583	14.1	15.2
Service operating income before amortization⁽¹⁾	1,153,274	995,694	857,466	15.8	16.1
Less:					
Interest	199,600	205,062	210,758	(2.7)	(2.7)
Cash taxes on net income	—	—	1,761	—	(100.0)
Cash flow before the following:	953,674	790,632	644,947	20.6	22.6
Capital expenditures and equipment costs (net)	648,336	553,031	451,549	17.2	22.5
Free cash flow⁽¹⁾	305,338	237,601	193,398	28.5	22.9
Operating margin⁽¹⁾	48.5%	47.8%	47.4%	0.7	0.4

(1) See key performance drivers on page 9.

2008 vs. 2007

OPERATING HIGHLIGHTS

- During the year the Company added 226,574 Digital Phone lines and as at August 31, 2008 had 611,931 lines. Digital Phone line penetration stands at over 30% of Basic customers who have the service available to them.
- Digital customers increased during the year by 143,180 to 906,320. Basic cable subscribers grew by 21,279 to 2,248,120.
- During the year Shaw added 114,206 Internet customers to total 1,565,962 as at August 31, 2008. Internet penetration of Basic now stands at 69.7% up from 65.2% at August 31, 2007.
- Shaw recently announced the acquisition of the Campbell River cable system in British Columbia. This acquisition is complementary to and will provide synergies with existing operations. The transaction is valued at approximately \$46.0 million and is expected to close during the first half of fiscal 2009.

Cable service revenue of \$2.38 billion was up 14.1% over the prior year. Customer growth and rate increases accounted for the increase. Service operating income before amortization of \$1.15 billion improved 15.8% over the comparable period. The increase was driven by revenue related growth and Digital Phone margin improvement, partially offset by higher employee related costs and other expenses related to business growth, including equipment maintenance and support.

Digital Phone continues to grow rapidly. The Company added 226,574 Digital Phone lines and since the initial market launch in February 2005 has added over 610,000 lines. Digital Phone is available to over 90% of Basic customers and over 30% of these have taken the service. In the current year Shaw introduced Shaw Digital Phone Basic, an offering for customer requiring limited

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phone features. The service includes a local phone line, Caller ID, and long distance at competitive rates. Shaw offers a variety of tiered phone services appealing to various customer demographics.

During 2007 Shaw invested in new systems allowing it to operate independently as a CLEC using its own back office infrastructure. Shaw launched these systems late in 2007 and during 2008 gained cost efficiencies as these were fully rolled out. The Company is now also able to provide better customer service due to increased control over the customer order and fulfillment process. During 2007 Shaw also successfully implemented a Class 4 toll switch which allows for the routing of telephone traffic to the lowest cost long distance provider. Least cost routing is now fully deployed across Shaw's network providing further cost efficiencies.

Shaw continued to expand its commercial voice service offerings which now include a variety of SOHO services for the home based or smaller business and a PRI service for the medium to larger business.

2007 vs. 2006

OPERATING HIGHLIGHTS

- Digital Phone lines grew by 172,650 to 385,357. Service expansion continued in the year with the service being available to over 80% of homes passed.
- Internet penetration of Basic exceeds 65% and as at August 31, 2007 Shaw had 1,451,756 customers, adding 134,301 in the year. Digital customers increased by 90,556 to 763,140 and Basic cable subscribers were up by 20,521 to 2,226,841.
- During 2007, the Company completed acquisitions of several cable systems that complement existing operations, adding approximately 20,000 cable subscribers.
- Free cash flow for 2007 of \$237.6 million compared to \$193.4 million in 2006.

Cable service revenue improved 15.2% over 2006 to \$2.08 billion. Customer growth, rate increases and the impact of acquisitions completed since June, 2006 accounted for the increase. Service operating income before amortization increased 16.1% over the prior year to \$995.7 million. The increase was mainly driven by improved revenue partially offset by costs related to the revenue growth.

In fiscal 2007, the Company completed acquisitions of several cable systems in British Columbia and Ontario that complement existing cable systems, adding approximately 20,000 cable subscribers. The systems acquired provide synergies with existing operations and represent growing markets.

During 2007 Shaw announced several additions to its channel line-up, continuing to enhance its available programming, and also added a number of new HD services including HD Net, WGN HD, Showcase HD, National Geographic HD and a second HD Movie Central channel. At August 31, 2007 Shaw had over 200,000 HD capable cable customers.

Digital Phone service expansion continued in 2007 with launches in various markets including Saskatoon, Kelowna, Nanaimo, Red Deer, Medicine Hat, Lethbridge and Abbotsford, as well as certain of their surrounding areas. The Company introduced a new product to the range of service offerings, Shaw Digital Phone Lite. This service includes a local phone line, popular calling features, and long distance anytime calling at competitive per minute rates. This new service offering is tailored for light long distance users and gives customers the opportunity to customize their home phone service to meet their needs.

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Shaw launched a commercial voice service for small to medium sized businesses in Calgary, Edmonton and Vancouver, and continued to roll-out in its other major centres in 2008.

CAPITAL EXPENDITURES AND EQUIPMENT COSTS (NET) – CABLE

(In \$000's Cdn)	2008	2007	2006	Change	
				2008 %	2007 %
Capital expenditures and equipment costs (net):					
New housing development ⁽¹⁾	93,547	90,016	79,230	3.9	13.6
Success-based ⁽²⁾	102,735	82,238	87,365	24.9	(5.9)
Upgrades and enhancement ⁽³⁾	271,242	254,786	192,875	6.5	32.1
Replacement ⁽⁴⁾	57,575	44,489	38,807	29.4	14.6
Buildings and other	123,237	81,502	53,272	51.2	53.0
	648,336	553,031	451,549	17.2	22.5

Capital expenditure categories listed above include:

- (1) Build out of mainline cable and the addition of drops in new subdivisions.
- (2) Capital and equipment costs (net) related to the acquisition of new customers, including installation of internet and digital phone modems, DCTs, filters and commercial drops for Shaw Business Solutions customers.
- (3) Upgrades to the plant and build out of fiber backbone to reduce use of leased circuits and costs to decrease node size and Digital Phone capital.
- (4) Normal replacement of aged assets such as drops, vehicles and other equipment.

2008 vs. 2007

Total capital investment for the year of \$648.3 million increased \$95.3 million over the comparable period.

Investment in Buildings and Other increased \$41.7 million primarily due to investments in various facilities projects to support growth, including a purchase of land and buildings, new facilities construction, and building renovations. The land and buildings purchased in the year are located immediately adjacent to other Company-owned facilities in Calgary, Alberta and will allow for the consolidation of various operating groups located in other areas of the city at one campus style location.

Success-based capital increased \$20.5 million over 2007. Digital success-based capital was up as a result of reduced customer pricing on certain digital equipment and higher sales volume. Digital Phone success-based capital also increased mainly due to customer growth. Internet success-based capital was up mainly due to reduced customer pricing on modems.

Replacement and Upgrades and enhancement categories combined were up \$29.5 million over the same period last year. These increased investments continue to expand plant capacity to support customer growth and increasing usage demands.

2007 vs. 2006

Total capital investment of \$553.0 million increased \$101.5 million over 2006. Investment in the Upgrade and Enhancements and Replacement categories combined increased \$67.6 million. These increased investments expand plant capacity to support digital phone and internet growth, as

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well as VOD, digital cable and HD initiatives. Buildings and Other spending increased \$28.2 million primarily due to investments to upgrade certain corporate assets and various facilities projects. Success-based capital decreased \$5.1 million on an annual basis. Internet success-based capital was up as a result of increased promotions although this was more than offset by reduced success-based capital related to sales of DCT's as a result of customer price increases implemented during the latter part of fiscal 2006.

SUBSCRIBER STATISTICS

				2008		2007	
	2008	2007	2006 ⁽¹⁾	Growth	Change %	Growth	Change %
CABLE:							
Basic subscribers	2,248,120	2,226,841	2,206,320	21,279	1.0	20,521	0.9
Penetration as a % of homes passed	63.5%	64.6%	65.4%				
Digital customers	906,320	763,140	672,584	143,180	18.8	90,556	13.5
INTERNET:							
Connected and scheduled installations	1,565,962	1,451,756	1,317,455	114,206	7.9	134,301	10.2
Penetration as % of basic	69.7%	65.2%	59.7%				
Stand-alone Internet not included in basic cable	214,127	182,569	158,475	31,558	17.3	24,094	15.2
DIGITAL PHONE							
Number of lines ⁽²⁾	611,931	385,357	212,707	226,574	58.8	172,650	81.2

(1) August 31, 2006 is restated for comparative purposes as if the acquisition of cable systems in British Columbia and Ontario had occurred on that date.

(2) Represents primary and secondary lines on billing plus pending installs.

Digital growth continues to be driven by the customer demand for HD services as well as a lower priced entry level box introduced early in 2008 attracting first time digital customers. Shaw continues to expand its HD line-up and now offers 50 HD channels, including 19 HD pay-per-view services. The Company added over 140,000 digital subscribers during the year and Digital penetration of Basic customers was 40.3% compared to 34.3% at August 31, 2007. Shaw had over 900,000 Digital customers including 330,000 with HD capabilities at the end of 2008.

The Internet customer base grew by 114,206 in 2008, compared to 134,301 last year. Internet penetration as a percentage of basic was 69.7% compared to 65.2% last year. Shaw continues to be one of the leading North American cable operators in this regard. The Company introduced PowerBoost during the year for its High Speed and Xtreme-I Internet products. PowerBoost is a temporary speed burst which enhances content delivery making it even faster to now download music, pictures, videos and software updates. The Company has four levels of Internet including High Speed Nitro, High Speed Xtreme-I, High Speed Internet and High Speed Lite.

Each new product and product enhancement keeps Shaw competitive allowing the Company to retain existing customers and steadily add new ones. Shaw continues to deliver high quality customer service and offer bundles to ensure that it's customers have a choice of products and services on a value priced basis. This also allows Shaw to benefit through incremental penetration and operational efficiencies.

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2008

SATELLITE (DTH and Satellite Services)

FINANCIAL HIGHLIGHTS

(\$000's Cdn)	2008	2007	2006	Change	
				2008 %	2007 %
DTH (Star Choice)	640,061	605,176	567,807	5.8	6.6
Satellite Services	89,212	86,617	82,894	3.0	4.5
Service revenue (third party)	729,273	691,793	650,701	5.4	6.3
Service operating income before amortization⁽¹⁾					
DTH (Star Choice)	206,541	196,404	175,401	5.2	12.0
Satellite Services	48,421	47,527	45,050	1.9	5.5
	254,962	243,931	220,451	4.5	10.7
Less:					
Interest ⁽²⁾	29,599	38,563	42,100	(23.2)	(8.4)
Cash taxes on net income	—	—	98	—	(100.0)
Cash flow before the following	225,363	205,368	178,253	9.7	15.2
Less capital expenditures and equipment costs (net):					
Success-based	72,512	73,504	85,341	(1.3)	(13.9)
Transponders and other	5,558	13,273	20,865	(58.1)	(36.4)
	78,070	86,777	106,206	(10.0)	(18.3)
Free cash flow⁽¹⁾	147,293	118,591	72,047	24.2	64.6
Operating margin	35.0%	35.3%	33.9%	(0.3)	1.4

(1) See key performance drivers on page 9.

(2) Interest is allocated to the Satellite division based on the actual cost of debt incurred by the Company to repay prior outstanding Satellite debt and to fund accumulated cash deficits of Satellite Services and Star Choice.

CUSTOMER STATISTICS

	2008	2007	2006
Star Choice Customers ⁽¹⁾	892,528	879,585	869,208

(1) Including seasonal customers who temporarily suspend their service.

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2008

SATELLITE (DTH and Satellite Services)

2008 vs. 2007

OPERATING HIGHLIGHTS

- Free cash flow of \$147.3 million for the year compares to \$118.6 million last year and \$72.0 million in 2006.
- During the year Star Choice added 12,943 customers and as at August 31, 2008 customers now total 892,528.

Service revenue was up 5.4% over 2007 to \$729.3 million. The improvement was primarily due to rate increases and customer growth. Service operating income before amortization of \$255.0 million improved 4.5% over last year. The increase was mainly due to the revenue related growth partially offset by higher employee related and other costs to support growth. The comparative period also benefitted from the recovery of provisions related to certain contractual matters.

Total capital investment of \$78.1 million for the year compared to \$86.8 million last year.

Success-based capital declined primarily due to HD expansion projects undertaken in the latter part of last year and a duty recovery in the current period. These favorable variances were partially offset by increased activations.

The decline in Transponders and other was due to investments made in the prior year to upgrade certain Satellite Service technology and office equipment to support call centre expansions as well as spending related to HD expansion projects.

During the year Star Choice added 17 HD channels and since August 31, 2008 added an additional 4 HD channels to now carry a total of 46 HD channels. During 2008 Star Choices' HD customer base increased by approximately 100,000.

2007 vs. 2006

OPERATING HIGHLIGHTS

- Free cash flow of \$118.6 million for 2007 increased from \$72.0 million in 2006.
- During the year Star Choice added 10,377 customers and as at August 31, 2007 customers now total 879,585.

Service revenue was up 6.3% over the comparable period to \$691.8 million. The improvement was primarily due to rate increases and customer growth. Service operating income before amortization was up 10.7% over 2006 to \$243.9 million. The increase was driven by the growth in service revenue, lower sales related expenses and reduced bad debt. Improvements were partially offset by higher costs related to increased transponder capacity.

Capital investment of \$86.8 million decreased \$19.4 million from 2006. Success-based capital declined \$11.8 million over the comparable period due to favorable pricing of receivers and reduced activations. Spending in Transponders and Other of \$13.3 million decreased \$7.6 million over 2006. The decline was attributable to higher spending in the prior year on facilities and investments related to additional transponder capacity.

During 2007 Star Choice started several upgrade projects to expand its HD capacity. These projects were completed early in 2008 and included moving to a more advanced technology for HD signals allowing for an increase in the number of HD channels per transponder. During 2007 Star Choice

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2008

increased the number of HD channels offered from 14 to 25. At August 31, 2007 Star Choice had over 140,000 HD capable customers.

IV. FINANCIAL POSITION

Total assets at August 31, 2008 were \$8.4 billion compared to \$8.2 billion at August 31, 2007. Following is a discussion of significant changes in the consolidated balance sheet since August 31, 2007.

Current assets declined \$185.8 million due to decreases in cash and cash equivalents of \$165.3 million, inventories of \$8.8 million and future income taxes of \$47.8 million which were partially offset by an increase in accounts receivable of \$32.6 million. Cash and cash equivalents decreased as short-term deposits were used towards the repayment of the 7.4% senior unsecured notes at maturity in October, 2007 and future income taxes declined due to the use of non-capital loss carryforwards. Inventories decreased due to timing of equipment purchases and higher shipments to retailers. Accounts receivable increased primarily due to subscriber growth, rate increases and increased shipments to retailers.

Investments and other assets increased \$190.1 million due to deposits for wireless spectrum licenses. During 2008, the Company participated in Industry Canada's auction of spectrum licenses for advanced wireless services and was successful in its bids for spectrum licenses primarily in Western Canada and Northern Ontario.

Property, plant and equipment increased \$193.6 million as current year capital expenditures exceeded amortization.

Deferred charges decreased \$3.9 million primarily due to a reduction of \$30.7 million upon adoption of a new accounting standard for financial instruments partially offset by an increase in deferred equipment costs of \$24.5 million. Under the new accounting standard, transaction and financing costs associated with issuance of debt securities are now netted against the related debt instrument. Previously, such costs were recorded as deferred charges.

Current liabilities (excluding current portion of long-term debt and derivative instruments) increased \$262.1 million due to increases in bank indebtedness of \$44.2 million, accounts payable of \$214.3 million and unearned revenue of \$5.5 million. Accounts payable increased due to amounts owing in respect of the wireless spectrum licenses and the timing of payment of CRTC Part II fees. Unearned revenue increased due to customer growth and rate increases.

Total long-term debt decreased \$361.5 million as a result of the repayment of the \$296.8 million senior unsecured notes at maturity, redemption of the \$100.0 million 8.54% Series B COPrS and a decrease of \$24.9 million in respect of the adoption of the aforementioned accounting standard for financial instruments, all of which were partially offset by a net increase in bank borrowings of \$55.0 million and an increase of \$5.6 million relating to the translation of hedged US denominated debt.

Other long-term liability increased due to the current year defined benefit pension plan expense.

Derivative instruments (including current portion) of \$520.2 million arise on adoption of a new accounting standard for financial instruments which requires all derivative instruments be recorded at fair value in the balance sheet. This resulted in an increase of \$526.7 million of which, \$456.1 million was a reclassification from deferred credits in respect of cross-currency interest rate swaps and is the difference between the value of US denominated debt translated at the August 31, 2007 period end exchange rate and hedge rates. The remaining \$70.6 million, net of tax, was charged to opening accumulated other comprehensive income. During the year ended August 31, 2008, a gain

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2008

of \$6.5 million was recorded, of which \$5.6 million was in respect of the foreign exchange gain on the notional amounts of the derivatives relating to hedges on long-term debt.

Deferred credits decreased by \$463.9 million primarily due to a \$459.7 million decrease on adoption of the aforementioned accounting standard for financial instruments and amortization of deferred IRU rental revenue of \$12.5 million, both of which were partially offset by an increase in deferred equipment revenue of \$7.7 million. Future income taxes decreased by \$46.1 million due to the income tax recoveries primarily related to reductions in corporate income tax rates partially offset by the future income tax expense recorded in the current year.

Share capital increased by \$10.3 million primarily due to the issuance of 1,997,193 Class B Non-Voting Shares under the Company's option plans for \$32.5 million and the repurchase of 4,898,300 Class B Non-Voting Shares for \$99.8 million of which \$24.8 million reduced stated share capital and \$75.0 million was charged to the deficit. As of November 25, 2008, share capital is as reported at August 31, 2008 with the exception of the issuance of 447,342 Class B Non-Voting Shares upon exercise of options and repurchase of 1,683,000 Class B Non-Voting Shares for cancellation at an average price of \$19.95. Contributed surplus increased due to stock-based compensation expense recorded in the current year.

V. CONSOLIDATED CASH FLOW ANALYSIS

Operating activities

(In \$000's Cdn)	2008	2007	2006	Change	
				2008 %	2007 %
Funds flow from operations	1,222,895	1,028,363	847,197	18.9	21.4
Net increase in non-cash working capital balances related to operations	19,304	(28,350)	(324)	168.3	(>100.0)
	1,242,199	1,000,013	846,873	24.2	18.1

Funds flow from operations increased year-over-year due to growth in service operating income before amortization and decreased interest expense. The year-over-year net change in non-cash working capital balances is primarily due to timing of payment of accounts payable and accrued liabilities and increases in accounts receivable due to subscriber growth and rate increases.

Investing activities

(In \$000's Cdn)	2008	2007	2006	Increase	
				2008	2007
Cash flow used in investing activities	(734,135)	(719,777)	(489,096)	(14,358)	(230,681)

In 2008, the primary uses of cash for investing activities were capital expenditures and equipment costs (net) of \$727.4 million and deposits for wireless spectrum licenses of \$38.4 million, both of which were partially offset by a net customs duty recovery of \$22.3 million.

In 2007, the primary uses of cash for investing activities were capital expenditures and equipment costs (net) of \$651.1 million and cable business acquisitions of \$72.4 million while in 2006, proceeds on the sale of investments of \$88.1 million partially offset the cash outlay required for capital expenditures and equipment subsidies of \$531.8 million.

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2008

Financing activities

The changes in financing activities during the year were as follows:

(In millions Cdn)	2008	2007	2006
Redemption of COPS	(100.0)	–	(351.9)
Cost to terminate foreign currency forward contracts	–	(0.4)	(15.8)
Repayment of \$296.8 million Senior notes	(296.8)	–	–
Bank loans and bank indebtedness – net borrowings (repayments)	99.2	(300.4)	(496.3)
Purchase of Class B Non-Voting Shares for cancellation	(99.8)	(104.8)	(146.6)
Dividends	(303.8)	(201.2)	(103.3)
Debt retirement costs	(4.3)	–	–
Proceeds on bond forward contracts	–	0.2	2.5
Issuance of Class B Non-Voting Shares	32.5	92.1	2.3
Proceeds on prepayments of IRU	–	–	0.2
Repayment of Partnership debt	(0.4)	(0.4)	(0.4)
Proceeds on \$300 million senior unsecured notes	–	–	300.0
Proceeds on \$450 million senior unsecured notes	–	–	450.0
Proceeds on \$400 million senior unsecured notes	–	400.0	–
Repayment of long-term debt acquired on a business acquisition	–	–	(0.2)
Cash flow used in financing activities	(673.4)	(114.9)	(359.5)

VI. LIQUIDITY AND CAPITAL RESOURCES

In the current year, the Company generated \$452.6 million of consolidated free cash flow. Shaw used its free cash flow along with cash and cash equivalents of \$165.3 million, proceeds on issuance of Class B Non-Voting Shares of \$32.5 million, the net increase in debt and bank indebtedness of \$99.2 million, refunds received on a net customs duty recovery of \$22.3 million, net change in working capital and inventory cash requirements of \$30.7 million, and other net items of \$36.2 million to redeem the \$100.0 million 8.54% COPS, repay the \$296.8 million 7.4% senior unsecured notes at maturity, purchase \$99.8 million of Class B Non-Voting Shares for cancellation, pay common share dividends of \$303.8 million and fund the current cash requirements of \$38.4 million related to the deposits on wireless spectrum licenses.

At August 31, 2008, Shaw had access to \$792.9 million of available credit facilities. Based on available credit facilities and forecasted free cash flow, the Company expects to have sufficient liquidity to fund operations and obligations during the current fiscal year. On a longer-term basis, Shaw expects to generate free cash flow and have borrowing capacity sufficient to finance foreseeable future business plans and to refinance maturing debt.

In 2007, Shaw generated \$356.2 million of consolidated free cash flow. Shaw used its free cash flow along with proceeds on issuance of Class B Non-Voting Shares of \$92.1 million, the net increase in debt of \$99.6 million, proceeds on the sale of various assets of \$16.0 million, and other net items of \$8.1 million to fund the cash component of cable systems acquisitions of \$72.4 million, purchase \$104.8 million of Class B Non-Voting Shares for cancellation, pay common share dividends of \$201.2 million, invest in short term deposits of \$165.3 million and fund the net change in working capital requirements of \$28.3 million.

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2008

To allow for timely access to debt markets, Shaw filed a short form base shelf prospectus with securities regulators in Canada and the U.S. in February 2007. The shelf prospectus allows for the issue of up to an aggregate \$1 billion of debt securities over a 25 month period. Pursuant to this shelf prospectus, on March 2, 2007, Shaw issued \$400 million of senior unsecured notes at a rate of 5.70% due March 2, 2017. Net proceeds (after issue and underwriting expenses) of \$394.8 million were used for repayment of unsecured bank loans, general working capital purposes and to invest in short-term deposits pending the repayment of maturing debt. The notes were issued at a discount of \$0.9 million.

On November 12, 2008, Shaw received the approval of the TSX to renew its normal course issuer bid to purchase its Class B Non-Voting Shares for a further one year period. The Company is authorized to acquire up to an additional 35,000,000 Class B Non-Voting Shares during the period November 19, 2008 to November 18, 2009, representing approximately 10% of the public float of Class B Non-Voting Shares.

On November 15, 2007, Shaw received the approval of the TSX to renew its normal course issuer bid to purchase up to an additional 35,600,000 Class B Non-Voting Shares during the period November 19, 2007 to November 18, 2008. During 2008 Shaw repurchased 4,898,300 of its Class B Non-Voting Shares for cancellation for \$99.8 million, which represents approximately 1.2% of the Class B Non-Voting Shares that had been outstanding at August 31, 2007.

Debt structure

Shaw structures its borrowings generally on a stand-alone basis. The borrowings of Shaw are unsecured. The borrowings of Videon are unsecured, but are guaranteed by the subsidiaries of Videon. There are no further restrictions that prevent the remaining subsidiaries of the Company from transferring funds to Shaw.

Shaw's borrowings are subject to covenants which include maintaining minimum or maximum financial ratios. At August 31, 2008, Shaw is in compliance with these covenants and based on current business plans, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants over the life of the borrowings.

Off-balance sheet arrangement and guarantees

Guarantees

Generally it is not the Company's policy to issue guarantees to non-controlled affiliates or third parties; however, it has entered into certain agreements as more fully described in Note 16 to the Consolidated Financial Statements. As disclosed thereto, Shaw believes it is remote that these agreements would require any cash payment.

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2008

Contractual obligations

The Company also has various operating leases and purchase commitments for equipment and other network infrastructure. The amounts of estimated future payments under such arrangements are detailed in the following table.

CONTRACTUAL OBLIGATIONS

(In \$000's Cdn)	Payments due by period				
	Total	Within 1 year	2-3 years	4-5 years	More than 5 years
Long-term debt	2,731,913	509	837,347	824,865	1,069,192
Operating lease obligations (maintenance and lease of satellite transponders, lease of transmission facilities and lease of premises)	874,442	110,152	204,439	195,028	364,823
Purchase obligations	15,602	12,706	2,896	–	–
Other long-term obligations	66,598	1,448	2,863	6,984	55,303
	3,688,555	124,815	1,047,545	1,026,877	1,489,318

VII. ADDITIONAL INFORMATION

Additional information relating to Shaw, including the Company's Annual Information Form dated November 25, 2008, can be found on SEDAR at www.sedar.com.

VIII. COMPLIANCE WITH NYSE CORPORATE GOVERNANCE LISTING STANDARDS

Disclosure of the Company's corporate governance practices which differ from the New York Stock Exchange ("NYSE") corporate governance listing standards are posted on Shaw's website, www.shaw.ca (under Investor Relations/Corporate Governance/Other Corporate Governance Information/Compliance with NYSE Corporate Governance Listing Standards).

IX. CERTIFICATION

The Company's Chief Executive Officer and Senior Vice President & Chief Financial Officer have filed certifications regarding Shaw's disclosure controls and procedures and internal control over financial reporting.

As at August 31, 2008, the Company's management, together with its Chief Executive Officer and Senior Vice President & Chief Financial Officer, has evaluated the effectiveness of the design and operation of each of the Company's disclosure controls and procedures and internal control over financial reporting. Based on these evaluations, the Chief Executive Officer and Senior Vice President & Chief Financial Officer have concluded that the Company's disclosure controls and procedures and the Company's internal control over financial reporting are effective.

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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There were no changes in the Company's internal controls over financial reporting during the fiscal year that have materially affected or are reasonably likely to materially affect Shaw's internal controls over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Shaw Communications Inc.
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS
AND REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
August 31, 2008

November 25, 2008

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Shaw Communications Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. The internal control system includes an internal audit function and an established business conduct policy that applies to all employees. Management believes that the systems provide reasonable assurance that transactions are properly authorized and recorded, financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and its directors are unrelated and independent. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and, to review the annual report, the financial statements and the external auditors' report. The Audit Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any of the effectiveness of internal control are subject to the risk that the controls may become inadequate because of changes in conditions or

Shaw Communications Inc.
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS
AND REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
August 31, 2008

that the degree of compliance with the policies and procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's system of internal control over financial reporting was effective as at August 31, 2008.

[Signed]

Jim Shaw

Chief Executive Officer and
Vice Chair

[Signed]

Steve Wilson

Senior Vice President and
Chief Financial Officer

Shaw Communications Inc.
INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Under Canadian Generally Accepted Auditing Standards and the Standards of the Public Company Accounting Oversight Board (United States)

To the Shareholders of
Shaw Communications Inc.

We have audited the Consolidated Balance Sheets of Shaw Communications Inc. as at August 31, 2008, and 2007 and the Consolidated Statements of Income and Retained Earnings (Deficit), Comprehensive Income and Accumulated Other Comprehensive Income (Loss) and Cash Flows for each of the years in the three-year period ended August 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian Generally Accepted Auditing Standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these Consolidated Financial Statements present fairly, in all material respects, the financial position of Shaw Communications Inc. as at August 31, 2008 and 2007 and the results of its operations and its cash flows for each of the years in the three-year period ended August 31, 2008 in accordance with Canadian Generally Accepted Accounting Principles.

As explained in Note 1 to the Consolidated Financial Statements, in fiscal 2008, the Company adopted the requirements of the Canadian Institute of Chartered Accountants Handbook, Section 1530 "Comprehensive Income", Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement", Section 3861 "Financial Instruments – Disclosure and Presentation" and Section 3865 "Hedges".

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Shaw Communications Inc.'s internal control over financial reporting as of August 31, 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated October 21, 2008, expressed an unqualified opinion thereon.

Calgary, Canada
October 21, 2008

The signature of Ernst & Young LLP is written in a cursive, handwritten style.

Chartered Accountants

Shaw Communications Inc.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Under the Standards of the Public Company Accounting Oversight Board (United States)

To the Shareholders of
Shaw Communications Inc.

We have audited Shaw Communication Inc.'s internal control over financial reporting as of August 31, 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Shaw Communications Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Shaw Communications Inc. maintained, in all material respects, effective internal control over financial reporting as of August 31, 2008, based on the COSO criteria.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Shaw Communications Inc. as at August 31, 2008 and 2007 and the consolidated statements of income and retained earnings (deficit), comprehensive income and accumulated other comprehensive income (loss) and cash flows for each of the years in the three-year period ended August 31, 2008, and our report dated October 21, 2008, expressed an unqualified opinion thereon.

Calgary, Canada
October 21, 2008

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style script.

Chartered Accountants

Shaw Communications Inc.
CONSOLIDATED BALANCE SHEETS

As at August 31 [thousands of Canadian dollars]	2008 \$	2007 \$
ASSETS		
Current		
Cash and cash equivalents	–	165,310
Accounts receivable <i>[note 3]</i>	188,145	155,499
Inventories <i>[note 4]</i>	51,774	60,601
Prepays and other	27,328	23,834
Future income taxes <i>[note 14]</i>	137,220	185,000
	404,467	590,244
Investments and other assets <i>[note 5]</i>	197,979	7,881
Property, plant and equipment <i>[note 6]</i>	2,616,500	2,422,900
Deferred charges <i>[note 7]</i>	274,666	278,525
Intangibles <i>[note 8]</i>		
Broadcast rights	4,776,078	4,776,078
Goodwill	88,111	88,111
	8,357,801	8,163,739
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness <i>[note 9]</i>	44,201	–
Accounts payable and accrued liabilities <i>[notes 13 and 17]</i>	655,756	441,444
Income taxes payable	2,446	4,304
Unearned revenue	124,384	118,915
Current portion of long-term debt <i>[note 9]</i>	509	297,238
Current portion of derivative instruments <i>[notes 1 and 19]</i>	1,349	–
	828,645	861,901
Long-term debt <i>[note 9]</i>	2,706,534	2,771,316
Other long-term liability <i>[note 17]</i>	78,912	56,844
Derivative instruments <i>[notes 1 and 19]</i>	518,856	–
Deferred credits <i>[note 10]</i>	687,836	1,151,724
Future income taxes <i>[note 14]</i>	1,281,826	1,327,914
	6,102,609	6,169,699
Commitments and contingencies <i>[notes 9, 16 and 17]</i>		
Shareholders' equity		
Share capital <i>[note 11]</i>		
Class A Shares	2,471	2,473
Class B Non-Voting Shares	2,060,960	2,050,687
Contributed surplus <i>[note 11]</i>	23,027	8,700
Retained earnings (deficit)	226,408	(68,132)
Accumulated other comprehensive income (loss) <i>[note 12]</i>	(57,674)	312
	2,255,192	1,994,040
	8,357,801	8,163,739

See accompanying notes

On behalf of the Board:

[Signed]
JR Shaw
Director

[Signed]
Don Mazankowski
Director

Shaw Communications Inc.
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS (DEFICIT)

Years ended August 31 [thousands of Canadian dollars except per share amounts]	2008 \$	2007 \$	2006 \$
Service revenue [note 15]	3,104,859	2,774,445	2,459,284
Operating, general and administrative expenses	1,696,623	1,534,820	1,381,367
Service operating income before amortization [note 15]	1,408,236	1,239,625	1,077,917
Amortization –			
Deferred IRU revenue [note 10]	12,547	12,547	12,546
Deferred equipment revenue [note 10]	126,601	104,997	80,256
Deferred equipment costs [note 7]	(228,524)	(203,597)	(200,218)
Deferred charges [note 7]	(1,025)	(5,153)	(5,328)
Property, plant and equipment [note 6]	(414,732)	(381,909)	(385,607)
Operating income	903,103	766,510	579,566
Amortization of financing costs – long-term debt	(3,627)	–	–
Interest [notes 7, 9, 10 and 13]	(230,588)	(245,043)	(254,303)
	668,888	521,467	325,263
Gain on sale of investments [note 5]	–	415	50,315
Debt retirement costs [notes 7 and 9]	(5,264)	–	(12,248)
Foreign exchange gain on unhedged long-term debt	–	–	5,369
Other gains [note 1]	24,009	9,105	5,845
Income before income taxes	687,633	530,987	374,544
Income tax expense (recovery) [note 14]	16,366	142,871	(83,662)
Income before the following	671,267	388,116	458,206
Equity income on investees [note 5]	295	363	44
Net income	671,562	388,479	458,250
Deficit, beginning of year	(68,132)	(172,701)	(428,855)
Adjustment for adoption of new accounting policy [note 1]	1,754	–	–
Reduction on Class B Non-Voting Shares purchased for cancellation [note 11]	(74,963)	(82,702)	(97,056)
Amortization of opening fair value loss on a foreign currency forward contract [note 7]	–	–	(1,705)
Dividends – Class A Shares and Class B Non-Voting Shares	(303,813)	(201,208)	(103,335)
Retained earnings (deficit), end of year	226,408	(68,132)	(172,701)
Earnings per share [note 11]			
Basic	\$ 1.56	\$ 0.90	\$ 1.05
Diluted	\$ 1.55	\$ 0.89	\$ 1.05

See accompanying notes

Shaw Communications Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND ACCUMULATED OTHER
COMPREHENSIVE INCOME (LOSS)

Years ended August 31 [thousands of Canadian dollars]	2008 \$	2007 \$	2006 \$
Net income	671,562	388,479	458,250
Other comprehensive income (loss) [note 12]			
Change in unrealized fair value of derivatives designed as cash flow hedges	(36,193)	—	—
Adjustment for hedged items recognized in the period	40,223	—	—
Reclassification of foreign exchange gain on hedging derivatives to income to offset foreign exchange loss on US denominated debt	(4,796)	—	—
Unrealized foreign exchange gain (loss) on translation of a self- sustaining foreign operation	7	(18)	(35)
	(759)	(18)	(35)
Comprehensive income	670,803	388,461	458,215
Accumulated other comprehensive income, beginning of period	312	330	365
Adjustment for adoption of new accounting policy [note 1]	(57,227)	—	—
Other comprehensive loss	(759)	(18)	(35)
Accumulated other comprehensive income (loss), end of period	(57,674)	312	330

See accompanying notes

Shaw Communications Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31 [thousands of Canadian dollars]	2008 \$	2007 \$	2006 \$
OPERATING ACTIVITIES <i>[note 20]</i>			
Funds flow from operations	1,222,895	1,028,363	847,197
Net increase in non-cash working capital balances related to operations	19,304	(28,350)	(324)
	1,242,199	1,000,013	846,873
INVESTING ACTIVITIES			
Additions to property, plant and equipment <i>[note 15]</i>	(606,093)	(554,565)	(423,855)
Additions to equipment costs (net) <i>[note 15]</i>	(121,327)	(96,516)	(107,929)
Net customs duty recovery on equipment costs	22,267	–	–
Net decrease (increase) to inventories	8,827	(6,607)	(8,770)
Deposits on wireless spectrum licenses	(38,447)	–	–
Cable business acquisitions <i>[note 2]</i>	–	(72,361)	(5,829)
Proceeds on sale of investments and other assets	638	15,970	88,143
Acquisition of investments	–	–	(9,392)
Additions to deferred charges <i>[note 7]</i>	–	(5,698)	(21,464)
	(734,135)	(719,777)	(489,096)
FINANCING ACTIVITIES			
Increase (decrease) in bank indebtedness	44,201	(20,362)	20,362
Proceeds on prepayment of IRU	–	–	228
Increase in long-term debt	297,904	460,000	1,295,000
Long-term debt repayments	(640,142)	(340,449)	(1,414,067)
Cost to terminate forward contracts <i>[note 9]</i>	–	(370)	(15,774)
Proceeds on bond forward contracts	–	190	2,486
Debt retirement costs	(4,272)	–	–
Issue of Class B Non-Voting Shares, net of after-tax expenses	32,498	92,058	2,274
Purchase of Class B Non-Voting Shares for cancellation <i>[note 11]</i>	(99,757)	(104,763)	(146,640)
Dividends paid on Class A Shares and Class B Non-Voting Shares	(303,813)	(201,208)	(103,335)
	(673,381)	(114,904)	(359,466)
Effect of currency translation on cash balances and cash flows	7	(22)	(24)
Increase (decrease) in cash and cash equivalents	(165,310)	165,310	(1,713)
Cash and cash equivalents, beginning of year	165,310	–	1,713
Cash and cash equivalents, end of year	–	165,310	–

See accompanying notes

Shaw Communications Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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

1. SIGNIFICANT ACCOUNTING POLICIES

Shaw Communications Inc. (the "Company") is a public company whose shares are listed on the Toronto and New York Stock Exchanges. The Company is a diversified Canadian communications company whose core operating business is providing broadband cable television services, Internet, Digital Phone, and telecommunications services ("Cable"); Direct-to-home ("DTH") satellite services (Star Choice) and satellite distribution services ("Satellite Services").

The consolidated financial statements are prepared by management on the historical cost basis in accordance with Canadian generally accepted accounting principles ("GAAP"). The effects of differences between the application of Canadian and US GAAP on the consolidated financial statements of the Company are described in note 21.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and those of its subsidiaries. Intercompany transactions and balances are eliminated on consolidation. The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition.

The accounts also include the Company's 33.33% proportionate share of the assets, liabilities, revenues, and expenses of its interest in the Burrard Landing Lot 2 Holdings Partnership (the "Partnership").

The Company's interest in the Partnership's assets, liabilities, results of operations and cash flows are as follows:

	2008 \$	2007 \$	
Working capital	345	720	
Deferred charges	120	139	
Property, plant and equipment	18,120	18,808	
	18,585	19,667	
Debt	22,083	22,561	
Proportionate share of net liabilities	(3,498)	(2,894)	

	2008 \$	2007 \$	2006 \$
Operating, general and administrative expenses	1,829	1,829	1,829
Amortization	(707)	(707)	(714)
Interest	(1,389)	(1,418)	(1,445)
Other gains	848	735	2,588
Proportionate share of income before income taxes	581	439	2,258
Cash flow provided by operating activities	1,608	1,284	74
Cash flow provided by investing activities	—	—	8,848
Cash flow used in financing activities	(478)	(449)	(422)
Proportionate share of increase in cash	1,130	835	8,500

Shaw Communications Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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

Investments and other assets

Investments in other entities are accounted for using the equity method or cost basis depending upon the level of ownership and/or the Company's ability to exercise significant influence over the operating and financial policies of the investee. Equity method investments include The Biography Channel (Canada) Corp. ("The Biography Channel") and 3773213 Canada Inc. ("G4TechTV Canada") until June 2006, at which time these specialty channels were sold. Investments of this nature are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the investees' net income or losses after the date of investment, additional contributions made and dividends received.

Amounts paid and payable for spectrum licenses are recorded as deposits until Industry Canada awards the operating licenses which is subject to approval of documents required to be submitted by the Company.

Revenue and expenses

(i) Service revenue

Service revenue from cable, Internet, Digital Phone and DTH customers includes subscriber service revenue earned as services are provided. Satellite distribution services and telecommunications service revenue is recognized in the period in which the services are rendered to customers.

Subscriber connection fees received from customers are deferred and recognized as service revenue on a straight-line basis over two years. Direct and incremental initial selling, administrative and connection costs related to subscriber acquisitions, in an amount not exceeding initial subscriber connection fee revenue, are deferred and recognized as an operating expense on a straight-line basis over the same two years. The costs of physically connecting a new home are capitalized as part of the distribution system and costs of disconnections are expensed as incurred.

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

(ii) Deferred equipment revenue and deferred equipment costs

Revenue from sales of modems, DTH equipment and digital cable terminals ("DCTs") is deferred and recognized on a straight-line basis over two years commencing when subscriber service is activated. The total cost of the equipment, including installation, is deferred and recognized on a straight-line basis over the same period. The DCT, DTH and modem equipment is generally sold to customers at cost or a subsidized price in order to expand the Company's customer base.

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

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

Shaw Communications Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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

(iii) Deferred IRU revenue

Prepayments received under indefeasible right to use ("IRU") agreements are amortized on a straight-line basis into income over the term of the agreement and are recognized in the Consolidated Statements of Income and Retained Earnings (Deficit) as deferred IRU revenue amortization.

Cash and cash equivalents

Cash and cash equivalents include money market instruments that are purchased three months or less from maturity, and are presented net of outstanding cheques. When the amount of outstanding cheques and the amount drawn under the Company's operating facility (see note 9) are greater than the amount of cash and cash equivalents, the net amount is presented as bank indebtedness.

Allowance for doubtful accounts

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

Inventories

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

Property, plant and equipment

Property, plant and equipment are recorded at purchase cost. Direct labour and direct overhead incurred to construct new assets, upgrade existing assets and connect new subscribers are capitalized. Repairs and maintenance expenditures are charged to operating expense as incurred. Amortization is recorded on a straight-line basis over the estimated useful lives of assets as follows:

Asset	Estimated useful life
Cable and telecommunications distribution system	6-15 years
Digital cable terminals and modems	4-7 years
Satellite audio, video and data network equipment and DTH receiving equipment	4-10 years
Buildings	20-40 years
Data processing	4 years
Other	3-10 years

Shaw Communications Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The Company reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment is recognized when the carrying amount of an asset is greater than the future undiscounted net cash flows expected to be generated by the asset. The impairment is measured as the difference between the carrying value of the asset and its fair value calculated using quoted market prices or discounted cash flows.

Deferred charges

Deferred charges primarily include (i) equipment costs, as described in the revenue and expenses accounting policy, deferred and amortized on a straight-line basis over two to five years upon activation of the equipment; (ii) credit facility arrangement fees amortized on a straight-line basis over the term of the facility; and (iii) costs incurred in respect of connection fee revenue and upfront installation revenue, as described in the revenue and expenses accounting policy, deferred and amortized over two to ten years.

Intangibles

The excess of the cost of acquiring cable and satellite businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist of amounts allocated to broadcast rights which represent identifiable assets with indefinite useful lives.

Goodwill and intangible assets with an indefinite life are not amortized but are subject to an annual review for impairment which consists of a comparison of the fair value of the assets to their carrying value.

Deferred credits

Deferred credits primarily include: (i) prepayments received under IRU agreements amortized on a straight-line basis into income over the term of the agreement; (ii) equipment revenue, as described in the revenue and expenses accounting policy, deferred and amortized over two years to five years; (iii) connection fee revenue and upfront installation revenue, as described in the revenue and expenses accounting policy, deferred and amortized over two to ten years; and (iv) a deposit on a future fiber sale.

Interest capitalization

The Company does not capitalize interest on the construction of its own assets, with the exception of the Partnership's construction of the office/residential tower in Vancouver. The interest was capitalized on the tower as the construction of it had taken place over a significant period of time and the interest on the Partnership construction facility was directly attributable to such activity. Capitalization of interest ceased in 2005 when the tower was substantially completed and ready for occupancy.

Income taxes

The Company accounts for income taxes using the liability method, whereby future income tax assets and liabilities are determined based on differences between the financial reporting and tax

Shaw Communications Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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bases of assets and liabilities measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Income tax expense for the period is the tax payable for the period and any change during the period in future income tax assets and liabilities.

Foreign currency translation

The financial statements of a foreign subsidiary, which is self-sustaining, are translated using the current rate method, whereby assets and liabilities are translated at year-end exchange rates and revenues and expenses are translated at average exchange rates for the year. Adjustments arising from the translation of the financial statements are included in Other Comprehensive Income (Loss).

Transactions originating in foreign currencies are translated into Canadian dollars at the exchange rate at the date of the transaction. Monetary assets and liabilities are translated at the year-end rate of exchange and non-monetary items are translated at historic exchange rates. The net foreign exchange gain (loss) recognized on the translation and settlement of current monetary assets and liabilities was (\$644) (2007 – \$255; 2006 – \$1,546) and is included in other gains.

Exchange gains and losses on translating hedged and unhedged long-term debt are included in the Company's Consolidated Statements of Income and Retained Earnings (Deficit). Foreign exchange gains and losses on hedging derivatives are reclassified from Other Comprehensive Income (Loss) to income to offset the foreign exchange adjustments on hedged long-term debt.

Derivative financial instruments

The Company uses derivative financial instruments to manage risks from fluctuations in exchange and interest rates. These instruments include cross-currency interest rate exchange agreements, interest rate exchange agreements, currency swaps, and foreign currency forward purchase contracts. Effective September 1, 2007, all derivative financial instruments are recorded at fair value in the balance sheet. Where permissible, the Company accounts for these financial instruments as hedges which ensures that counterbalancing gains and losses are recognized in income in the same period. With hedge accounting, changes in the fair value of derivative financial instruments designated as cash flow hedges are recorded in other comprehensive income (loss) until the variability of cash flows relating to the hedged asset or liability is recognized in income (loss). When an anticipated transaction is subsequently recorded as a non-financial asset, the amounts recognized in other comprehensive income (loss) are reclassified to the initial carrying amount of the related asset. Where hedge accounting is not permissible, the changes in fair value are immediately recognized in income (loss).

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

Prior to September 1, 2007, the carrying value of derivative financial instruments designated as hedges were only adjusted to fair value when hedge accounting was not permissible. The resulting gains and losses were immediately recognized in income (loss).

Shaw Communications Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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

Employee benefit plans

The Company accrues its obligations and related costs under its employee benefit plans. The cost of pensions and other retirement benefits earned by certain senior employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. Past service costs from plan initiation and amendments are amortized on a straight-line basis over the estimated average remaining service life ("EARSLS") of employees active at the date of recognition of past service unless identification of a circumstance would suggest a shorter amortization period is appropriate. Negative plan amendments which reduce costs are applied to reduce any existing unamortized past service costs. The excess, if any, is amortized on a straight-line basis over EARSLS. Actuarial gains or losses occur because assumptions about benefit plans relate to a long time frame and differ from actual experiences. These assumptions are revised based on actual experience of the plan such as changes in discount rates, expected retirement ages and projected salary increases. Actuarial gains (losses) are amortized on a straight-line basis over EARSLS which for active employees covered by the defined benefit pension plan is 12.1 years at August 31, 2008 (2007 – 12.0 years; 2006 – 12.5 years). When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

August 31 is the measurement date for the Company's employee benefit plans. Actuaries perform a valuation annually to determine the actuarial present value of the accrued pension benefits. The last actuarial valuation of the pension plan was performed August 31, 2008.

Stock-based compensation

The Company has a stock option plan for directors, officers, employees and consultants to the Company. The options to purchase shares must be issued at not less than the fair value at the date of grant. Any consideration paid on the exercise of stock options, together with any contributed surplus recorded at the date the options vested, is credited to share capital.

The Company calculates the fair value of stock-based compensation awarded to employees using the Black-Scholes Option Pricing Model. Under the transition rules pertaining to stock-based compensation, the fair value of options granted subsequent to August 31, 2003 are expensed and credited to contributed surplus over the four-year vesting period of the options. For options granted prior to August 31, 2003, the Company discloses the pro forma net income and pro forma earnings per share in note 11 as if the Company had expensed the fair value of the options over the vesting period of the options.

Earnings per share

Basic earnings per share is calculated using the weighted average number of Class A Shares and Class B Non-Voting Shares outstanding during the year. The Company uses the treasury stock method of calculating diluted earnings per share. This method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase Class B Non-Voting Shares at the average market price during the period.

Shaw Communications Inc.

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Guarantees

The Company discloses information about certain types of guarantees that it has provided, including certain types of indemnities, without regard to whether it will have to make any payments under the guarantees (see note 16).

Use of estimates and measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Key areas of estimation, where management has made difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain, are the allowance for doubtful accounts, the ability to use income tax loss carryforwards and other future income tax assets, capitalization of labour and overhead, useful lives of depreciable assets, contingent liabilities and the recoverability of deferred costs, broadcast rights and goodwill using estimated future cash flows based on current business plans. Significant changes in assumptions with respect to the competitive environment could result in impairment of intangible assets.

Adoption of recent Canadian accounting pronouncements

(i) Financial instruments

The Company adopted CICA Handbook Sections 3855, "Financial Instruments – Recognition and Measurement", 3861, "Financial Instruments – Disclosure and Presentation", 3865, "Hedges", 1530, "Comprehensive Income" and 3251, "Equity". These new standards address when a company should recognize a financial instrument on its balance sheet and how the instrument should be measured once recognized.

Adoption of these standards was effective September 1, 2007 on a retrospective basis without restatement of prior periods, except for the reclassification of equity balances to reflect Accumulated Other Comprehensive Income which included foreign currency translation adjustments.

On adoption of Section 1530, a new statement entitled "Consolidated Statements of Comprehensive Income (Loss)" was added to the Company's consolidated financial statements and includes net income (loss) as well as other comprehensive income (loss). Comprehensive income (loss) is comprised of net income (loss), changes in the fair value of derivative instruments designated as cash flow hedges and the net unrealized foreign currency translation gain (loss) from a self sustaining foreign operation, which was previously classified as a separate component of shareholders' equity. Accumulated other comprehensive income (loss) forms part of shareholders' equity.

In addition, the Company classified all financial instruments into one of the following five categories: 1) "loans and receivables", 2) "assets held-to-maturity", 3) "assets available-for-sale", 4) "financial liabilities", and 5) "held-for-trading". None of the Company's financial instruments have been classified as held-to-maturity or held-for-trading. Financial instruments designated as "available-for-sale" are carried at their fair value while financial instruments such as "loans and

Shaw Communications Inc.
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receivables” and “financial liabilities” are carried at amortized cost. Certain private investments where market value is not readily determinable will continue to be carried at cost.

All derivatives, including embedded derivatives that must be separately accounted for, are measured at fair value in the balance sheet. The transition date for the assessment of embedded derivatives was September 1, 2002. The changes in fair value of cash flow hedging derivatives are recorded in other comprehensive income (loss), to the extent effective, until the variability of cash flows relating to the hedged asset or liability is recognized in the consolidated statements of income. Any hedge ineffectiveness will be recognized in net income (loss) immediately.

Transaction costs, financing costs, proceeds on bond forward contracts associated with issuance of debt securities and fair value adjustments on debt assumed in business acquisitions are now netted against the related debt instrument and amortized to income using the effective interest rate method. Accordingly, long-term debt accretes over time to the principal amount that will be owing at maturity. The Company previously recorded debt issuance costs as deferred charges, bond forward proceeds and fair value adjustments as deferred credits and amortized them on a straight-line basis over the term of the related debt.

The impact on the Consolidated Balance Sheets as at September 1, 2007 and on the Consolidated Statements of Income and Retained Earnings (Deficit) for 2008 is as follows:

	Increase (decrease)	
	August 31, 2008	September 1, 2007
	\$	\$
Consolidated balance sheets:		
Deferred charges	(24,852)	(30,746)
Current portion of derivative instruments	1,349	5,119
Long-term debt	(24,870)	(29,681)
Derivative instruments	518,856	521,560
Deferred credits	(453,033)	(459,656)
Future income taxes	(10,953)	(12,615)
Retained earnings	1,792	1,754
Accumulated other comprehensive loss	57,993	57,227
Increase in retained earnings:		
Adjusted for adoption of new accounting policy	1,754	1,754
Increase in net income	38	–
	1,792	1,754

Shaw Communications Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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	Increase (decrease) in net income
	August 31, 2008
	\$
Consolidated statement of income:	
Decrease in amortization of deferred charges	3,839
Increase in amortization of financing costs – long-term debt	(3,627)
Decrease in interest expense – debt	94
Increase in debt retirement costs	(252)
Increase in income tax expense	(16)
Increase in net income	38
Increase in earnings per share:	–

(ii) Accounting changes

The Company adopted CICA Handbook Section 1506, “Accounting Changes”, which prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The application of this standard had no impact on the Company’s consolidated financials statements.

Recent Canadian accounting pronouncements

(i) Inventories

In 2009, the Company will adopt CICA Handbook Section 3031, “Inventories”, which provides more guidance on measurement and disclosure requirements. The Company does not expect this standard to have a significant impact on its consolidated financial statements upon adoption.

(ii) Financial instruments

In 2009, the Company will adopt CICA Handbook Section 3862 “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation”. These standards require disclosure that enables financial statement users to evaluate and understand the significance of financial instruments for the Company’s financial position and performance and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and how the Company manages those risks.

(iii) Capital disclosures

In 2009, the Company will adopt CICA Handbook Section 1535 “Capital Disclosures”. This standard requires the Company to disclose information that enables financial statement users to evaluate the Company’s objectives, policies and processes for managing capital.

(iv) Goodwill and intangible assets

In 2010, the Company will adopt CICA Handbook Section 3064, “Goodwill and intangible assets”, which replaces Sections 3062, “Goodwill and other intangible assets”, and 3450, “Research and development costs”. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company is currently assessing the impact of adoption of this new accounting standard.

Shaw Communications Inc.
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2. BUSINESS ACQUISITIONS

	2007		Total purchase price \$
	Cash \$	Accounts payable \$	
(i) Cable systems	72,336	3,000	75,336

	2006		Total purchase price \$
	Cash \$	Accounts payable \$	
(ii) Cable systems	5,829	25	5,854

A summary of net assets acquired on cable business acquisitions, accounted for as purchases, is as follows:

	2007 \$	2006 \$
Identifiable net assets acquired at assigned fair values		
Property, plant and equipment	8,232	957
Broadcast rights <i>[note 8]</i>	84,594	6,837
	92,826	7,794
Working capital deficiency	2,973	129
Long-term debt	–	218
Future income taxes	14,517	1,593
	17,490	1,940
Purchase price	75,336	5,854

- (i) During 2007, the Company purchased four cable systems serving approximately 20,200 basic subscribers in British Columbia and Ontario. The \$3,000 value of the 179,588 Class B Non-Voting Shares, issued as partial consideration for one of the acquisitions, was determined based upon the average market price over a short period prior to the date the terms of the purchase were agreed to and announced.
- (ii) Effective June 30, 2006 and July 31, 2006, the Company purchased two cable systems serving approximately 1,800 basic subscribers in British Columbia.

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3. ACCOUNTS RECEIVABLE

	2008 \$	2007 \$
Subscriber and trade receivables	197,163	161,765
Due from officers and employees	841	230
Due from related parties <i>[note 18]</i>	875	841
Miscellaneous receivables	4,662	7,842
	203,541	170,678
Less allowance for doubtful accounts	(15,396)	(15,179)
	188,145	155,499

Included in operating, general and administrative expenses is a provision for doubtful accounts of \$15,281 (2007 – \$3,086; 2006 – \$7,477).

4. INVENTORIES

	2008 \$	2007 \$
Subscriber equipment	49,317	57,628
Other	2,457	2,973
	51,774	60,601

Subscriber equipment includes internet modems, DTH equipment, DCTs and related customer premise equipment.

5. INVESTMENTS AND OTHER ASSETS

	2008 \$	2007 \$
Investments, at cost net of write-downs:		
Investment in a private technology company	1,295	1,295
Deposits:		
Wireless spectrum licenses	190,912	–
Other assets:		
Employee home relocation mortgages and loans <i>[note 18]</i>	3,600	4,746
Other	2,172	1,840
	197,979	7,881

Canadian Hydro

Canadian Hydro Developers Inc. (“Canadian Hydro”), a Canadian public corporation, develops and operates electrical generating plants. In 2006, the Company sold 12,430,364 shares of Canadian Hydro for \$69,749, resulting in a pre-tax gain of \$45,317.

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Q9 Networks

During 2006, the Company realized a pre-tax gain of \$1,690 on the sale of 277,281 shares of Q9 Networks Inc.

Deposits

The Company participated in Industry Canada's auction of spectrum licenses for advanced wireless services and was successful in its bids for spectrum licenses primarily in Western Canada and Northern Ontario. The total cost was \$190,912 which consisted of \$189,519 for the licenses and \$1,393 of related auction expenditures.

Investments at equity

In 2006, the Company sold its interests in The Biography Channel and G4TechTV Canada resulting in a combined pre-tax gain of \$3,180.

Equity income (loss) on investees consists of the following:

	2008 \$	2007 \$	2006 \$
Specialty channel networks	—	—	(91)
Other	295	363	135
	295	363	44

Other

Disposal of minor interests in various public and private companies amounted to pre-tax gains of \$415 and \$128 in 2007 and 2006, respectively.

6. PROPERTY, PLANT AND EQUIPMENT

	2008			2007		
	Cost \$	Accumulated amortization \$	Net book value \$	Cost \$	Accumulated amortization \$	Net book value \$
Cable and telecommunications distribution system	3,664,151	1,784,014	1,880,137	3,336,559	1,562,989	1,773,570
Digital cable terminals and modems	258,141	112,794	145,347	283,215	153,746	129,469
Satellite audio, video and data network equipment and DTH receiving equipment	153,352	90,453	62,899	176,809	99,177	77,632
Buildings	327,641	96,108	231,533	268,475	83,141	185,334
Data processing	152,929	78,107	74,822	126,672	58,147	68,525
Other assets	208,302	119,754	88,548	195,793	105,686	90,107
	4,764,516	2,281,230	2,483,286	4,387,523	2,062,886	2,324,637
Land	44,354	—	44,354	34,109	—	34,109
Assets under construction	88,860	—	88,860	64,154	—	64,154
	4,897,730	2,281,230	2,616,500	4,485,786	2,062,886	2,422,900

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Included in the cable and telecommunications distribution system assets is the cost of the Company's purchase of fibers under IRU agreements with terms extending to 60 years totalling \$61,811 (2007 – \$61,811).

7. DEFERRED CHARGES

	2008			2007		
	Cost \$	Accumulated amortization \$	Net book value \$	Cost \$	Accumulated amortization \$	Net book value \$
Equipment costs	686,406	438,831	247,575	622,811	399,695	223,116
Financing costs and credit facility arrangement fees	5,039	1,260	3,779	56,573	21,037	35,536
Connection and installation costs	24,290	19,073	5,217	32,349	24,187	8,162
Other	18,214	119	18,095	11,814	103	11,711
	733,949	459,283	274,666	723,547	445,022	278,525

Amortization provided in the accounts on deferred charges for 2008 amounted to \$237,740 (2007 – \$222,493; 2006 – \$234,056) of which \$229,549 was recorded as amortization of deferred charges and equipment costs (2007 – \$208,750; 2006 – \$205,546), \$nil was recorded as interest expense (2007 – \$1,269; 2006 – \$752) and \$8,191 was recorded as operating, general and administrative expenses (2007 – \$12,474; 2006 – \$13,805). In 2006, \$12,248 was recorded as debt retirement costs and \$1,705 was charged to the deficit. Upon adoption of the new financial instruments standards on September 1, 2007, transaction and financing costs associated with issuance of debt securities are now netted against the related debt instrument (see notes 1 and 9).

8. INTANGIBLES

	Carrying amount	
	2008 \$	2007 \$
Broadcast rights		
Cable systems	3,792,946	3,792,946
DTH and satellite services	983,132	983,132
	4,776,078	4,776,078
Goodwill – non-regulated satellite services	88,111	88,111
Net book value	4,864,189	4,864,189

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

	Broadcast rights \$	Goodwill \$
August 31, 2006	4,691,484	88,111
Business acquisitions [note 2]	84,594	–
August 31, 2007 and 2008	4,776,078	88,111

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9. LONG-TERM DEBT

	Effective interest rates %	2008			2007		
		Translated at year-end exchange rate ⁽¹⁾ \$	Adjustment for hedged debt ⁽²⁾ \$	Translated at hedged rate \$	Translated at year-end exchange rate \$	Adjustment for hedged debt ⁽²⁾ \$	Translated at hedged rate \$
Corporate							
Bank loans	Variable	55,000	–	55,000	–	–	–
Senior notes –							
Cdn \$400,000 5.70% Senior notes due March 2, 2017	5.72	395,196	–	395,196	400,000	–	400,000
Cdn \$450,000 6.10% Senior notes due November 16, 2012	6.11	445,997	–	445,997	450,000	–	450,000
Cdn \$300,000 6.15% Senior notes due May 9, 2016	6.34	291,059	–	291,059	300,000	–	300,000
Cdn \$296,760 7.40% Senior notes due October 17, 2008	7.40	–	–	–	296,760	–	296,760
US \$440,000 8.25% Senior notes due April 11, 2010	7.88	465,711	175,340	641,051	464,728	177,892	642,620
US \$225,000 7.25% Senior notes due April 6, 2011	7.68	237,781	116,888	354,669	237,645	118,193	355,838
US \$300,000 7.20% Senior notes due December 15, 2011	7.61	317,222	158,250	475,472	316,860	159,990	476,850
Cdn \$350,000 7.50% Senior notes due November 20, 2013	7.50	345,685	–	345,685	350,000	–	350,000
COPRS –							
Cdn \$100,000 Due September 30, 2027	8.54	–	–	–	100,000	–	100,000
		2,553,651	450,478	3,004,129	2,915,993	456,075	3,372,068
Other subsidiaries and entities							
Videon CableSystems Inc. – Cdn \$130,000 8.15% Senior Debentures Series “A” due April 26, 2010	7.63	131,429	–	131,429	130,000	–	130,000
Burrard Landing Lot 2 Holdings Partnership	6.31	21,963	–	21,963	22,561	–	22,561
		153,392	–	153,392	152,561	–	152,561
Total consolidated debt		2,707,043	450,478	3,157,521	3,068,554	456,075	3,524,629
Less current portion		509	–	509	297,238	–	297,238
		2,706,534	450,478	3,157,012	2,771,316	456,075	3,227,391

(1) Long-term debt, excluding bank loans, is presented net of unamortized discounts, finance costs, fair value adjustment on debt and bond forward proceeds of \$24,870. Amortization for 2008 amounted to \$3,822 of which \$3,627 was recorded as amortization of financing costs and \$195 was recorded as interest expense.

(2) Foreign denominated long-term debt is translated at the year-end rate. If the rate of translation was adjusted to reflect the hedged rates of the Company's cross-currency interest rate agreements (which fix the liability for interest and principal), long-term debt would increase by \$450,478 (2007 – \$456,075) representing the amount of the corresponding amount in derivative instruments (see note 1).

Interest on long-term debt included in interest expense amounted to \$231,599 (2007 – \$250,100; 2006 – \$254,502). Interest expense is net of \$1,950 (2007 – \$5,301) of interest income as a portion of the proceeds from the \$400,000 Senior notes issuance in March 2007 was invested in short term investments pending the repayment of maturing debt in October 2007.

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Corporate

Bank loans

The Company has a \$50,000 revolving operating loan facility, of which \$587 has been drawn as committed letters of credit. Interest rates and borrowing options are principally the same as those contained in the credit facility described below. The effective interest rate on the facility was 5.49% for the year (2007 – 6.03%; 2006 – 5.32%).

A syndicate of banks has provided the Company with an unsecured \$1 billion credit facility. During 2006, the Company amended the credit facility to extend the maturity date from April 2009 to May 2011 and implement new pricing terms effective May 2007. In conjunction with the amendment, the remainder of the non-revolving facilities, due in fiscal 2008, were repaid early. During 2007, the Company extended the term of the credit facility to May 2012. At August 31, 2008, \$787,693 of the facility was not utilized, which is net of committed letters of credit of \$157,307. Funds are available to the Company in both Canadian and US dollars. Interest rates fluctuate with Canadian bankers' acceptance rates, US bank base rates and LIBOR rates. The effective interest rate averaged 4.81% for the year (2007 – 5.04%; 2006 – 4.38%).

Until March 9, 2007, interest on \$59,000 of Canadian dollar borrowings was fixed by means of an interest rate swap originally placed in April 1994 for \$177,000 at 8.89%. One third of the interest rate swap matured on April 30, 2005 and 2006 and the remaining notional amount of \$59,000 originally scheduled to mature on April 30, 2007 was terminated at a cost of \$370 on March 9, 2007.

Senior notes

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

The Company has entered into cross-currency interest rate agreements to fix the liability for interest and principal payments over the life of the US dollar senior notes. The table below outlines the US dollar principal, the interest coupon rate, the effective interest rate on the Canadian dollar equivalent of the US debt as a result of the agreements, and the exchange rate applicable to the principal portion of the debt ("Exchange rate"):

US Senior note principal \$	Coupon rate %	Effective interest rate %	Exchange rate Cdn \$ vs US\$
440,000	8.25	7.88	1.4605
225,000	7.25	7.68	1.5815
300,000	7.20	7.61	1.5895

Satellite Services

In April 2007, the Company terminated the \$10,000 demand operating line of credit that was available in Canadian dollars or the US dollar equivalent. Interest rates fluctuated with Canadian prime rate and US base rates. The effective interest rate on the line of credit for the period to May 2007 was 7.25% (2006 – 6.57%).

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Other subsidiaries and entities

Videon CableSystems Inc. ("Videon")

Videon issued 8.15% Senior Debentures that are due April 26, 2010. Interest is payable semi-annually.

The debentures are unsecured and are non-recourse to the parent company. The Senior Debentures are guaranteed by the subsidiaries of Videon. The effective interest rate on the debentures is 7.63% after giving effect to the fair value adjustment to the debt at the date of the Moffat acquisition. This adjustment is included as part of the principal balance.

Burrard Landing Lot 2 Holdings Partnership

The Company has a 33.33% interest in the Partnership which built the Shaw Tower project with office/retail space and living/working space in Vancouver, BC. In the fall of 2004, the commercial construction of the building was completed and at that time, the Partnership issued 10 year secured mortgage bonds in respect of the commercial component of the Shaw Tower. The bonds bear interest at 6.31% compounded semi-annually and are collateralized by the property and the commercial rental income from the building with no recourse to the Company.

Debt retirement costs

On January 30, 2008, the Company redeemed its \$100,000 8.54% COPS. In connection with this early redemption, the Company incurred costs of \$4,272 and wrote-off the remaining deferred financing charges of \$992.

On July 17, 2006, the Company redeemed its \$150,000 8.875% COPS and on December 16, 2005, the Company redeemed its US \$172,500 8.50% COPS at a cost of \$201,894. In connection with the early redemptions, the Company wrote-off the remaining deferred financing charges of \$12,248.

The Company had purchased a foreign currency forward purchase contract to provide the US funds required for the quarterly interest payments on the 8.50% COPS at an exchange rate of \$1.4078 Cdn. In connection with the early redemptions, the Company paid \$15,774 to terminate the contract in 2006.

Debt covenants

The Company and its subsidiaries have undertaken to maintain certain covenants in respect of the credit agreements and trust indentures described above. The Company and its subsidiaries were in compliance with these covenants at August 31, 2008.

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Long-term debt repayments

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

	At year-end exchange rate \$	Exchange rate adjusted for hedged rates \$
2009	509	509
2010	597,821	773,161
2011	239,526	356,414
2012	374,213	532,463
2013	450,652	450,652
Thereafter	1,069,192	1,069,192
	2,731,913	3,182,391

10. DEFERRED CREDITS

	2008			2007		
	Amount \$	Accumulated amortization \$	Net book value \$	Amount \$	Accumulated amortization \$	Net book value \$
IRU prepayments	629,119	94,158	534,961	629,119	81,611	547,508
Foreign exchange gains on translating hedged long-term debt	–	–	–	456,075	–	456,075
Equipment revenue	392,458	252,027	140,431	331,980	199,252	132,728
Connection fee and installation revenue	33,247	24,403	8,844	37,007	27,174	9,833
Fair value adjustment on debt assumed on acquisition	–	–	–	6,084	4,354	1,730
Bond forward proceeds	–	–	–	2,486	636	1,850
Deposit on future fiber sale	2,000	–	2,000	2,000	–	2,000
Other	1,600	–	1,600	–	–	–
	1,058,424	370,588	687,836	1,464,751	313,027	1,151,724

Amortization of deferred credits for 2008 amounted to \$150,366 (2007 – \$132,819; 2006 – \$108,595) and was recorded in the accounts as described below.

IRU agreements are in place for periods ranging from 21 to 60 years and are being amortized to income over the agreement periods. Amortization in respect of the IRU agreements for 2008 amounted to \$12,547 (2007 – \$12,547; 2006 – \$12,546). Amortization of equipment revenue for 2008 amounted to \$126,601 (2007 – \$104,997; 2006 – \$80,256). Amortization of connection fee and installation revenue for 2008 amounted to \$11,218 (2007 – \$14,250; 2006 – \$14,842) and was recorded as service revenue.

Amortization in respect of the fair value adjustment on debt amounted to \$670 in both 2007 and 2006 and amortization of the bond forward was \$355 in 2007 and \$281 in 2006, both of which were offset against interest expense. Upon adoption of the new financial instruments standards on September 1, 2007, the fair value adjustment on debt and the bond forward proceeds were

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reclassified to long-term debt (see notes 1 and 9) and the foreign exchange gains on translating hedged long-term debt were reclassified to derivative instruments. (see note 1)

11. SHARE CAPITAL

Authorized

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

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

Number of securities			2008	2007
2008	2007		\$	\$
22,550,064	22,563,064	Class A Shares	2,471	2,473
405,882,652	408,770,759	Class B Non-Voting Shares	2,060,960	2,050,687
428,432,716	431,333,823		2,063,431	2,053,160

Class A Shares and Class B Non-Voting Shares

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

Changes in Class A Share capital and Class B Non-Voting Share capital in 2008, 2007 and 2006 are as follows:

	Class A Shares		Class B Non-Voting Shares	
	Number	\$	Number	\$
August 31, 2005	22,689,864	2,487	417,268,010	2,021,686
Class A Share conversions	(106,000)	(12)	106,000	12
Purchase of shares for cancellation	—	—	(10,239,800)	(49,584)
Stock option exercises	—	—	165,598	2,377
August 31, 2006	22,583,864	2,475	407,299,808	1,974,491
Class A Share conversions	(20,800)	(2)	20,800	2
Purchase of shares for cancellation	—	—	(4,408,400)	(22,061)
Stock option exercises	—	—	5,678,963	95,398
Issued in respect of acquisition	—	—	179,588	3,000
Share issue costs	—	—	—	(143)
August 31, 2007	22,563,064	2,473	408,770,759	2,050,687
Class A Share conversions	(13,000)	(2)	13,000	2
Purchase of shares for cancellation	—	—	(4,898,300)	(24,794)
Stock option exercises	—	—	1,997,193	35,065
August 31, 2008	22,550,064	2,471	405,882,652	2,060,960

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During 2008 the Company purchased for cancellation 4,898,300 (2007 – 4,408,400; 2006 – 10,239,800) Class B Non-Voting Shares, pursuant to its outstanding normal course issuer bid or otherwise, for \$99,757 (2007 – \$104,763; 2006 – \$146,640). Share capital has been reduced by the stated value of the shares amounting to \$24,794 (2007 – \$22,061; 2006 – \$49,584) with the excess of the amount paid over the stated value of the shares amounting to \$74,963 (2007 – \$82,702; 2006 – \$97,056) charged to the deficit.

Stock option plan

Under a stock option plan, directors, officers, employees and consultants of the Company are eligible to receive stock options to acquire Class B Non-Voting Shares with terms not to exceed 10 years from the date of grant. Twenty-five percent of the options are exercisable on each of the first four anniversary dates from the date of the original grant. The options must be issued at not less than the fair market value of the Class B Non-Voting Shares at the date of grant. The maximum number of Class B Non-Voting Shares issuable under this plan and the warrant plan described below may not exceed 32,000,000. To date, 7,753,486 Class B Non-Voting Shares have been issued under these plans.

The changes in options in 2008, 2007 and 2006 are as follows:

	2008		2007		2006	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding, beginning of year	17,574,801	17.08	19,117,602	16.30	16,904,500	16.30
Granted	10,486,500	23.73	6,693,500	19.03	5,539,000	16.31
Forfeited	(2,133,939)	20.04	(2,594,140)	17.56	(3,216,000)	16.32
Exercised	(1,963,591)	16.48	(5,642,161)	16.28	(109,898)	15.92
Outstanding, end of year	23,963,771	19.77	17,574,801	17.08	19,117,602	16.30

The following table summarizes information about the options outstanding at August 31, 2008:

Range of prices	Options outstanding			Options exercisable		
	Number outstanding at August 31, 2008	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at August 31, 2008	Weighted average remaining contractual life	Weighted average exercise price
\$8.69	20,000	5.14	\$ 8.69	20,000	5.14	\$ 8.69
\$14.85 – \$22.27	15,413,271	5.69	\$17.20	8,802,799	3.74	\$16.47
\$22.28 – \$26.20	8,530,500	9.01	\$24.44	197,000	8.75	\$22.32

The aggregate intrinsic value of exercisable options at August 31, 2008 is \$57,025.

For all common share options granted to employees up to August 31, 2003, had the Company determined compensation costs based on the fair values at grant dates of the common share options

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consistent with the method prescribed under CICA Handbook Section 3870, the Company's net income and earnings per share would have been reported as the pro forma amounts indicated below:

	2007 \$	2006 \$
Net income	388,479	458,250
Fair value of stock option grants	119	1,870
Pro forma net income	388,360	456,380
Pro forma basic earnings per share	0.90	1.05
Pro forma diluted earnings per share	0.89	1.04

For the purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period on a straight-line basis.

The weighted average estimated fair value at the date of the grant for common share options granted for the year ended August 31, 2008 was \$5.01 (2007 – \$3.73; 2006 – \$1.44) per option. The fair value of each option granted was estimated on the date of the grant using the Black-Scholes Option Pricing Model with the following weighted-average assumptions:

	2008	2007	2006
Dividend yield	2.92%	2.79%	1.91%
Risk-free interest rate	4.21%	4.12%	3.98%
Expected life of options	5 years	4 years	4 years
Expected volatility factor of the future expected market price of Class B Non-Voting Shares	24.5%	26.0%	20.4%

Other stock options

In conjunction with the acquisition of Satellite Services, holders of Satellite Services options elected to receive 0.9 of one of the Company's Class B Non-Voting Shares in lieu of one Satellite Services share which would have been received upon the exercise of a Satellite Services option under the Satellite Services option plan.

During the year, the remaining 37,336 Satellite Services options were exercised (2007 – 40,336; 2006 – 37,000) for \$145 (2007 – \$367; 2006 – \$244).

Warrants

Prior to the Company's acquisition and consolidation of Satellite Services effective July 1, 2000, Satellite Services and Star Choice had established a plan to grant Satellite Services warrants to acquire Satellite Services common shares at a price of \$11.25 per share to distributors and dealers. In conjunction with the acquisition of Satellite Services, the warrants became convertible into Class B Non-Voting Shares of Shaw.

No warrants remain outstanding under the plan. During 2007, 500 warrants (2006 – 22,400) were exercised for \$6 (2006 – \$280).

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Contributed surplus

The changes in contributed surplus are as follows:

	2008 \$	2007 \$
Balance, beginning of year	8,700	5,110
Stock-based compensation	16,894	6,787
Stock options exercised	(2,567)	(3,197)
Balance, end of year	23,027	8,700

As at August 31, 2008, the total unamortized compensation cost related to unvested options is \$44,634 and will be recognized over a weighted average period of approximately 1.9 years.

Dividends

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

Except in certain limited circumstances, the Company may not pay or declare dividends on any of its capital stock (including capital stock classified as debt) (except by way of stock dividend) at any time when any interest on the COPrS (see note 9) is either in default or is being deferred.

Share transfer restriction

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

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Earnings per share

Earnings per share calculations are as follows:

	2008	2007	2006
Numerator for basic and diluted earnings per share(\$)	671,562	388,479	458,250
Denominator (thousands of shares)			
Weighted average number of Class A Shares and Class B Non-Voting Shares for basic earnings per share	431,070	432,493	435,332
Effect of potentially dilutive securities	2,797	3,249	–
Weighted average number of Class A Shares and Class B Non-Voting Shares for diluted earnings per share	433,867	435,742	435,332
Earnings per share(\$)			
Basic	1.56	0.90	1.05
Diluted	1.55	0.89	1.05

Options to purchase 23,963,771 (2007 – 17,574,801; 2006 – 19,117,602) Class B Non-Voting Shares were outstanding under the Company's stock option plan at August 31, 2008. In addition, Satellite Services options and warrants to issue 33,602 Class B Non-Voting Shares were outstanding at August 31, 2007 (2006 – 81,104) and the Company had the right to issue Class B Non-Voting Shares in satisfaction of its redemption obligations on the COPRs included in long-term debt at August 31, 2007 and 2006. In 2006, the effect of the foregoing items is not included in the calculation of diluted earnings per share as the impact is either not dilutive or anti-dilutive (increase earnings per share).

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

Components of other comprehensive income (loss) and the related income tax effects for 2008 are as follows:

	Amount \$	Income Taxes \$	Net \$
Change in unrealized fair value of derivatives designed as cash flow hedges	(43,327)	7,134	(36,193)
Adjustment for hedged items recognized in the period	49,801	(9,578)	40,223
Reclassification of foreign exchange gain on hedging derivatives to income to offset foreign exchange loss on US denominated debt	(5,597)	801	(4,796)
Unrealized foreign exchange gain on translation of a self-sustaining foreign operation	7	–	7
	884	(1,643)	(759)

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Accumulated other comprehensive income (loss) is comprised of the following:

	August 31, 2008 \$	August 31, 2007 \$
Unrealized foreign exchange gain on translation of a self-sustaining foreign operation	319	312
Fair value of derivatives	(57,993)	–
	(57,674)	312

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008 \$	2007 \$
Trade	61,980	41,871
Accrued liabilities	388,870	192,435
Accrued network fees	103,150	100,468
Interest	75,064	86,504
Related parties <i>[note 18]</i>	18,712	18,718
Short-term financing	6,532	–
Current portion of pension plan liability <i>[note 17]</i>	1,448	1,448
	655,756	441,444

Interest on the short-term financing arrangement amounted to \$744 and is included in interest expense. Interest rates fluctuated with Canadian bankers acceptance rates and averaged 4.89% for the year. The principal amount was repaid subsequent to year end.

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14. INCOME TAXES

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future income tax liabilities and assets are as follows:

	2008 \$	2007 \$
Future income tax liabilities:		
Property, plant and equipment	143,965	133,225
Broadcast rights	879,660	1,015,800
Partnership income	271,157	281,208
	1,294,782	1,430,233
Future income tax assets:		
Non-capital loss carryforwards	137,220	280,628
Deferred charges	2,792	6,691
Foreign exchange on long-term debt and fair value of derivative instruments	10,164	–
	150,176	287,319
Net future income tax liability	1,144,606	1,142,914
Current portion of future income tax asset	137,220	185,000
Future income tax liability	1,281,826	1,327,914

Realization of future income tax assets is dependent on generating sufficient taxable income during the period in which the temporary differences are deductible. Although realization is not assured, management believes it is more likely than not that all future income tax assets will be realized based on reversals of future income tax liabilities, projected operating results and tax planning strategies available to the Company and its subsidiaries.

The Company has capital loss carryforwards of approximately \$165,000 for which no future income tax asset has been recognized in the accounts. These capital losses can be carried forward indefinitely.

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

	2008 \$	2007 \$	2006 \$
Current statutory income tax rate	32.0%	33.75%	33.75%
Income tax expense at current statutory rates	220,043	179,208	126,409
Increase (decrease) in taxes resulting from:			
Large corporations tax	—	—	1,859
Non-taxable portion of foreign exchange gains or losses and amounts on sale/write-down of assets and investments	—	(95)	(9,077)
Valuation allowance	(9,867)	(9,941)	(29,091)
Effect of future tax rate reductions	(187,990)	(25,535)	(175,752)
Originating temporary differences recorded at future tax rates expected to be in effect when realized	(11,794)	(3,040)	750
Other	5,974	2,274	1,240
Income tax expense (recovery)	16,366	142,871	(83,662)

Significant components of income tax expense (recovery) are as follows:

	2008 \$	2007 \$	2006 \$
Current tax expense	—	—	1,859
Future income tax expense related to origination and reversal of temporary differences	214,223	178,347	119,322
Future income tax recovery resulting from rate changes and valuation allowance	(197,857)	(35,476)	(204,843)
Income tax expense (recovery)	16,366	142,871	(83,662)

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15. BUSINESS SEGMENT INFORMATION

The Company provides broadband cable television services, Internet, Digital Phone and telecommunications services ("Cable"); DTH satellite services (Star Choice) and satellite distribution services ("Satellite Services"). All of these operating segments are located in Canada.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Management evaluates divisional performance based on service revenue and service operating income before charges such as amortization.

	2008				
	Cable \$	Satellite			Total \$
		DTH \$	Satellite Services \$	Total \$	
Service revenue – total	2,379,361	650,653	92,712	743,365	3,122,726
Intersegment	(3,775)	(10,592)	(3,500)	(14,092)	(17,867)
	2,375,586	640,061	89,212	729,273	3,104,859
Service operating income before amortization	1,153,274	206,541	48,421	254,962	1,408,236
Service operating income as% of external revenue	48.5%	32.3%	54.3%	35.0%	45.4%
Interest ⁽¹⁾	199,600	n/a	n/a	29,599	229,199
Burrard Landing Lot 2 Holdings Partnership					1,389
					230,588
Cash taxes ⁽¹⁾	–	–	–	–	–
Segment assets	6,465,183	869,710	523,736	1,393,446	7,858,629
Corporate assets					499,172
Total assets					8,357,801
Capital expenditures and equipment costs (net) by segment					
Capital expenditures	602,848	2,997	(766)	2,231	605,079
Equipment costs (net)	45,488	75,839	–	75,839	121,327
	648,336	78,836	(766)	78,070	726,406
Reconciliation to Consolidated Statements of Cash Flows					
Additions to property, plant and equipment					606,093
Additions to equipment costs (net)					121,327
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows					727,420
Increase in working capital related to capital expenditures					2,608
Less: Satellite services equipment profit ⁽⁴⁾					(3,622)
Total capital expenditures and equipment costs (net) reported by segments					726,406

See notes following 2006 business segment table.

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	2007				
	Cable	Satellite		Total	Total
	\$	\$	\$	\$	\$
Service revenue – total	2,086,066	611,713	90,117	701,830	2,787,896
Intersegment	(3,414)	(6,537)	(3,500)	(10,037)	(13,451)
	2,082,652	605,176	86,617	691,793	2,774,445
Service operating income before amortization	995,694	196,404	47,527	243,931	1,239,625
Service operating income as% of external revenue	47.8%	32.5%	54.9%	35.3%	44.7%
Interest ⁽¹⁾	205,062	n/a	n/a	38,563	243,625
Burrard Landing Lot 2 Holdings Partnership					1,418
					245,043
Cash taxes ⁽¹⁾	–	–	–	–	–
Segment assets	6,300,834	894,893	529,411	1,424,304	7,725,138
Corporate assets					438,601
Total assets					8,163,739
Capital expenditures and equipment costs (net) by segment					
Capital expenditures	533,485	3,958	5,849	9,807	543,292
Equipment costs (net)	19,546	76,970	–	76,970	96,516
	553,031	80,928	5,849	86,777	639,808
Reconciliation to Consolidated Statements of Cash Flows					
Additions to property, plant and equipment					554,565
Additions to equipment costs (net)					96,516
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows					651,081
Decrease in working capital related to capital expenditures					(7,678)
Less: IRU prepayments ⁽³⁾					(7)
Less: Satellite services equipment profit ⁽⁴⁾					(3,588)
Total capital expenditures and equipment costs (net) reported by segments					639,808

See notes following 2006 business segment table.

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	2006				
	Cable	Satellite		Total	Total
	\$	\$	\$	\$	\$
Service revenue – total	1,811,579	573,100	86,434	659,534	2,471,113
Intersegment	(2,996)	(5,293)	(3,540)	(8,833)	(11,829)
	1,808,583	567,807	82,894	650,701	2,459,284
Service operating income before amortization	857,466	175,401	45,050	220,451	1,077,917
Service operating income as % of external revenue	47.4%	30.9%	54.3%	33.9%	43.8%
Segment interest ⁽¹⁾	210,758	n/a	n/a	42,100	252,858
Burrard Landing Lot 2 Holdings Partnership					1,445
Total interest					254,303
Cash taxes ⁽¹⁾	1,761	n/a	n/a	98	1,859
Segment assets	5,965,103	896,941	564,044	1,460,985	7,426,088
Corporate assets					235,455
Total assets					7,661,543
Capital expenditures and equipment costs (net) by segment					
Capital expenditures	432,156	5,598	12,072	17,670	449,826
Equipment costs (net)	19,393	88,536	–	88,536	107,929
	451,549	94,134	12,072	106,206	557,755
Reconciliation to Consolidated Statements of Cash Flows					
Additions to property, plant and equipment					423,855
Additions to equipment costs (net)					107,929
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows					531,784
Increase in working capital related to capital expenditures					31,343
Less: Partnership capital expenditures ⁽²⁾					(1,803)
Less: IRU prepayments ⁽³⁾					(281)
Less: Satellite services equipment profit ⁽⁴⁾					(3,288)
Total capital expenditures and equipment costs (net) reported by segments					557,755

- (1) The Company reports interest and cash taxes on a segmented basis for Cable and combined satellite only. It does not report interest and cash taxes on a segmented basis for DTH and Satellite Services.
- (2) Consolidated capital expenditures include the Company's proportionate share of the Partnership's capital expenditures which the Company is required to proportionately

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consolidate (see note 1). As the Partnership is financed by its own debt facility with limited recourse to the Company, the Partnership's capital expenditures are subtracted from the calculation of segmented capital expenditures and equipment costs (net).

- (3) Prepayments on IRUs in amounts not exceeding the costs to build the fiber subject to the IRUs are subtracted from the calculation of segmented capital expenditures and equipment costs (net).
- (4) The profit from the sale of satellite equipment is subtracted from the calculation of segmented capital expenditures and equipment costs (net) as the Company views the profit on sale as a recovery of expenditures on customer premise equipment.

16. COMMITMENTS AND CONTINGENCIES

Commitments

- (i) During prior years, the Company, through its subsidiaries, purchased 28 Ku-band transponders on the Anik F1 satellite and 18 Ku-band transponders on the Anik F2 satellite from Telesat Canada. In addition, the Company leases a number of C-band and Ku-band transponders. Under the Ku-band F1 and F2 transponder purchase agreements, the Company is committed to paying an annual transponder maintenance fee for each transponder acquired from the time the satellite becomes operational for a period of 15 years.
- (ii) The Company has various long-term commitments for the maintenance and lease of satellite transponders, lease of transmission facilities, and lease of premises as follows:

	\$
2009	110,152
2010	103,608
2011	100,831
2012	98,231
2013	96,797
Thereafter	364,823
	874,442

Included in operating, general and administrative expenses are transponder maintenance expenses of \$58,280 (2007 – \$59,009; 2006 – \$57,132) and rental expenses of \$66,118 (2007 – \$59,117; 2006 – \$51,437).

- (iii) At August 31, 2008, the Company had capital expenditure commitments of \$15,602 covering a two-year period.

Contingencies

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

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Guarantees

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

Indemnities

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

The maximum potential amount of future payments that the Company would be required to make under these indemnification agreements is not reasonably quantifiable as certain indemnifications are not subject to limitation. However, the Company enters into indemnification agreements only when an assessment of the business circumstances would indicate that the risk of loss is remote. At August 31, 2008, management believes it is remote that the indemnification provisions would require any material cash payment.

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

Irrevocable standby letters of credit and performance bonds

The Company and certain of its subsidiaries have granted irrevocable standby letters of credit and performance bonds, issued by high rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As of August 31, 2008, the guarantee instruments amounted to \$158,296 (2007 – \$562) of which \$151,615 has been recorded in respect of the remaining amount owing for spectrum licenses which was paid subsequent to year end. The Company has not recorded any additional liability with respect to these guarantees, as the Company does not expect to make any payments in excess of what is recorded on the Company's consolidated financial statements. The guarantee instruments mature at various dates during fiscal 2009 to 2011.

17. PENSION PLANS

Defined contribution pension plans

The Company has defined contribution pension plans for all non-union employees and contributes 5% of eligible earnings to the maximum amount deductible under the Income Tax Act. For union employees, the Company contributes amounts up to 7.5% of earnings to the individuals' registered retirement savings plans. Total pension costs in respect of these plans for the year were \$17,622 (2007 – \$14,486; 2006 – \$12,359) of which \$10,214 (2007 – \$8,586; 2006 – \$7,139) was expensed and the remainder capitalized.

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Defined benefit pension plan

The Company provides a non-contributory defined benefit pension plan for certain of its senior executives. Benefits under this plan are based on the employees' length of service and their highest three-year average rate of pay during their years of service. Employees are not required to contribute to the plan. The plan is unfunded. There are no minimum required contributions and no discretionary contributions are currently planned. The plan has remained unchanged since its initiation other than an amendment in 2004 to limit survivor benefits and an amendment in 2007 to reinstate the survivor benefits previously limited.

The table below shows the change in benefit obligations.

	2008 \$	2007 \$
Accrued benefit obligation, beginning of year	158,491	111,086
Current service cost	4,610	2,956
Interest cost	8,931	6,129
Actuarial losses	14,211	13,881
Past service cost	—	25,767
Payment of benefits to employees	(1,448)	(1,328)
Accrued benefit obligation, end of year	184,795	158,491
Plan value of assets, end of year	—	—
Plan deficit, end of year	(184,795)	(158,491)
Reconciliation of accrued benefit obligation to Consolidated Balance Sheet accrued pension benefit liability		
	2008 \$	2007 \$
Balance of unamortized pension obligation:		
Unamortized past service costs	33,648	38,479
Unamortized actuarial loss	70,787	61,720
	104,435	100,199
Accrued pension benefit liability recognized in Consolidated Balance Sheet:		
Accounts payable and accrued liabilities	1,448	1,448
Long-term liability	78,912	56,844
	80,360	58,292
Accrued benefit obligation, end of year as above	184,795	158,491

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

	2008 %	2007 %
Accrued benefit obligation		
Discount rate	6.25	5.50
Rate of compensation increase	5.00	5.00

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Benefit cost for the year	2008 %	2007 %	2006 %
Discount rate	5.50	5.25	5.00
Rate of compensation increase	5.00	5.00	4.00

The table below shows the components of the net benefit plan expense.

	2008 \$	2007 \$	2006 \$
Current service cost	4,610	2,956	2,271
Interest cost	8,931	6,129	5,088
Past service cost	—	25,767	—
Actuarial losses	14,211	13,881	4,811
Difference between amortization of actuarial loss recognized for the year and actual actuarial loss on the accrued benefit obligation for the year	(9,067)	(9,721)	(1,036)
Difference between amortization of past service costs recognized for the year and actual past service costs on the accrued benefit obligation for the year	4,831	(18,204)	2,567
Pension expense	23,516	20,808	13,701

The actuarial losses resulted primarily from changes in interest rate assumptions, salary escalation assumptions, and changes in the mortality table. The past service costs result from amendments to the plan, including new entrants.

The table below shows the expected benefit payments in each of the next five fiscal years as actuarially determined, and in aggregate, for the five fiscal years thereafter:

	\$
2009	1,448
2010	1,435
2011	1,428
2012	1,420
2013	5,564
2014 – 2018	55,303

18. RELATED PARTY TRANSACTIONS

The following sets forth transactions in which the Company and its affiliates, directors or executive officers are involved.

(i) Normal course transactions

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

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Corus Entertainment Inc. ("Corus")

The Company and Corus are subject to common voting control. During the year, network fees of \$108,094 (2007 – \$108,801; 2006 – \$100,046), advertising fees of \$617 (2007 – \$415; 2006 – \$269) and programming fees of \$1,062 (2007 – \$1,047; 2006 – \$1,116) were paid to various Corus subsidiaries and entities subject to significant influence. In addition, the Company provided cable system distribution access to Corus Custom Networks, the advertising division of Corus, for \$262 (2007 – \$258; 2006 – \$253), administrative and other services to Corus for \$1,721 (2007 – \$1,589; 2006 – \$1,743), uplink of television signals to Corus for \$4,837 (2007 – \$4,845; 2006 – \$4,845) and Internet services and lease of circuits for \$1,082 (2007 – \$1,041; 2006 – \$637).

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

Burrard Landing Lot 2 Holdings Partnership

During the year, the Company paid \$9,372 (2007 – \$9,907; 2006 – \$8,560) to the Partnership for lease of office space in Shaw Tower. Shaw Tower, located in Vancouver, BC, is the Company's headquarters for its Lower Mainland operations.

Other

The Company has entered into certain transactions with companies that are affiliated with Directors of the Company as follows:

The Company paid \$2,820 (2007 – \$511; 2006 – \$858) for direct sales agent, installation and maintenance services to a company controlled by a Director and a former Director of the Company.

During the year, the Company paid \$3,208 (2007 – \$2,249; 2006 – \$1,928) for remote control units to a supplier where a Director of the Company holds a position on the supplier's board of directors.

(ii) Other transactions

The Company has entered into certain transactions with Directors and senior officers of the Company as follows:

During 2007, the Company realized a gain of \$2,680 on the sale of certain corporate assets to a company controlled by a Director of the Company. The transaction was recorded at the exchange amount, supported by independent evidence, which the parties have agreed represents the fair value of the assets.

Under a policy of supporting employee and officer relocations, the Company has granted non-interest bearing loans for a period of five years collateralized by mortgages on the personal residences. Other loans, interest and non-interest bearing, have in the past been granted to executive officers in connection with their employment for periods ranging up to 10 years. The effective interest rate on the interest bearing loan for 2008 was 4.2% (2007 – 4.9%; 2006 – 3.8%). During the year, executive officers voluntarily repaid approximately 17% (2007 – 10%;

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2006 – 10%) of their original loan balances. At August 31, 2008, the total amount outstanding on all employee and officer loans was \$3,600 (2007 – \$4,746).

19. FINANCIAL INSTRUMENTS

Fair values

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

(i) Current assets and current liabilities

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

(ii) Investments and other assets

The carrying value of investments and other assets approximates their fair value.

(iii) Long-term debt

a) The carrying value of bank loans approximates their fair value because interest charges under the terms of the bank loans are based upon current Canadian bank prime and bankers' acceptance rates and on US bank base and LIBOR rates.

b) The fair value of publicly traded notes is based upon current trading values. Other notes and debentures are valued based upon current trading values for similar instruments.

(iv) Derivative financial instruments

The fair value of cross-currency interest exchange agreements and US currency contracts is based upon quotations by the counterparties to the agreements.

The carrying values and estimated fair values of long-term debt and all derivative financial instruments are as follows:

	2008		2007	
	Carrying value \$	Estimated fair value \$	Carrying value \$	Estimated fair value \$
Long-term debt	2,707,043	2,743,250	3,068,554	3,101,732
Derivative financial instruments –				
Cross-currency interest rate				
exchange agreements	513,385	513,385	–	510,731
US currency purchase and				
purchase option contracts	6,820	6,820	–	15,948
	3,227,248	3,263,455	3,068,554	3,628,411

A hypothetical one percentage point decrease in interest rates would have the effect of increasing the estimated fair value of the Company's debt instruments to \$3.4 billion at August 31, 2008 (2007 – \$3.8 billion).

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The maturity dates for derivative financial instruments related to long-term debt are as outlined in note 9. US currency purchase contracts related to capital expenditures mature at various dates during fiscal 2009 to 2010.

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

Credit risks

Credit risks associated with cross-currency interest exchange agreements and US currency contracts arise from the ability of counterparties to meet the terms of the contracts. In the event of non-performance by the counterparties, the Company's accounting loss would be limited to the net amount that it would be entitled to receive under the contracts and agreements. These risks are mitigated by dealing with major creditworthy financial institutions.

Accounts receivable are not subject to any significant concentrations of credit risk.

Interest rate risks

The Company is exposed to interest rate price risk on its senior notes and debentures and the Partnership mortgage which incur fixed interest payments. The fair value of fixed rate debt fluctuates with changes in market interest rates available to the Company for the same or similar instruments.

The Company is exposed to interest rate cash flow risk on its operating and credit facilities which bear interest at variable rates. The cash flow required to service the interest on these facilities will fluctuate as a result of changes to market rates.

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20. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

(i) Funds flow from operations

	2008 \$	2007 \$	2006 \$
Net income	671,562	388,479	458,250
Non-cash items:			
Amortization –			
Deferred IRU revenue	(12,547)	(12,547)	(12,546)
Deferred equipment revenue	(126,601)	(104,997)	(80,256)
Deferred equipment costs	228,524	203,597	200,218
Deferred charges	1,025	5,153	5,328
Property, plant and equipment	414,732	381,909	385,607
Financing costs – long term debt	3,627	–	–
Future income tax expense (recovery)	16,366	142,871	(85,521)
Write-down of investments	–	–	519
Gain on sale of investments	–	(415)	(50,315)
Equity income on investees	(295)	(363)	(44)
Debt retirement costs	5,264	–	12,248
Fair value loss on foreign currency forward contracts	–	–	360
Foreign exchange gain on unhedged long-term debt	–	–	(5,369)
Stock-based compensation	16,894	6,787	3,272
Defined benefit pension plan	22,068	19,120	12,612
Net customs duty recovery on equipment costs	(22,267)	–	–
Other	4,543	(1,231)	2,834
Funds flow from operations	1,222,895	1,028,363	847,197

(ii) Changes in non-cash working capital balances related to operations include the following:

	2008 \$	2007 \$	2006 \$
Accounts receivable	(32,646)	(16,435)	(23,561)
Prepays and other	(9,900)	(9,563)	(5,741)
Accounts payable and accrued liabilities	54,839	(14,435)	22,338
Income taxes payable	(58)	661	(1,348)
Unearned revenue	7,069	11,422	7,988
	19,304	(28,350)	(324)

(iii) Interest and income taxes paid (recovered) and classified as operating activities are as follows:

	2008 \$	2007 \$	2006 \$
Interest	241,899	231,513	245,404
Income taxes	57	(717)	3,203

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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

(iv) Non-cash transactions

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

	2008 \$	2007 \$	2006 \$
Class B Non-Voting Shares issued on an acquisition <i>[note 2]</i>	–	3,000	–

21. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements of the Company are prepared in Canadian dollars in accordance with Canadian GAAP. The following adjustments and disclosures would be required in order to present these consolidated financial statements in accordance with US GAAP.

(a) Reconciliation to US GAAP

	2008 \$	2007 \$	2006 \$
Net income using Canadian GAAP	671,562	388,479	458,250
Add (deduct) adjustments for:			
Deferred charges and credits ⁽²⁾	(18,808)	5,672	15,362
Foreign exchange gains on hedged long-term debt ⁽³⁾	–	47,382	78,937
Reclassification of hedge losses from other comprehensive income ⁽⁸⁾	–	(47,382)	(78,937)
Capitalized interest ⁽¹¹⁾	4,133	2,244	–
Income taxes ⁽¹²⁾	(2,048)	(10,461)	(8,990)
Net income using US GAAP	654,839	385,934	464,622
Unrealized foreign exchange loss on translation of a self-sustaining foreign operation	–	(18)	(35)
Reclassification adjustments for gains on available-for- sale securities included in net income ⁽⁷⁾	–	–	(29,728)
Adjustment to fair value of derivatives ⁽⁸⁾	–	5,730	(62,843)
Reclassification of derivative losses to income to offset foreign exchange gains on hedged long-term debt ⁽⁸⁾	–	40,215	74,632
Change in funded status of non-contributory defined pension plan ⁽¹⁰⁾	(3,135)	–	–
Minimum liability for pension plan ⁽¹⁰⁾	–	5,813	2,848
	(3,135)	51,740	(15,126)
Comprehensive income using US GAAP	651,704	437,674	449,496
Earnings per share using US GAAP			
Basic	1.52	0.89	1.07
Diluted	1.51	0.89	1.07

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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

Consolidated Balance Sheet items using US GAAP

	2008		2007	
	Canadian GAAP \$	US GAAP \$	Canadian GAAP \$	US GAAP \$
Property, plant and equipment ⁽¹¹⁾	2,616,500	2,622,877	2,422,900	2,425,144
Deferred charges ⁽²⁾⁽⁹⁾	274,666	175,818	278,525	170,881
Broadcast rights ⁽¹⁾⁽⁵⁾⁽⁶⁾	4,776,078	4,750,844	4,776,078	4,750,844
Long-term debt ⁽²⁾	2,706,534	2,731,404	2,771,316	2,771,316
Other long-term liability ⁽¹⁰⁾	78,912	183,347	56,844	157,043
Derivative instruments ⁽⁸⁾	518,856	518,856	–	526,679
Deferred credits ⁽²⁾⁽³⁾⁽⁹⁾	687,836	685,349	1,151,724	687,913
Future income taxes	1,281,826	1,215,566	1,327,914	1,271,791
Shareholders' equity:				
Share capital	2,063,431	2,063,431	2,053,160	2,053,160
Contributed surplus	23,027	23,027	8,700	8,700
Retained earnings (deficit)	226,408	121,169	(68,132)	(178,652)
Accumulated other comprehensive income (loss)	(57,674)	(130,698)	312	(126,746)
Total shareholders' equity	2,255,192	2,076,929	1,994,040	1,756,462

The cumulative effect of these adjustments on consolidated shareholders' equity is as follows:

	2008 \$	2007 \$
Shareholders' equity using Canadian GAAP	2,255,192	1,994,040
Amortization of intangible assets ⁽¹⁾	(130,208)	(130,208)
Deferred charges and credits ⁽²⁾	(19,989)	(4,215)
Equity in loss of investees ⁽⁴⁾	(35,710)	(35,710)
Gain on sale of subsidiary ⁽⁵⁾	16,052	16,052
Gain on sale of cable systems ⁽⁶⁾	50,063	50,063
Foreign exchange gains on hedged long-term debt ⁽³⁾	–	386,075
Reclassification of hedge losses from other comprehensive income ⁽⁸⁾	–	(386,075)
Capitalized interest ⁽¹¹⁾	4,623	1,566
Income taxes ⁽¹²⁾⁽¹³⁾	9,930	(8,068)
Accumulated other comprehensive loss	(73,024)	(127,058)
Shareholders' equity using US GAAP	2,076,929	1,756,462

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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

Under US GAAP, additional amounts are recorded in other comprehensive income (loss). The Company's accumulated other comprehensive loss is comprised of the following:

	2008 \$	2007 \$
Fair value of derivatives ⁽⁸⁾	–	(57,169)
Pension liability ⁽¹⁰⁾	(73,024)	(69,889)
Accumulated other comprehensive loss	(73,024)	(127,058)

Areas of material difference between Canadian and US GAAP and their impact on the consolidated financial statements are as follows:

(1) Amortization of intangible assets

Until September 1, 2001, under Canadian GAAP amounts allocated to broadcast rights were amortized using an increasing charge method which commenced in 1992. Under US GAAP, these intangibles were amortized on a straight-line basis over 40 years. Effective September 1, 2001, broadcast rights are considered to have an indefinite life and are no longer amortized under Canadian and US GAAP.

(2) Deferred charges and credits

The excess of equipment costs over equipment revenues are deferred and amortized under Canadian GAAP. Under US GAAP, these costs are expensed as incurred.

For US GAAP, transaction costs, financing costs and proceeds on bond forward contracts associated with the issuance of debt securities and fair value adjustments on debt assumed in business acquisitions are recorded as deferred charges and deferred credits and amortized to income on a straight-line basis over the period to maturity of the related debt. Effective September 1, 2007 for Canadian GAAP, such amounts are recorded as part of the principal balance of debt and amortized to income using the effective interest rate method.

(3) Foreign exchange gains on hedged long-term debt

Until September 1, 2007, foreign exchange gains on translation of hedged long-term debt were deferred under Canadian GAAP but included in income for US GAAP. Effective September 1, 2007, these foreign exchange gains are included in income for Canadian GAAP.

(4) Equity in loss of investees

The earnings of investees determined under Canadian GAAP have been adjusted to reflect US GAAP.

Under Canadian GAAP, the investment in Star Choice was accounted for using the cost method until CRTC approval was received for the acquisition. When the Company received CRTC approval, the amount determined under the cost method became the basis for the purchase price allocation and equity accounting commenced. Under US GAAP, equity accounting for the investment was applied retroactively to the date the Company first acquired shares in Star Choice.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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

(5) Gain on sale of subsidiary

In 1997, the Company acquired a 54% interest in Star Choice in exchange for the shares of HomeStar Services Inc., a wholly-owned subsidiary at that time. Under Canadian GAAP, the acquisition of the investment in Star Choice was a non-monetary transaction that did not result in the culmination of the earnings process, as it was an exchange of control over similar productive assets. As a result, the carrying value of the Star Choice investment was recorded at the book value of assets provided as consideration on the transaction. Under US GAAP, the transaction would have been recorded at the fair value of the shares in HomeStar Services Inc. This would have resulted in a gain on disposition of the consideration the Company exchanged for its investment in Star Choice and an increase in the acquisition cost for Star Choice.

(6) Gain on sale of cable systems

The gain on sale of cable systems determined under Canadian GAAP has been adjusted to reflect the lower net book value of broadcast rights under US GAAP as a result of item (1) adjustments.

Under Canadian GAAP, no gain was recorded in 1995 on an exchange of cable systems with Rogers Communications Inc. on the basis that this was an exchange of similar productive assets. Under US GAAP the gain net of applicable taxes is recorded and amortization adjusted as a result of the increase in broadcast rights upon the recognition of the gain.

(7) Gains (losses) on investments

Under US GAAP, equity securities having a readily determinable fair value and not classified as trading securities are classified as "available-for-sale securities" and reported at fair value, with unrealized gains and losses included in comprehensive income and reported as a separate component of shareholders' equity net of related future income taxes. Gains and losses on the sale of available-for-sale securities are determined using the specific identification method. Declines in the fair value of individual available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses.

Until September 1, 2007, under Canadian GAAP, available-for-sale securities were carried at cost and written down only when there was evidence that a decline in value, that was other than temporary, had occurred.

(8) Derivative instruments and hedging activities

Under US GAAP, all derivatives are recognized in the Consolidated Balance Sheet at fair value. Derivatives that are not hedges are adjusted to fair value through income. Derivatives that are hedges are adjusted through income or other comprehensive income until the hedged item is recognized in income depending on the nature of the hedge.

Until September 1, 2007 under Canadian GAAP, only speculative derivative financial instruments and those that did not qualify for hedge accounting were recognized in the Consolidated Balance Sheet.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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

(9) Subscriber connection fee revenue and related costs

Subscriber connection fee revenue and related costs are deferred and amortized under Canadian GAAP. Under US GAAP, connection revenues are recognized immediately to the extent of related costs, with any excess deferred and amortized.

(10) Pension liability

Effective August 31, 2007, the Company adopted FASB Statement No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans". Under Statement No. 158, the Company is required to recognize the funded status of the non-contributory defined benefit pension plan on the Consolidated Balance Sheet and to recognize changes in the funded status in other comprehensive income (loss).

Prior to the adoption of Statement No. 158, an additional minimum liability was recorded for the difference between the accumulated benefit obligation and the accrued pension liability. The additional liability was offset in deferred charges up to an amount not exceeding the unamortized past service costs and the remaining difference was recognized in other comprehensive income, net of tax.

Under Canadian GAAP, the over or under funded status of defined benefit plans is not recognized on the Consolidated Balance Sheet.

(11) Under US GAAP, interest costs are capitalized as part of the historical cost of acquiring certain qualifying assets which require a period of time to prepare for their intended use. Interest capitalization is not required under Canadian GAAP.

(12) Income taxes reflects the impact of future income tax rate reductions on the differences identified above and an adjustment for the tax benefit related to capital losses that cannot be recognized for US GAAP.

(13) The Company adopted FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No 109" effective September 1, 2007. This interpretation clarifies the accounting for uncertainty in income taxes by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized for US GAAP. The adoption of this interpretation did not have a material impact on the results of the Company for US GAAP purposes.

(b) Stock-based compensation

For all common share options granted to employees up to August 31, 2003 the Company applied APB Opinion 25 "Accounting for Stock Issued to Employees" in accounting for common share options granted to employees and officers for US GAAP purposes. Pro forma disclosures of net income and net income per share are presented below as if the Company had adopted the cost recognition requirements under FASB Statement No. 123, "Accounting for Stock-Based Compensation". Pro forma disclosures are not likely to be representative of the effects on reported income for future years.

Shaw Communications Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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

		2007 \$	2006 \$
Net income, US GAAP	As reported	385,934	464,622
	Pro forma	385,815	462,752
Net income per share, US GAAP	As reported	0.89	1.07
	Pro forma	0.89	1.06

(c) Advertising costs

Advertising costs are expensed when incurred for both Canadian and US GAAP and for 2008, amounted to \$47,656 (2007 – \$43,210; 2006 – \$35,464).

(d) Recent accounting pronouncements

(i) Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157 “Fair Value Measurements”. This statement provides a common definition of fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements. Accordingly, this Statement does not require any new fair value measurements. SFAS 157 is effective for the Company’s 2009 fiscal year. The Company is currently assessing the impact of the adoption of this new accounting standard.

(ii) Business Combinations

In December 2007, the FASB issued SFAS 141R “Business Combinations”. This revised statement requires assets and liabilities acquired in a business combination, contingent consideration, and certain acquired contingencies to be measured at their fair values as of the date of acquisition. In addition, acquisition-related and restructuring costs are to be recognized separately from the business combination. SFAS 141R will impact the accounting treatment of business combinations entered into after September 1, 2009.

22. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current year.

Shaw Communications Inc.
FIVE YEARS IN REVIEW
August 31, 2008

(\$000's except per share amounts)	2008	2007	2006	2005	2004
Service revenue					
Cable	2,375,586	2,082,652	1,808,583	1,598,369	1,491,569
DTH	640,061	605,176	567,807	530,729	505,637
Satellite	89,212	86,617	82,894	80,712	82,543
	3,104,859	2,774,445	2,459,284	2,209,810	2,079,749
Service operating income (loss) before amortization⁽¹⁾					
Cable	1,153,274	995,694	857,466	797,583	779,579
DTH	206,541	196,404	175,401	141,687	111,150
Satellite	48,421	47,527	45,050	42,723	41,690
Litigation settlement	–	–	–	–	(6,484)
	1,408,236	1,239,625	1,077,917	981,993	925,935
Net income	671,562	388,479	458,250	153,221	70,870
Earnings per share					
Basic	1.56	0.90	1.05	0.34	0.16
Diluted	1.55	0.89	1.05	0.34	0.16
Funds flow from operations⁽²⁾	1,222,895	1,028,363	847,197	728,524	654,585
Balance sheet					
Total assets	8,357,801	8,163,739	7,661,543	7,430,185	7,576,720
Long-term debt (including current portion)	2,707,043	3,068,554	2,996,385	3,199,542	3,344,258
Cash dividends declared per share					
Class A	0.702	0.462	0.235	0.153	0.078
Class B	0.705	0.465	0.238	0.155	0.080

(1) See key performance drivers on page 9.

(2) Funds flow from operations is presented before changes in non-cash working capital as presented in the Consolidated Statements of Cash Flows.

Shaw Communications Inc.
SHAREHOLDERS' INFORMATION
August 31, 2008

Share Capital and Listings

The Company is authorized to issue a limited number of Class A participating and an unlimited number of Class B Non-Voting participating shares. The authorized number of Class A Shares is limited, subject to certain exceptions, to the lesser of that number of such shares (i) currently issued and outstanding; and (ii) that may be outstanding after any conversion of Class A Shares into Class B Non-Voting Shares. At August 31, 2008, the Company had 22,550,064 Class A Shares and 405,882,652 Class B Non-Voting Shares outstanding. The Class A Shares are listed on the TSX Venture Stock Exchange under the symbol SJR.A. The Class B Non-Voting Shares are listed on the Toronto Stock Exchange under SJR.B and on the New York Stock Exchange under the symbol SJR.

Trading Range of Class B Non-Voting Shares on the Toronto Stock Exchange

Quarter	High Close	Low Close	Total Volume
September 1, 2007 to August 31, 2008			
First	26.38	23.04	1,546,195,780
Second	25.35	18.19	1,898,847,775
Third	22.20	17.42	1,617,588,781
Fourth	23.04	19.25	1,479,350,926
Closing price, August 31, 2008	22.90		6,541,983,262

Share Splits

There have been four splits of the Company's shares; July 30, 2007 (2 for 1), February 7, 2000 (2 for 1), May 18, 1994 (2 for 1), and September 23, 1987 (3 for 1). In addition, as a result of the Arrangement referred to in the Management Information Circular dated July 22, 1999, a Shareholder's Adjusted Cost Base (ACB) was reduced for tax purposes. For details on the calculation of the revised ACB, please refer to the Company's September 1, 1999 and September 13, 1999 press releases on Shaw's Investor Relations website at www.shaw.ca.

Shaw Communications Inc.
CORPORATE INFORMATION
August 31, 2008

DIRECTORS

JR Shaw⁽⁴⁾
 Executive Chair
 Shaw Communications Inc.

Adrian L. Burns⁽³⁾
 Corporate Director

George F. Galbraith⁽³⁾
 Corporate Director

Dr. Lynda Haverstock⁽³⁾
 President and Chief
 Executive Officer
 Tourism Saskatchewan

Ronald V. Joyce⁽⁴⁾
 Corporate Director

Gregory John Keating⁽¹⁾
 Chairman and Chief
 Executive Officer
 Altimax Venture Capital

**Rt. Hon. Donald F.
 Mazankowski**⁽³⁾⁽⁴⁾
 Corporate Director

Michael W. O'Brien⁽¹⁾
 Corporate Director

Paul K. Pew⁽¹⁾
 Founder and Co-CEO
 G3 Capital Corp.

Harold A. Roozen⁽²⁾
 Chairman and Chief
 Executive Officer
 CCI Thermal
 Technologies Inc.

Jeffrey C. Royer⁽²⁾
 Corporate Director
 and Private Investor

Bradley S. Shaw
 Senior Vice President,
 Operations
 Shaw Communications Inc.

Jim Shaw
 Chief Executive Officer and
 Vice Chair
 Shaw Communications Inc.

JC Sparkman^{(2) (4)}
 Corporate Director

Carl E. Vogel⁽¹⁾
 Vice Chairman
 DISH Network Corporation &
 Vice Chairman Echostar
 Corp.

Willard (Bill) H. Yuill⁽²⁾
 Chairman and Chief
 Executive Officer
 The Monarch Corporation

SENIOR OFFICERS

JR Shaw
 Executive Chair

Jim Shaw
 Chief Executive Officer and
 Vice Chair

Rhonda D. Bashnick
 Vice President, Finance

Peter J. Bissonnette
 President

Michael D'Avella
 Senior Vice President,
 Planning

Bradley S. Shaw
 Senior Vice President,
 Operations

Ken C.C. Stein
 Senior Vice President,
 Corporate and Regulatory
 Affairs

Steve Wilson
 Senior Vice President and
 Chief Financial Officer

CORPORATE SECRETARY:
Douglas J. Black, QC

HONORARY SECRETARY:
**Louis Desrochers, CM, AOE,
 QC, LLD**

- (1) Audit Committee
- (2) Human Resources
 Committee
- (3) Corporate Governance
 Committee
- (4) Executive Committee

CORPORATE OFFICE

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CORPORATE GOVERNANCE

Information concerning
 Shaw's corporate governance
 policies are contained in the
 Information Circular and is
 also available on Shaw's
 website, www.shaw.ca

Information concerning
 Shaw's compliance with the
 corporate governance listing
 standards of the New York
 Stock Exchange is available
 in the investor relations
 section on Shaw's website,
www.shaw.ca

INTERNET HOME PAGE

Shaw's Annual Report,
 Annual Information Form,
 Quarterly Reports, Press
 Releases and other relevant
 investor relations information
 are available electronically
 on the Internet at
www.shaw.ca

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The Toronto-Dominion Bank

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 416-263-9394

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FURTHER INFORMATION

Financial analysts, portfolio
 managers, other investors
 and interested parties may
 contact the Company at
 (403) 750-4500 or visit
 Shaw's website at
www.shaw.ca for further
 information.

To receive additional copies
 of this Annual Report, please
 fax your request to
 (403) 750-7469 or email
investor.relations@sjrb.ca

For further inquiries relating
 to Shaw's philanthropic
 practices, please call
 (403) 750-7498.

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We, the leading entertainment and communications company, deliver exceptional customer experience through outstanding people sharing Shaw values.

