Shaw Communications Inc.
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS AND REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
August 31, 2009

November 30, 2009

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 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, 2009.

[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, 2009, and 2008 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, 2009. 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, 2009 and 2008 and the results of its operations and its cash flows for each of the years in the three-year period ended August 31, 2009 in accordance with Canadian Generally Accepted Accounting Principles.

As explained in Note 1 to the Consolidated Financial Statements, in fiscal 2009, the Company adopted the requirements of the Canadian Institute of Chartered Accountants Handbook, Section 3031 "Inventories".

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, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 30, 2009, expressed an unqualified opinion thereon.

Calgary, Canada
November 30, 2009

Ernst & Young LLP

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, 2009, 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, 2009, 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, 2009 and 2008 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, 2009, and our report dated November 30, 2009, expressed an unqualified opinion thereon.

Calgary, Canada
November 30, 2009

Ernst + Young LLP

Chartered Accountants

Shaw Communications Inc.
CONSOLIDATED BALANCE SHEETS

As at August 31 [thousands of Canadian dollars]	2009 $	2008 $
ASSETS		
Current		
Cash and cash equivalents	**253,862**	–
Short-term securities	**199,375**	–
Accounts receivable *[note 3]*	**194,483**	188,145
Inventories *[note 4]*	**52,304**	51,774
Prepaids and other	**35,688**	27,328
Future income taxes *[note 14]*	**21,957**	137,220
	757,669	404,467
Investments and other assets *[note 5]*	**194,854**	197,979
Property, plant and equipment *[note 6]*	**2,821,544**	2,616,500
Deferred charges *[note 7]*	**259,738**	274,666
Intangibles *[note 8]*		
Broadcast rights	**4,816,153**	4,776,078
Goodwill	**88,111**	88,111
	8,938,069	8,357,801
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness *[note 9]*	**–**	44,201
Accounts payable and accrued liabilities *[notes 13 and 17]*	**563,110**	655,756
Income taxes payable	**25,320**	2,446
Unearned revenue	**133,798**	124,384
Current portion of long-term debt *[note 9]*	**481,739**	509
Current portion of derivative instruments *[note 19]*	**173,050**	1,349
	1,377,017	828,645
Long-term debt *[note 9]*	**2,668,749**	2,706,534
Other long-term liability *[note 17]*	**104,964**	78,912
Derivative instruments *[note 19]*	**292,560**	518,856
Deferred credits *[note 10]*	**659,073**	687,836
Future income taxes *[note 14]*	**1,337,722**	1,281,826
	6,440,085	6,102,609
Commitments and contingencies *[notes 9, 16 and 17]*		
Shareholders' equity		
Share capital *[note 11]*		
Class A Shares	**2,468**	2,471
Class B Non-Voting Shares	**2,111,381**	2,060,960
Contributed surplus *[note 11]*	**38,022**	23,027
Retained earnings	**384,747**	226,408
Accumulated other comprehensive loss *[note 12]*	**(38,634)**	(57,674)
	2,497,984	2,255,192
	8,938,069	8,357,801

See accompanying notes

On behalf of the Board:

[Signed]
JR Shaw
Director

[Signed]
Michael O'Brien
Director

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

Years ended August 31 [thousands of Canadian dollars except per share amounts]	2009 $	2008 $	2007 $
Service revenue *[note 15]*	**3,390,913**	3,104,859	2,774,445
Operating, general and administrative expenses	**1,851,963**	1,696,623	1,534,820
Service operating income before amortization *[note 15]*	**1,538,950**	1,408,236	1,239,625
Amortization –			
Deferred IRU revenue *[note 10]*	**12,547**	12,547	12,547
Deferred equipment revenue *[note 10]*	**132,974**	126,601	104,997
Deferred equipment costs *[note 7]*	**(247,110)**	(228,524)	(203,597)
Deferred charges *[note 7]*	**(1,025)**	(1,025)	(5,153)
Property, plant and equipment *[note 6]*	**(480,582)**	(414,732)	(381,909)
Operating income	**955,754**	903,103	766,510
Amortization of financing costs – long-term debt *[note 9]*	**(3,984)**	(3,627)	–
Interest *[notes 7, 9, 10 and 13]*	**(237,047)**	(230,588)	(245,043)
	714,723	668,888	521,467
Debt retirement costs *[note 9]*	**(8,255)**	(5,264)	–
Other gains *[note 1]*	**19,644**	24,009	9,520
Income before income taxes	**726,112**	687,633	530,987
Income tax expense *[note 14]*	**190,774**	16,366	142,871
Income before the following	**535,338**	671,267	388,116
Equity income (loss) on investee	**(99)**	295	363
Net income	**535,239**	671,562	388,479
Retained earnings (deficit), beginning of year	**226,408**	(68,132)	(172,701)
Adjustment for adoption of new accounting policy *[note 1]*	**–**	1,754	–
Reduction on Class B Non-Voting Shares purchased for cancellation *[note 11]*	**(25,017)**	(74,963)	(82,702)
Dividends – Class A Shares and Class B Non-Voting Shares	**(351,883)**	(303,813)	(201,208)
Retained earnings (deficit), end of year	**384,747**	226,408	(68,132)
Earnings per share *[note 11]*			
Basic	**$ 1.25**	$ 1.56	$ 0.90
Diluted	**$ 1.24**	$ 1.55	$ 0.89

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]	2009 $	2008 $	2007 $
Net income	**535,239**	671,562	388,479
Other comprehensive income (loss) *[note 12]*			
Change in unrealized fair value of derivatives designated as cash flow hedges	**22,588**	(36,193)	–
Realized gains on cancellation of forward purchase contracts	**9,314**	–	–
Adjustment for hedged items recognized in the period	**14,443**	40,223	
Reclassification of foreign exchange gain on hedging derivatives to income to offset foreign exchange loss on US denominated debt	**(27,336)**	(4,796)	–
Unrealized foreign exchange gain (loss) on translation of a self-sustaining foreign operation	**31**	7	(18)
	19,040	(759)	(18)
Comprehensive income	**554,279**	670,803	388,461
Accumulated other comprehensive income (loss), beginning of year	**(57,674)**	312	330
Adjustment for adoption of new accounting policy *[note 1]*	**–**	(57,227)	–
Other comprehensive income (loss)	**19,040**	(759)	(18)
Accumulated other comprehensive income (loss), end of year	**(38,634)**	(57,674)	312

See accompanying notes

Shaw Communications Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31 [thousands of Canadian dollars]	2009 $	2008 $	2007 $
OPERATING ACTIVITIES *[note 20]*			
Funds flow from operations	**1,323,840**	1,222,895	1,028,363
Net decrease (increase) in non-cash working capital balances related to operations	**59,090**	19,304	(28,350)
	1,382,930	1,242,199	1,000,013
INVESTING ACTIVITIES			
Additions to property, plant and equipment *[note 15]*	**(677,918)**	(606,093)	(554,565)
Additions to equipment costs (net) *[note 15]*	**(124,968)**	(121,327)	(96,516)
Net customs duty recovery on equipment costs	**–**	22,267	–
Proceeds on cancellation of US forward purchase contracts *[note 15]*	**13,384**	–	–
Net decrease (increase) to inventories	**(530)**	8,827	(6,607)
Deposits on wireless spectrum licenses *[note 5]*	**(152,465)**	(38,447)	–
Cable business acquisitions *[note 2]*	**(46,300)**	–	(72,361)
Proceeds on disposal of property, plant and equipment and other assets	**22,081**	638	15,970
Additions to deferred charges	**–**	–	(5,698)
	(966,716)	(734,135)	(719,777)
FINANCING ACTIVITIES			
Increase (decrease) in bank indebtedness	**(44,201)**	44,201	(20,362)
Increase in long-term debt	**835,155**	297,904	460,000
Long-term debt repayments	**(427,124)**	(640,142)	(340,449)
Cost to terminate forward contracts	**–**	–	(370)
Proceeds on bond forward contracts	**10,757**	–	190
Debt retirement costs *[note 9]*	**(9,161)**	(4,272)	–
Issue of Class B Non-Voting Shares, net of after-tax expenses	**56,996**	32,498	92,058
Purchase of Class B Non-Voting Shares for cancellation *[note 11]*	**(33,574)**	(99,757)	(104,763)
Dividends paid on Class A Shares and Class B Non-Voting Shares	**(351,883)**	(303,813)	(201,208)
	36,965	(673,381)	(114,904)
Effect of currency translation on cash balances and cash flows	**58**	7	(22)
Increase (decrease) in cash and cash equivalents	**453,237**	(165,310)	165,310
Cash, beginning of year	**–**	165,310	–
Cash, end of year	**453,237**	–	165,310

Cash includes cash, cash equivalents and short-term securities

See accompanying notes

August 31, 2009, 2008 and 2007
[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 (Shaw Direct) and satellite distribution services ("Satellite Services").

The consolidated financial statements are prepared by management 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 22.

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:

	2009 $	2008 $
Working capital	**369**	345
Property, plant and equipment	**17,451**	18,120
	17,820	18,465
Debt	**21,473**	21,963
Proportionate share of net liabilities	**(3,653)**	(3,498)

	2009 $	2008 $	2007 $
Operating, general and administrative expenses	**1,829**	1,829	1,829
Amortization	**(688)**	(707)	(707)
Interest	**(1,358)**	(1,389)	(1,418)
Other gains	**879**	848	735
Proportionate share of income before income taxes	**662**	581	439
Cash flow provided by operating activities	**1,326**	1,608	1,284
Cash flow used in financing activities	**(509)**	(478)	(449)
Proportionate share of increase in cash	**817**	1,130	835

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. Investments of this nature are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the investee's net income or losses after the date of investment, additional contributions made and dividends received. Investments are written down when there is clear evidence that a decline in value that is other than temporary has occurred.

Amounts paid and payable for spectrum licenses are recorded as deposits until Industry Canada awards the operating licenses which was subject to approval of documents at year end.

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 generally 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.

(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.

Short-term securities

Short-term securities include money market instruments with terms ranging from three to twelve months to maturity and are recorded at cost plus accrued interest.

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 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	2-7 years
Satellite audio, video and data network equipment and DTH receiving equipment	4-10 years
Buildings	20-40 years
Data processing	4 years
Other	3-20 years

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; (ii) credit facility arrangement fees amortized on a straight-line basis over the term of the facility; (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; and (iv) the non-current portion of prepaid maintenance and support contracts.

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. Identifiable intangibles are tested for impairment by comparing the estimated fair value of the intangible asset with its carrying amount. Goodwill impairment is determined using a two-step process. The first step involves a comparison of the estimated fair value of the reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired, thus the second step of the impairment test is unnecessary. If the carrying amount of the reporting unit exceeds its fair value, the second step of the impairment test is performed to measure the amount of the impairment loss.

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 fibre sale.

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 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 ($1,599) (2008 – ($644); 2007 – $255) and is included in other gains.

Exchange gains and losses on translating hedged 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.

Financial instruments other than derivatives

Financial instruments have been classified as loans and receivables, assets available-for-sale or financial liabilities. Financial instruments designated as assets available-for-sale are carried at fair value while loans and receivables and financial liabilities are carried at amortized cost. None of the Company's financial assets are classified as held-for-trading or held-to-maturity and none of its financial liabilities are classified as held-for-trading. Certain private investments where market value is not readily determinable are carried at cost net of write-downs.

Finance costs, discounts and proceeds on bond forward contracts associated with the issuance of debt securities and fair value adjustments on debt assumed in business acquisitions are netted against the related debt instrument and amortized to income using the effective interest rate method. Accordingly, long-term debt accretes over time to the principal amount that will be owing at maturity. Prior to adopting the new financial instruments standards on September 1, 2007, such amounts were amortized on a straight-line basis over the period of the related debt instrument. Upon adoption of these new standards on a retrospective basis without restatement, $1,754 was credited to opening retained earnings for the cumulative net of tax difference between the two amortization methods.

Derivative financial instruments

The Company uses derivative financial instruments to manage risks from fluctuations in foreign exchange rates and interest rates. These instruments include cross-currency interest rate exchange agreements, foreign currency forward purchase contracts and bond forward 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). The adoption of the new financial instruments standards resulted in a charge of $57,227, net of tax, to accumulated other comprehensive loss.

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 ("EARSL") 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 EARSL. 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 EARSL which for active employees covered by the defined benefit pension plan is 11.1 years at August 31, 2009 (2008 – 12.1 years; 2007 –

12.0 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, 2009.

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. The fair value of options are expensed and credited to contributed surplus 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.

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, certain assumptions used in determining defined benefit plan pension expense and the recoverability of deferred costs, broadcast rights and goodwill using estimated future cash flows. Significant changes in assumptions could result in impairment of intangible assets.

Adoption of recent Canadian accounting pronouncements

(i) Inventories

Effective September 1, 2008, the Company adopted CICA Handbook Section 3031, "Inventories", which provides more guidance on measurement and disclosure requirements. The application of this standard had no impact on the Company's consolidated financial statements.

(ii) Financial instruments

Effective September 1, 2008, the Company adopted 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. The new disclosures are included in note 19.

In January 2009, the CICA issued EIC-173 "Credit Risk and the Fair Value of Financial Assets and Liabilities", which requires the Company take into account its own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and liabilities, including derivative instruments. The adoption of EIC-173 during the second quarter of the current year had no impact on the Company's consolidated financial statements as credit adjusted fair values had already been used.

(iii) Capital disclosures

Effective September 1, 2008, the Company adopted 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. The new disclosures are included in note 21.

Recent Canadian accounting pronouncements

(i) 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 does not expect this standard to have a significant impact on its consolidated financial statements upon adoption.

(ii) International Financial Reporting Standards (IFRS)

In February 2008, the CICA Accounting Standards Board (AScB) confirmed that Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), for fiscal periods beginning on or after January 1, 2011. These standards would require the Company to begin reporting under IFRS in fiscal 2012 with comparative data for the prior year. The Company has developed its plan and has completed the preliminary identification and assessment of the accounting and reporting differences under IFRS as compared to Canadian GAAP. Evaluation of accounting policies is in progress; however, at this time, the full impact of adopting IFRS is not reasonably estimable or determinable.

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2. BUSINESS ACQUISITIONS

	2009
	Cash purchase price $
(i) Cable systems	46,300

	2007		
	Cash $	Issuance of Class B Non-Voting Shares $	Total purchase price $
(ii) Cable systems	72,336	3,000	75,336

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

	2009 $	2007 $
Identifiable net assets acquired at assigned fair values		
Property, plant and equipment	**6,825**	8,232
Broadcast rights *[note 8]*	**40,075**	84,594
	46,900	92,826
Working capital deficiency	**600**	2,973
Future income taxes	**–**	14,517
	600	17,490
Purchase price	**46,300**	75,336

(i) During 2009, the Company purchased the assets comprising the Campbell River cable system in British Columbia which serves approximately 12,000 basic subscribers. The acquisition was effective February 1, 2009 and results of operations have been included from that date.

(ii) 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.

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3. ACCOUNTS RECEIVABLE

	2009 $	2008 $
Subscriber and trade receivables	**204,786**	197,163
Due from officers and employees	**843**	841
Due from related parties *[note 18]*	**682**	875
Miscellaneous receivables	**5,333**	4,662
	211,644	203,541
Less allowance for doubtful accounts	**(17,161)**	(15,396)
	194,483	188,145

Included in operating, general and administrative expenses is a provision for doubtful accounts of $19,298 (2008 – $15,281; 2007 – $3,086).

4. INVENTORIES

	2009 $	2008 $
Subscriber equipment	**48,639**	49,317
Other	**3,665**	2,457
	52,304	51,774

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

5. INVESTMENTS AND OTHER ASSETS

	2009 $	2008 $
Investment, at cost net of write-down:		
Investment in a private technology company	**200**	1,295
Deposits:		
Wireless spectrum licenses	**190,912**	190,912
Other assets:		
Loan *[note 18]*	**3,600**	3,600
Other	**142**	2,172
	194,854	197,979

Deposits

In 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. The total cost was $190,912 which consisted of $189,519 for the licenses and $1,393 of related auction expenditures.

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6. PROPERTY, PLANT AND EQUIPMENT

	2009			2008		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Cable and telecommunications distribution system	**3,841,087**	**1,871,738**	**1,969,349**	3,664,151	1,784,014	1,880,137
Digital cable terminals and modems	**377,698**	**150,749**	**226,949**	258,141	112,794	145,347
Satellite audio, video and data network equipment and DTH receiving equipment	**154,916**	**104,600**	**50,316**	153,352	90,453	62,899
Buildings	**343,605**	**106,986**	**236,619**	327,641	96,108	231,533
Data processing	**217,455**	**109,088**	**108,367**	152,929	78,107	74,822
Other assets	**252,019**	**119,909**	**132,110**	208,302	119,754	88,548
	5,186,780	**2,463,070**	**2,723,710**	4,764,516	2,281,230	2,483,286
Land	**44,860**	**–**	**44,860**	44,354	–	44,354
Assets under construction	**52,974**	**–**	**52,974**	88,860	–	88,860
	5,284,614	**2,463,070**	**2,821,544**	4,897,730	2,281,230	2,616,500

Included in the cable and telecommunications distribution system assets is the cost of the Company's purchase of fibres under IRU agreements with terms extending to 60 years totalling $61,811 (2008 – $61,811). In 2009, the Company recognized a gain of $8,360 (2008 – $270; 2007 – $5,699) on the disposal of property, plant and equipment.

7. DEFERRED CHARGES

	2009			2008		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Equipment costs subject to a deferred revenue arrangement	**710,810**	**481,591**	**229,219**	686,406	438,831	247,575
Financing costs and credit facility arrangement fees	**5,039**	**2,268**	**2,771**	5,039	1,260	3,779
Connection and installation costs	**15,601**	**12,175**	**3,426**	24,290	19,073	5,217
Other	**24,458**	**136**	**24,322**	18,214	119	18,095
	755,908	**496,170**	**259,738**	733,949	459,283	274,666

Amortization provided in the accounts on deferred charges for 2009 amounted to $253,303 (2008 – $237,740; 2007 – $222,493) of which $248,135 was recorded as amortization of deferred charges and equipment costs (2008 – $229,549; 2007 – $208,750) and $5,168 was recorded as operating, general and administrative expenses (2008 – $8,191; 2007 – $12,474). In 2007, $1,269 was recorded to as interest expense.

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8. INTANGIBLES

	Carrying amount	
	2009 $	2008 $
Broadcast rights		
Cable systems	**3,833,021**	3,792,946
DTH and satellite services	**983,132**	983,132
	4,816,153	4,776,078
Goodwill – non-regulated satellite services	**88,111**	88,111
Net book value	**4,904,264**	4,864,189

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

	Broadcast rights $	Goodwill $
August 31, 2007 and 2008	4,776,078	88,111
Business acquisition *[note 2]*	40,075	–
August 31, 2009	4,816,153	88,111

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9. LONG-TERM DEBT

		2009			2008		
	Effective interest rates %	Translated at year-end exchange rate (1) $	Adjustment for hedged debt and finance costs (1) (2) $	Long-term debt repayable at maturity $	Translated at year-end exchange rate (1) $	Adjustment for hedged debt and finance costs (1) (2) $	Long-term debt repayable at maturity $
Corporate							
Bank loans	Variable	–	–	–	55,000	–	55,000
Senior notes –							
Cdn $600,000 6.50% due June 2, 2014	6.56	**593,824**	**6,176**	**600,000**	–	–	–
Cdn $400,000 5.70% due March 2, 2017	5.72	**395,646**	**4,354**	**400,000**	395,196	4,804	400,000
Cdn $450,000 6.10% due November 16, 2012	6.11	**446,836**	**3,164**	**450,000**	445,997	4,003	450,000
Cdn $300,000 6.15% due May 9, 2016	6.34	**291,987**	**8,013**	**300,000**	291,059	8,941	300,000
US $440,000 8.25% due April 11, 2010(3)	7.88	**481,198**	**161,422**	**642,620**	465,711	176,909	642,620
US $225,000 7.25% due April 6, 2011(3)	7.68	**245,632**	**110,206**	**355,838**	237,781	118,057	355,838
US $300,000 7.20% due December 15, 2011(3)	7.61	**327,512**	**149,338**	**476,850**	317,222	159,628	476,850
Cdn $350,000 7.50% due November 20, 2013	7.50	**346,380**	**3,620**	**350,000**	345,685	4,315	350,000
		3,129,015	**446,293**	**3,575,308**	2,553,651	476,657	3,030,308
Other subsidiaries and entities							
Videon CableSystems Inc. – Cdn $130,000 8.15% Senior Debentures Series "A" due April 26, 2010	7.63	–	–	–	131,429	(1,429)	130,000
Burrard Landing Lot 2 Holdings Partnership	6.31	**21,473**	**101**	**21,574**	21,963	120	22,083
		21,473	**101**	**21,574**	153,392	(1,309)	152,083
Total consolidated debt		**3,150,488**	**446,394**	**3,596,882**	2,707,043	475,348	3,182,391
Less current portion		**481,739**	**161,422**	**643,161**	509	–	509
		2,668,749	**284,972**	**2,953,721**	2,706,534	475,348	3,181,882

(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 $27,761 (2008 – $24,870). Prior to September 1, 2007, such amounts were presented as deferred charges and deferred credits (see notes 7 and 10). Amortization for 2009 amounted to $4,466 (2008 – $3,822) of which $3,984 (2008 – $3,627) was recorded as amortization of financing costs and $482 (2008 – $195) was recorded as interest expense.

(2) Foreign denominated long-term debt is translated at the year-end rate of 1.0950 Cdn (2008 – 1.0620 Cdn). 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 $418,633 (2008 – $450,478).

(3) The notes were redeemed subsequent to year end (see note 24).

Interest on long-term debt included in interest expense amounted to $237,546 (2008 – $231,599; 2007 – $250,100). Interest expense is net of $981 (2008 – $1,950; 2007 – $5,301) of interest income. Excess proceeds from the $600,000 senior notes issuance in March

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2009 was held in cash and short-term securities and 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.

Corporate

Bank loans

The Company has a $50,000 revolving operating loan facility, of which $627 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 3.09% for the year (2008 – 5.49%; 2007 – 6.03%).

A syndicate of banks has provided the Company with an unsecured $1 billion credit facility due in May 2012. At August 31, 2009, no amounts were drawn under the credit facility. 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 on actual borrowings during the year averaged 3.06% (2008 – 4.81%; 2007 – 5.04%).

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.

On March 27, 2009, the Company issued $600,000 of senior notes at a rate of 6.50%. The senior notes were issued at a discount and the effective interest rate is 6.56%.

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

Other subsidiaries and entities

Videon CableSystems Inc. ("Videon")

On April 15, 2009, the Company redeemed the Videon Cablesystems Inc. Cdn$130,000 Senior Debentures which were due April 26, 2010.

The debentures were unsecured and non-recourse to the parent company and were guaranteed by the subsidiaries of Videon. The effective interest rate on the debentures was 7.63% after giving effect to the fair value adjustment to the debt at the date of the Moffat acquisition.

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

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

In connection with the aforementioned early redemption of the Videon Cablesystems Inc. Cdn$130,000 Senior Debentures, the Company incurred costs of $9,161 and wrote-off the remaining unamortized fair value adjustment of $906.

On January 30, 2008, the Company redeemed its $100,000 8.54% Canadian Originated Preferred Securities ("COPrS"). In connection with this early redemption, the Company incurred costs of $4,272 and wrote-off the remaining unamortized financing charges of $992.

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, 2009.

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 $
2010	482,341	643,161
2011	246,951	356,414
2012	329,113	477,463
2013	450,652	450,652
2014	950,694	950,694
Thereafter	718,498	718,498
	3,178,249	3,596,882

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10. DEFERRED CREDITS

	2009			2008		
	Amount $	Accumulated amortization $	Net book value $	Amount $	Accumulated amortization $	Net book value $
IRU prepayments	**629,119**	**106,705**	**522,414**	629,119	94,158	534,961
Equipment revenue	**406,609**	**280,598**	**126,011**	392,458	252,027	140,431
Connection fee and installation revenue	**23,619**	**17,560**	**6,059**	33,247	24,403	8,844
Deposit on future fibre sale	**2,000**	**–**	**2,000**	2,000	–	2,000
Other	**2,589**	**–**	**2,589**	1,600	–	1,600
	1,063,936	**404,863**	**659,073**	1,058,424	370,588	687,836

Amortization of deferred credits for 2009 amounted to $153,168 (2008 – $150,366; 2007 – $132,819) 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 2009 amounted to $12,547 (2008 – $12,547; 2007 – $12,547). Amortization of equipment revenue for 2009 amounted to $132,974 (2008 – $126,601; 2007 – $104,997). Amortization of connection fee and installation revenue for 2009 amounted to $7,647 (2008 – $11,218; 2007 – $14,250) and was recorded as service revenue. In 2007, amortization of $1,025, in respect of a fair value adjustment on debt and bond forward proceeds, was offset against interest expense.

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				
2009	2008		2009 $	2008 $
22,520,064	22,550,064	Class A Shares	**2,468**	2,471
407,717,782	405,882,652	Class B Non-Voting Shares	**2,111,381**	2,060,960
430,237,846	428,432,716		**2,113,849**	2,063,431

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.

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Changes in Class A Share capital and Class B Non-Voting Share capital in 2009, 2008 and 2007 are as follows:

	Class A Shares		Class B Non-Voting Shares	
	Number	$	Number	$
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 an 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
Class A Share conversions	(30,000)	(3)	30,000	3
Purchase of shares for cancellation	–	–	(1,683,000)	(8,557)
Stock option exercises	–	–	3,488,130	58,975
August 31, 2009	22,520,064	2,468	407,717,782	2,111,381

During 2009 the Company purchased for cancellation 1,683,000 (2008 – 4,898,300; 2007 – 4,408,400) Class B Non-Voting Shares, pursuant to its outstanding normal course issuer bid or otherwise, for $33,574 (2008 – $99,757; 2007 – $104,763). Share capital has been reduced by the stated value of the shares amounting to $8,557 (2008 – $24,794; 2007 – $22,061) with the excess of the amount paid over the stated value of the shares amounting to $25,017 (2008 – $74,963; 2007 – $82,702) charged to retained earnings (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. Options granted up to August 31, 2009 vest evenly on the anniversary dates from the original grant date at either 25% per year over four years or 20% per year over five years. The options must be issued at not less than the fair market value of the Class B Non-Voting Shares at the date of grant. During the current year the plan was amended to increase the maximum number of Class B Non-Voting Shares issuable under the plan by 20,000,000 to 52,000,000. To date, 11,241,616 Class B Non-Voting Shares have been issued under the plan.

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The changes in options in 2009, 2008 and 2007 are as follows:

	2009		2008		2007	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding, beginning of year	**23,963,771**	**19.77**	17,574,801	17.08	19,117,602	16.30
Granted	**4,373,000**	**19.62**	10,486,500	23.73	6,693,500	19.03
Forfeited	**(1,133,974)**	**20.67**	(2,133,939)	20.04	(2,594,140)	17.56
Exercised	**(3,488,130)**	**16.34**	(1,963,591)	16.48	(5,642,161)	16.28
Outstanding, end of year	**23,714,667**	**20.21**	23,963,771	19.77	17,574,801	17.08

The following table summarizes information about the options outstanding at August 31, 2009:

	Options outstanding			Options exercisable		
Range of prices	Number outstanding at August 31, 2009	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at August 31, 2009	Weighted average remaining contractual life	Weighted average exercise price
$8.69	20,000	4.14	$ 8.69	20,000	4.14	$ 8.69
$14.85 – $22.27	15,509,667	6.57	$17.98	7,710,671	4.33	$16.86
$22.28 – $26.20	8,185,000	8.01	$24.45	2,202,375	7.99	$24.30

The aggregate intrinsic value of exerciseable in-the-money options at August 31, 2009 is $16,539.

The weighted average estimated fair value at the date of the grant for common share options granted for the year ended August 31, 2009 was $3.02 (2008 – $5.01; 2007 – $3.73) 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:

	2009	2008	2007
Dividend yield	**4.28%**	2.92%	2.79%
Risk-free interest rate	**1.94%**	4.21%	4.12%
Expected life of options	**5 years**	5 years	4 years
Expected volatility factor of the future expected market price of Class B Non-Voting Shares	**26.5%**	24.5%	26.0%

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 2008, the remaining 37,336 Satellite Services options were exercised (2007 – 40,336) for $145 (2007 – $367).

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Contributed surplus

The changes in contributed surplus are as follows:

	2009 $	2008 $
Balance, beginning of year	**23,027**	8,700
Stock-based compensation	**16,974**	16,894
Stock options exercised	**(1,979)**	(2,567)
Balance, end of year	**38,022**	23,027

As at August 31, 2009, the total unamortized compensation cost related to unvested options is $39,680 and will be recognized over a weighted average period of approximately 2.9 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.

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).

Earnings per share

Earnings per share calculations are as follows:

	2009	2008	2007
Numerator for basic and diluted earnings per share($)	**535,239**	671,562	388,479
Denominator (thousands of shares)			
Weighted average number of Class A Shares and Class B Non-Voting Shares for basic earnings per share	**429,153**	431,070	432,493
Effect of potentially dilutive securities	**1,628**	2,797	3,249
Weighted average number of Class A Shares and Class B Non-Voting Shares for diluted earnings per share	**430,781**	433,867	435,742
Earnings per share($)			
Basic	**1.25**	1.56	0.90
Diluted	**1.24**	1.55	0.89

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Options to purchase 23,714,667 Class B Non-Voting Shares were outstanding under the Company's stock option plan at August 31, 2009 (2008 – 23,963,771; 2007 – 17,574,801). In addition, Satellite Services options and warrants to issue 33,602 Class B Non-Voting Shares were outstanding at August 31, 2007 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.

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

Components of other comprehensive income (loss) and the related income tax effects for 2009 are as follows:

	Amount $	Income Taxes $	Net $
Change in unrealized fair value of derivatives designated as cash flow hedges	**26,693**	**(4,105)**	**22,588**
Proceeds on cancellation of forward purchase contracts	**13,384**	**(4,070)**	**9,314**
Adjustment for hedged items recognized in the period	**14,518**	**(75)**	**14,443**
Reclassification of foreign exchange gain on hedging derivatives to income to offset foreign exchange loss on US denominated debt	**(31,845)**	**4,509**	**(27,336)**
Unrealized foreign exchange gain on translation of a self-sustaining foreign operation	**31**	**–**	**31**
	22,781	**(3,741)**	**19,040**

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 designated 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, 2009 $	August 31, 2008 $
Unrealized foreign exchange gain on translation of a self-sustaining foreign operation	**350**	319
Fair value of derivatives	**(38,984)**	(57,993)
	(38,634)	(57,674)

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009 $	2008 $
Trade	**86,677**	61,980
Accrued liabilities	**269,463**	388,870
Accrued network fees	**103,176**	103,150
Interest	**80,463**	75,064
Related parties *[note 18]*	**21,883**	18,712
Short-term financing	–	6,532
Current portion of pension plan liability *[note 17]*	**1,448**	1,448
	563,110	655,756

Interest on the short-term financing arrangement amounted to $744 in 2008 and is included in interest expense. Interest rates fluctuated with Canadian bankers acceptance rates and averaged 4.89% for 2008.

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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:

	2009 $	2008 $
Future income tax liabilities:		
Property, plant and equipment	**152,677**	143,965
Broadcast rights	**868,901**	879,660
Partnership income	**331,063**	271,157
	1,352,641	1,294,782
Future income tax assets:		
Non-capital loss carryforwards	**19,687**	137,220
Deferred charges	**10,123**	2,792
Foreign exchange on long-term debt and fair value of derivative instruments	**7,066**	10,164
	36,876	150,176
Net future income tax liability	**1,315,765**	1,144,606
Current portion of future income tax asset	**21,957**	137,220
Future income tax liability	**1,337,722**	1,281,826

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:

	2009 $	2008 $	2007 $
Current statutory income tax rate	**30.2%**	32.0%	33.75%
Income tax expense at current statutory rates	**219,286**	220,043	179,208
Increase (decrease) in taxes resulting from:			
Non-taxable portion of foreign exchange gains or losses and amounts on sale/write-down of assets and investments	**(551)**	–	(95)
Decrease in valuation allowance	**(3,463)**	(9,867)	(9,941)
Effect of future tax rate reductions	**(22,582)**	(187,990)	(25,535)
Originating temporary differences recorded at future tax rates expected to be in effect when realized	**(9,675)**	(11,794)	(3,040)
Other	**7,759**	5,974	2,274
Income tax expense	**190,774**	16,366	142,871

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

	2009 $	2008 $	2007 $
Current income tax expense	**23,300**	–	–
Future income tax expense related to origination and reversal of temporary differences	**193,519**	214,223	178,347
Future income tax recovery resulting from rate changes and valuation allowance	**(26,045)**	(197,857)	(35,476)
Income tax expense	**190,774**	16,366	142,871

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15. BUSINESS SEGMENT INFORMATION

The Company's operating segments are Cable, DTH and Satellite Services, all of which are substantially 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.

	2009				
		Satellite			
	Cable $	DTH $	Satellite Services $	Total $	Total $
Service revenue – total	2,635,832	684,831	90,205	775,036	3,410,868
Intersegment	(4,850)	(11,605)	(3,500)	(15,105)	(19,955)
	2,630,982	673,226	86,705	759,931	3,390,913
Service operating income before amortization	1,269,620	223,499	45,831	269,330	1,538,950
Service operating income as % of external revenue	48.3%	33.2%	52.9%	35.4%	45.4%
Interest[1]	209,438	n/a	n/a	26,251	235,689
Burrard Landing Lot 2 Holdings Partnership					1,358
					237,047
Cash taxes[1]	23,300	–	–	–	23,300
Segment assets	6,602,503	855,283	498,720	1,354,003	7,956,506
Corporate assets					981,563
Total assets					8,938,069
Capital expenditures and equipment costs (net) by segment					
Capital expenditures	658,862	4,907	192	5,099	663,961
Equipment costs (net)	35,222	76,362	–	76,362	111,584
	694,084	81,269	192	81,461	775,545
Reconciliation to Consolidated Statements of Cash Flows					
Additions to property, plant and equipment					677,918
Additions to equipment costs (net)					124,968
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows					802,886
Increase in working capital related to capital expenditures					11,559
Less: Proceeds on disposal of property, plant and equipment					(22,081)
Less: Realized gains on cancellation of US dollar forward purchase contracts[2]					(13,384)
Less: Satellite services equipment profit[4]					(3,435)
Total capital expenditures and equipment costs (net) reported by segments					775,545

See notes following 2007 business segment table.

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	2008				
		Satellite			
	Cable $	DTH $	Satellite Services $	Total $	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 2007 business segment table.

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	2007				
		Satellite			
	Cable $	DTH $	Satellite Services $	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

(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) The Company realized gains totaling $13,384 on cancellation of certain of its US dollar forward purchase contracts in respect of capital expenditures and equipment costs. The gains were included in other comprehensive income and reclassified to the initial carrying amount of capital assets or equipment costs when the assets were recognized.

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

(3) Prepayments on IRUs in amounts not exceeding the costs to build the fibre 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. During 2006, the Company's traffic on the Anik F1 was transferred to the Anik F1R under a capacity services arrangement which has all of the same substantive benefits and obligations as on Anik F1. 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 of which the majority are for the maintenance and lease of satellite transponders, lease of transmission facilities, and lease of premises as follows:

	$
2010	119,529
2011	110,064
2012	106,054
2013	103,267
2014	97,046
Thereafter	296,241
	832,201

Included in operating, general and administrative expenses are transponder maintenance expenses of $58,343 (2008 – $58,280; 2007 – $59,009) and rental expenses of $67,663 (2008 – $66,118; 2007 – $59,117).

Contingencies

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

Guarantees

In the normal course of business the Company enters into indemnification agreements and has issued irrevocable standby letters of credit and 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, 2009, 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, 2009, the guarantee instruments amounted to $1,032 (2008 – $158,296). 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 2010 to 2012.

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 $21,148 (2008 – $17,622; 2007 – $14,486) of which $12,281 (2008 – $10,214; 2007 – $8,586) was expensed and the remainder capitalized.

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 2007.

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The table below shows the change in benefit obligations.

	2009 $	2008 $
Accrued benefit obligation and plan deficit, beginning of year	**184,795**	158,491
Current service cost	**5,002**	4,610
Interest cost	**11,817**	8,931
Actuarial losses (gains)	**(4,507)**	14,211
Payment of benefits to employees	**(1,448)**	(1,448)
Accrued benefit obligation and plan deficit, end of year	**195,659**	184,795

Reconciliation of accrued benefit obligation to Consolidated Balance Sheet accrued pension benefit liability	2009 $	2008 $
Balance of unamortized pension obligation:		
Unamortized past service costs	**28,817**	33,648
Unamortized actuarial loss	**60,430**	70,787
	89,247	104,435
Accrued pension benefit liability recognized in Consolidated Balance Sheet:		
Accounts payable and accrued liabilities	**1,448**	1,448
Other long-term liability	**104,964**	78,912
	106,412	80,360
Accrued benefit obligation, end of year as above	**195,659**	184,795

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

Accrued benefit obligation	2009 %	2008 %
Discount rate	**6.75**	6.25
Rate of compensation increase	**5.00**	5.00

Benefit cost for the year	2009 %	2008 %	2007 %
Discount rate	**6.25**	5.50	5.25
Rate of compensation increase	**5.00**	5.00	5.00

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

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

	2009 $	2008 $	2007 $
Current service cost	**5,002**	4,610	2,956
Interest cost	**11,817**	8,931	6,129
Past service cost	**–**	–	25,767
Actuarial losses (gains)	**(4,507)**	14,211	13,881
Difference between amortization of actuarial loss recognized for the year and actual actuarial loss on the accrued benefit obligation for the year	**10,357**	(9,067)	(9,721)
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**	4,831	(18,204)
Pension expense	**27,500**	23,516	20,808

The actuarial losses (gains) 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:

	$
2010	1,448
2011	1,432
2012	1,424
2013	5,918
2014	6,962
2015 – 2019	62,049

18. RELATED PARTY TRANSACTIONS

The following sets forth transactions in which the Company and its affiliates, directors or executive officers are 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. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Corus Entertainment Inc. ("Corus")

The Company and Corus are subject to common voting control. During the year, network fees of $121,659 (2008 – $108,094; 2007 – $108,801), advertising fees of $621 (2008 – $617; 2007 – $415) and programming fees of $1,066 (2008 – $1,062; 2007 – $1,047) were paid to various Corus subsidiaries and entities subject to significant influence. In addition, the Company

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provided cable system distribution access and affiliate broadcasting services to Corus Custom Networks, the advertising division of Corus, for $1,514 (2008 – $262; 2007 – $258), administrative and other services to Corus for $1,934 (2008 – $1,721; 2007 – $1,589), uplink of television signals to Corus for $5,112 (2008 – $4,837; 2007 – $4,845) and Internet services and lease of circuits for $1,167 (2008 – $1,082; 2007 – $1,041).

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

Burrard Landing Lot 2 Holdings Partnership

During the year, the Company paid $9,886 (2008 – $9,372; 2007 – $9,907) 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 $3,555 (2008 – $2,820; 2007 – $511) for direct sales agent, marketing, installation and maintenance services to a company controlled by a Director of the Company.

During the year, the Company paid $6,094 (2008 – $3,208; 2007 – $2,249) for remote control units to a supplier where a Director of the Company holds a position on the supplier's board of directors.

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.

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 2009 was 1.9% (2008 – 4.2%; 2007 – 4.9%). Executive officers voluntarily repaid approximately 17% and 10% of their original loan balances in 2008 and 2007, respectively. At August 31, 2009, the remaining amount outstanding on an executive officer loan was $3,600 (2008 – $3,600) and is repayable on or before July 26, 2012.

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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. Certain private investments where market value is not readily determinable are carried at cost net of write-downs.

(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 carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance or at the time of a business acquisition. 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 rate exchange agreements and US currency contracts is determined using an estimated credit-adjusted mark-to-market valuation.

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

	2009		2008	
	Carrying value $	Estimated fair value $	Carrying value $	Estimated fair value $
Long-term debt	**3,150,488**	**3,394,224**	2,707,043	2,743,250
Derivative financial instruments –				
Cross-currency interest rate exchange agreements	**462,273**	**462,273**	513,385	513,385
US currency forward purchase contracts	**3,337**	**3,337**	6,820	6,820
	3,616,098	**3,859,834**	3,227,248	3,263,455

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 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.

Risk management

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

Currency risk

As the Company has grown it has accessed US capital markets for a portion of its borrowings. Since the Company'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. The Company utilizes cross-currency swaps, where appropriate, to hedge its exposures on US dollar denominated debenture indebtedness. As at August 31, 2009, 100% of the Company's US dollar denominated debt maturities were hedged.

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 an 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. With respect to 2009, the Company entered into forward contracts to purchase US $46,000 over a period of 12 months commencing in September 2008 at an average exchange rate of 1.1507 Cdn. In addition, the Company had in place long term forward contracts to purchase US $12,296 during 2009 at an average rate 1.4078. At August 31, 2009, the Company has forward contracts to purchase US $84,000 over a period of 12 months commencing in September 2009 at an average exchange rate of 1.1089 Cdn. In addition, the Company has in place long term forward contracts to purchase US $6,972 during 2010 at an average rate 1.4078.

Interest rate risk

Due to the capital-intensive nature of its operations, the Company utilizes long-term financing extensively in its capital structure. The primary components of this structure are banking facilities and various Canadian and US denominated senior notes and debentures with varying maturities issued in the public markets as more fully described in note 9.

Interest on the Company's banking facilities is based on floating rates, while the senior notes and debentures are fixed-rate obligations. The Company utilizes its credit facility to finance day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed-rate instruments through public market debt issues. As at August 31, 2009, 100% of the Company's consolidated long-term debt was fixed with respect to interest rates.

Market risk

Net income and other comprehensive income for 2009 could have varied if the Canadian dollar to US dollar foreign exchange rates or market interest rates varied by reasonably possible amounts.

The sensitivity to currency risk has been determined based on a hypothetical change in Canadian dollar to US dollar foreign exchange rates of 10%. The financial instruments impacted by this hypothetical change include foreign exchange forward contracts and cross-currency interest rate exchange agreements and would have changed other comprehensive income by $17,092 (net of tax). A portion of the Company's accounts receivables and accounts payable and accrued liabilities is denominated in US dollars; however, due to their short-term nature, there is no significant market risk arising from fluctuations in foreign exchange rates.

The sensitivity to interest rate risk has been determined based on a hypothetical change of one percentage or 100 basis points. The financial instruments impacted by this hypothetical change include foreign exchange forward contracts and cross-currency interest rate exchange agreements and would have changed other comprehensive income by $5,691 (net of tax). Interest on the Company's banking facilities is based on floating rates and there is no significant market risk arising from fluctuations in interest rates.

Credit risk

Accounts receivable are not subject to any significant concentrations of credit risk due to the Company's large and diverse customer base. As at August 31, 2009, the Company had accounts receivable of $194,483, net of the allowance for doubtful accounts of $17,161. 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. As at August 31, 2009, $77,256 of accounts receivable is considered to be past due, defined as amounts outstanding past normal credit terms and conditions. The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk.

The Company also mitigates credit risk through advance billing and procedures to downgrade or suspend services on accounts that have exceeded agreed credit terms.

The Company has mitigated the credit risk of holding short-term securities by investing funds in a Government of Canada treasury bill.

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

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

Liquidity risk

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

The Company's undiscounted contractual maturities as at August 31, 2009 are as follows:

	Trade and other payables (1)	Long-term debt repayable at maturity (2)	Other derivative instruments (3)	Interest payments (4)
Within one year	563,110	643,161	3,353	249,533
1 to 3 years	–	833,877	–	352,211
3 to 5 years	–	1,401,346	–	215,994
Over 5 years	–	718,498	–	105,777
	563,110	3,596,882	3,353	923,515

(1) Includes trade payables and accrued liabilities.

(2) US denominated long-term debt is reflected at the hedged rates for the principal repayments (see notes 9 and 24).

(3) Includes foreign exchange forward contracts.

(4) Interest payments on long-term debt and the interest related portion of the cross-currency interest exchange derivatives.

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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

	2009 $	2008 $	2007 $
Net income	**535,239**	671,562	388,479
Non-cash items:			
Amortization –			
Deferred IRU revenue	**(12,547)**	(12,547)	(12,547)
Deferred equipment revenue	**(132,974)**	(126,601)	(104,997)
Deferred equipment costs	**247,110**	228,524	203,597
Deferred charges	**1,025**	1,025	5,153
Property, plant and equipment	**480,582**	414,732	381,909
Financing costs – long term debt	**3,984**	3,627	–
Future income tax expense	**167,474**	16,366	142,871
Equity loss (income) on investee	**99**	(295)	(363)
Debt retirement costs	**8,255**	5,264	–
Stock-based compensation	**16,974**	16,894	6,787
Defined benefit pension plan	**26,052**	22,068	19,120
Net customs duty recovery on equipment costs	**–**	(22,267)	–
Gain on cancellation of bond forward	**(10,757)**	–	–
Other	**(6,676)**	4,543	(1,646)
Funds flow from operations	**1,323,840**	1,222,895	1,028,363

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

	2009 $	2008 $	2007 $
Accounts receivable	**(5,714)**	(32,646)	(16,435)
Prepaids and other	**(14,393)**	(9,900)	(9,563)
Accounts payable and accrued liabilities	**47,781**	54,839	(14,435)
Income taxes payable	**22,894**	(58)	661
Unearned revenue	**8,522**	7,069	11,422
	59,090	19,304	(28,350)

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

	2009 $	2008 $	2007 $
Interest	**231,594**	241,899	231,513
Income taxes	**404**	57	(717)

August 31, 2009, 2008 and 2007
[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:

	2009 $	2008 $	2007 $
Class B Non-Voting Shares issued on an acquisition *[note 2]*	**–**	–	3,000

21. CAPITAL STRUCTURE MANAGEMENT

The Company's objectives when managing capital are:

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

(ii) to maintain compliance with debt covenants; and

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

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

	August 31, 2009	August 31, 2008
Bank indebtedness	**–**	44,201
Cash and cash equivalents	**(253,862)**	–
Short-term securities	**(199,375)**	–
Long-term debt repayable at maturity	**3,596,882**	3,182,391
Share capital	**2,113,849**	2,063,431
Contributed surplus	**38,022**	23,027
Retained earnings	**384,747**	226,408
	5,680,263	5,539,458

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

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 35,000,000 Class B Non-Voting Shares during the period November 19, 2008 to November 18, 2009.

The Company's banking facilities are subject to covenants which include maintaining minimum or maximum financial ratios, including total debt to operating cash flow and operating cash flow to fixed charges. At August 31, 2009, the Company is in compliance with these covenants and based on current business plans and economic conditions, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants.

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

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

22. 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

	2009 $	2008 $	2007 $
Net income using Canadian GAAP	**535,239**	671,562	388,479
Add (deduct) adjustments for:			
Deferred charges and credits(2)	**6,235**	(18,808)	5,672
Foreign exchange gains on hedged long-term debt(3)	**–**	–	47,382
Reclassification of hedge losses from other comprehensive income(7)	**–**	–	(47,382)
Capitalized interest(10)	**1,337**	4,133	2,244
Income taxes(11)	**(4,036)**	(2,048)	(10,461)
Net income using US GAAP	**538,775**	654,839	385,934
Other comprehensive income (loss) using Canadian GAAP	**19,040**	(759)	(18)
Adjustment to fair value of derivatives(7)	**–**	–	5,730
Reclassification of derivative losses to income to offset foreign exchange gains on hedged long-term debt(7)	**–**	–	40,215
Change in funded status of non-contributory defined benefit pension plan(9)	**11,315**	(3,135)	–
Minimum liability for defined benefit pension plan(9)	**–**	–	5,813
	30,355	(3,894)	51,740
Comprehensive income using US GAAP	**569,130**	650,945	437,674
Earnings per share using US GAAP			
Basic	**$ 1.26**	$ 1.52	$ 0.89
Diluted	**$ 1.25**	$ 1.51	$ 0.89

August 31, 2009, 2008 and 2007
[all amounts in thousands of Canadian dollars except share and per share amounts]

Consolidated Balance Sheet items using US GAAP

	2009		2008	
	Canadian GAAP $	US GAAP $	Canadian GAAP $	US GAAP $
Property, plant and equipment(10)	**2,821,544**	**2,829,257**	2,616,500	2,622,877
Deferred charges(2)(8)	**259,738**	**170,260**	274,666	175,818
Broadcast rights(1)(5)(6)	**4,816,153**	**4,790,919**	4,776,078	4,750,844
Income taxes payable	**25,320**	**5,446**	2,446	2,446
Current portion of long-term debt(2)	**481,739**	**482,341**	509	509
Long-term debt(2)	**2,668,749**	**2,695,908**	2,706,534	2,731,404
Other long-term liability(9)	**104,964**	**194,211**	78,912	183,347
Deferred credits(2)(8)	**659,073**	**656,830**	687,836	685,349
Future income taxes	**1,337,722**	**1,299,244**	1,281,826	1,215,566
Shareholders' equity:				
Share capital	**2,113,849**	**2,113,849**	2,063,431	2,063,431
Contributed surplus	**38,022**	**38,022**	23,027	23,027
Retained earnings	**384,747**	**283,044**	226,408	121,169
Accumulated other comprehensive loss	**(38,634)**	**(100,343)**	(57,674)	(130,698)
Total shareholders' equity	**2,497,984**	**2,334,572**	2,255,192	2,076,929

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

	2009 $	2008 $
Shareholders' equity using Canadian GAAP	**2,497,984**	2,255,192
Amortization of intangible assets(1)	**(130,208)**	(130,208)
Deferred charges and credits(2)	**(19,367)**	(19,989)
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
Capitalized interest(10)	**5,619**	4,623
Income taxes(11)	**11,848**	9,930
Accumulated other comprehensive loss – pension liability(9)	**(61,709)**	(73,024)
Shareholders' equity using US GAAP	**2,334,572**	2,076,929

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.

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(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.

(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) 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.

(8) 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.

(9) 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.

(10) Interest costs

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.

(11) Income taxes

Income taxes reflect various items including the tax effect of the differences identified above, the impact of future income tax rate reductions on those differences and an adjustment for the tax benefit related to capital losses that cannot be recognized for US GAAP.

(b) Advertising costs

Advertising costs are expensed when incurred for both Canadian and US GAAP and for 2009, amounted to $52,384 (2008 – $47,656; 2007 – $43,210).

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

(c) Adoption of new accounting pronouncements

(i) Fair Value Measurements

Effective September 1, 2008, the Company adopted 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 includes a fair value hierarchy that is intended to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions.

The fair value hierarchy consists of the following three levels:

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

Level 2 Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data.

Level 3 Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The following table represents the Company's derivative liabilities measured at fair value on a recurring basis as of August 31, 2009 and the basis for that measurement:

		Fair value measurements at reporting date using		
	Carrying value	Quoted prices in active markets for identical asset (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cross-currency interest rate exchange agreements	462,273	–	462,273	–
US currency forward purchase contracts	3,337	–	3,337	–
	465,610	–	465,610	–

(ii) Derivative Instruments and Hedging Activities

In 2009, the Company adopted SFAS No 161 "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133" which requires enhanced disclosures about derivative and hedging activities to improve the transparency of financial reporting. The required disclosures are included in note 19 and outlined below.

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The following table presents the gains and losses, excluding tax effects, for 2009 on derivatives designated as cash flow hedges to manage currency risks.

	Gain (Loss) Recognized in Other Comprehensive Income (Effective Portion)	Gain (Loss) Reclassified from Other Comprehensive Income into Income (Effective Portion)		Gain (Loss) Reclassified from Other Comprehensive Income into Income (Ineffective Portion)	
	$	Location	$	Location	$
Cross-currency interest rate exchange agreements	24,799	Other gains	31,845	Other gains	–
		Interest expense	(26,313)	Other gains	–
US currency forward purchase contracts	15,278	Equipment costs	11,795	Other gains	–
	40,077		17,327		–

The Company's estimate of the net amount of existing losses arising from the unrealized fair value of derivatives designated as cash flow hedges which are reported in accumulated other comprehensive income and would be reclassified to net income in the next twelve months, excluding tax effects, is $3,337 for foreign exchange forwards and $8,892 for cross-currency interest rate exchange agreements based on contractual maturity. As a result of the redemption of the US $225,000 7.25% senior notes and $300,000 7.20% senior notes subsequent to year end (see note 24), there is an additional $34,746 of existing losses at August 31, 2009 in respect of cross-currency interest rate exchange agreements which will be reclassified to income in 2010.

The following table presents gains and losses, excluding tax effects, arising from derivatives in 2009 that were not designated as hedges.

	Loss Recognized in Income	
	Location	$
US currency forward purchase contracts	Other gains	(78)

(iii) Subsequent Events

In 2009, the Company adopted SFAS No 165 "Subsequent Events" which establishes standards for accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The application of this standard had no impact on the Company's consolidated financial statements other than disclosure of the date through which subsequent events have been evaluated.

(d) Recent accounting pronouncements

Business Combinations

Effective September 1, 2009, the Company will adopt 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 business combinations, generally as expenses.

23. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

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

24. SUBSEQUENT EVENTS

Subsequent events have been evaluated through to November 30, 2009 which is the date the consolidated financial statements were issued.

Late in fiscal 2008 the Company participated in the Canadian Advanced Wireless Spectrum ("AWS") auction and was successful in acquiring 20 megahertz of spectrum across most of its cable footprint for a cost of $190,912. In early September 2009, the Company received its ownership compliance decision from Industry Canada and was granted its AWS licenses.

In September 2009, the Company announced its intention to redeem all of its outstanding US $440,000 8.25% senior notes due April 11, 2010 and US $225,000 7.25% senior notes due April 6, 2011. The redemption date was October 13, 2009. On October 2, 2009, the Company announced its intention to redeem all of its outstanding US $300,000 7.20% senior notes due December 15, 2011. The redemption date was October 20, 2009. In conjunction with the redemption of the US senior notes, the Company unwound and settled a portion of the principal component of two of the associated cross-currency interest rate swaps. The Company simultaneously entered into offsetting currency swap transactions for the outstanding notional principal amounts under all the remaining cross-currency interest rate swap agreements.

Pursuant to the short form base shelf prospectus filed on March 11, 2009, on October 1, 2009, the Company issued $1,250,000 of senior notes at a rate of 5.65% due 2019. Estimated net proceeds (after issuance at a discount of $3,960 and issue and underwriting expenses) of $1,240,000 were used for the aforementioned notes redemptions.

On October 7, 2009, the Government of Canada and members of the broadcasting industry that are required to pay Part II license fees announced they had entered into an agreement on the Part II license fee issue. The agreement has resulted in the government agreeing that it will not seek Part II license fees for the past three years that were not collected due to the ongoing legal dispute. In return, members of the broadcasting industry, including the Company, discontinued their appeal before the Supreme Court of Canada challenging the validity of the fees. Under the settlement, the government is also recommending that the CRTC develop a new forward-looking regime that would be capped at $100,000 per year, indexed to inflation. In October 2009 the Company recorded a recovery of approximately $52,000 after taxes for the Part II license fees that had been accrued for the past three years and will not be collected by the government.

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The Company closed the purchase of Mountain Cablevision in Hamilton, Ontario in late October, 2009.

Pursuant to the short form base shelf prospectus filed on March 11, 2009, on November 9, 2009, the Company issued $650,000 of senior notes at a rate of 6.75% due 2039. Estimated net proceeds (after issuance at a discount of $4,381 and issue and underwriting expenses) of $642,000 will be used for general corporate purposes, working capital, capital expenditures and wireless investments.

On November 26, 2009, the Company repurchased 1,500,000 of its Class B Non-Voting Shares for cancellation for $27,893.

Shaw Communications Inc.
FIVE YEARS IN REVIEW
August 31, 2009

($000's except per share amounts)	2009	2008	2007	2006	2005
Service revenue					
Cable	**2,630,982**	2,375,586	2,082,652	1,808,583	1,598,369
DTH	**673,226**	640,061	605,176	567,807	530,729
Satellite	**86,705**	89,212	86,617	82,894	80,712
	3,390,913	3,104,859	2,774,445	2,459,284	2,209,810
Service operating income before amortization(1)					
Cable	**1,269,620**	1,153,274	995,694	857,466	797,583
DTH	**223,499**	206,541	196,404	175,401	141,687
Satellite	**45,831**	48,421	47,527	45,050	42,723
	1,538,950	1,408,236	1,239,625	1,077,917	981,993
Net income	**535,239**	671,562	388,479	458,250	153,221
Earnings per share					
Basic	**1.25**	1.56	0.90	1.05	0.34
Diluted	**1.24**	1.55	0.89	1.05	0.34
Funds flow from operations(2)	**1,323,840**	1,222,895	1,028,363	847,197	728,524
Balance sheet					
Total assets	**8,938,069**	8,357,801	8,163,739	7,661,543	7,430,185
Long-term debt (including current portion)	**3,150,488**	2,707,043	3,068,554	2,996,385	3,199,542
Cash dividends declared per share					
Class A	**0.818**	0.702	0.462	0.235	0.153
Class B	**0.820**	0.705	0.465	0.238	0.155

(1) See key performance drivers on page 18.

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