

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

November 25, 2008

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

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

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

[Signed]

Jim Shaw
Chief Executive Officer and
Vice Chair

[Signed]

Steve Wilson
Senior Vice President and
Chief Financial Officer

Shaw Communications Inc.
INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

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

To the Shareholders of
Shaw Communications Inc.

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

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

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

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

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

Calgary, Canada
October 21, 2008

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

Chartered Accountants

Shaw Communications Inc.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

To the Shareholders of
Shaw Communications Inc.

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

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

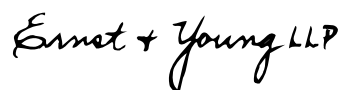
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal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

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

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

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

Calgary, Canada
October 21, 2008

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

Chartered Accountants

Shaw Communications Inc.
CONSOLIDATED BALANCE SHEETS

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

See accompanying notes

On behalf of the Board:

[Signed]
 JR Shaw
 Director

[Signed]
 Don Mazankowski
 Director

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

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

See accompanying notes

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

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

See accompanying notes

Shaw Communications Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

See accompanying notes

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

	2008 \$	2007 \$	
Working capital	345	720	
Deferred charges	120	139	
Property, plant and equipment	18,120	18,808	
	18,585	19,667	
Debt	22,083	22,561	
Proportionate share of net liabilities	(3,498)	(2,894)	
	2008 \$	2007 \$	2006 \$
Operating, general and administrative expenses	1,829	1,829	1,829
Amortization	(707)	(707)	(714)
Interest	(1,389)	(1,418)	(1,445)
Other gains	848	735	2,588
Proportionate share of income before income taxes	581	439	2,258
Cash flow provided by operating activities	1,608	1,284	74
Cash flow provided by investing activities	–	–	8,848
Cash flow used in financing activities	(478)	(449)	(422)
Proportionate share of increase in cash	1,130	835	8,500

Shaw Communications Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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

Investments and other assets

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

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

Revenue and expenses

(i) Service revenue

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

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

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

(ii) Deferred equipment revenue and deferred equipment costs

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

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

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

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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

(iii) Deferred IRU revenue

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

Cash and cash equivalents

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

Allowance for doubtful accounts

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

Inventories

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

Property, plant and equipment

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

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

Shaw Communications Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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

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

Deferred charges

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

Intangibles

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

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

Deferred credits

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

Interest capitalization

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

Income taxes

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

Shaw Communications Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Foreign currency translation

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

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

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

Derivative financial instruments

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

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

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

Shaw Communications Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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

Employee benefit plans

The Company accrues its obligations and related costs under its employee benefit plans. The cost of pensions and other retirement benefits earned by certain senior employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. Past service costs from plan initiation and amendments are amortized on a straight-line basis over the estimated average remaining service life ("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 12.1 years at August 31, 2008 (2007 – 12.0 years; 2006 – 12.5 years). When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

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

Stock-based compensation

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

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

Earnings per share

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

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Guarantees

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

Use of estimates and measurement uncertainty

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

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

Adoption of recent Canadian accounting pronouncements

(i) Financial instruments

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

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

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

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

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

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

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

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

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

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

(ii) Accounting changes

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

Recent Canadian accounting pronouncements

(i) Inventories

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

(ii) Financial instruments

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

(iii) Capital disclosures

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

(iv) Goodwill and intangible assets

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

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2. BUSINESS ACQUISITIONS

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

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

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

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

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

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3. ACCOUNTS RECEIVABLE

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

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

4. INVENTORIES

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

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

5. INVESTMENTS AND OTHER ASSETS

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

Canadian Hydro

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

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Q9 Networks

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

Deposits

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

Investments at equity

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

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

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

Other

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

6. PROPERTY, PLANT AND EQUIPMENT

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

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

7. DEFERRED CHARGES

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

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

8. INTANGIBLES

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

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

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

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9. LONG-TERM DEBT

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

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

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

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

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Corporate

Bank loans

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

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

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

Senior notes

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

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

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

Satellite Services

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

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Other subsidiaries and entities

Videon CableSystems Inc. ("Videon")

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

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

Burrard Landing Lot 2 Holdings Partnership

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

Debt retirement costs

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

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

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

Debt covenants

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

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Long-term debt repayments

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

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

10. DEFERRED CREDITS

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

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

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

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

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

11. SHARE CAPITAL

Authorized

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

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

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

Class A Shares and Class B Non-Voting Shares

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

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

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

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

Stock option plan

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

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

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

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

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

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

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

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

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

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

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

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

Other stock options

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

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

Warrants

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

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

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Contributed surplus

The changes in contributed surplus are as follows:

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

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

Dividends

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

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

Share transfer restriction

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

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Earnings per share

Earnings per share calculations are as follows:

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

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

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

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

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

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

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

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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

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14. INCOME TAXES

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

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

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

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

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

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

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

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

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15. BUSINESS SEGMENT INFORMATION

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

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

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

See notes following 2006 business segment table.

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

See notes following 2006 business segment table.

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

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

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

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

16. COMMITMENTS AND CONTINGENCIES

Commitments

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

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

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

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

Contingencies

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

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Guarantees

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

Indemnities

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

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

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

Irrevocable standby letters of credit and performance bonds

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

17. PENSION PLANS

Defined contribution pension plans

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

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Defined benefit pension plan

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

The table below shows the change in benefit obligations.

	2008 \$	2007 \$
Accrued benefit obligation, beginning of year	158,491	111,086
Current service cost	4,610	2,956
Interest cost	8,931	6,129
Actuarial losses	14,211	13,881
Past service cost	–	25,767
Payment of benefits to employees	(1,448)	(1,328)
Accrued benefit obligation, end of year	184,795	158,491
Plan value of assets, end of year	–	–
Plan deficit, end of year	(184,795)	(158,491)

Reconciliation of accrued benefit obligation to Consolidated Balance Sheet accrued pension benefit liability	2008 \$	2007 \$
Balance of unamortized pension obligation:		
Unamortized past service costs	33,648	38,479
Unamortized actuarial loss	70,787	61,720
	104,435	100,199
Accrued pension benefit liability recognized in Consolidated Balance Sheet:		
Accounts payable and accrued liabilities	1,448	1,448
Long-term liability	78,912	56,844
	80,360	58,292
Accrued benefit obligation, end of year as above	184,795	158,491

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

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

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

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

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

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

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

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

18. RELATED PARTY TRANSACTIONS

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

(i) Normal course transactions

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

Shaw Communications Inc.

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Corus Entertainment Inc. ("Corus")

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

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

Burrard Landing Lot 2 Holdings Partnership

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

Other

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

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

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

(ii) Other transactions

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

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

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

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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

19. FINANCIAL INSTRUMENTS

Fair values

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

(i) Current assets and current liabilities

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

(ii) Investments and other assets

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

(iii) Long-term debt

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

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

(iv) Derivative financial instruments

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

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

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

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

Shaw Communications Inc.

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

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

Credit risks

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

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

Interest rate risks

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

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

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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20. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

(i) Funds flow from operations

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

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

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

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

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

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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

(iv) Non-cash transactions

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

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

21. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

(a) Reconciliation to US GAAP

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

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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

Consolidated Balance Sheet items using US GAAP

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

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

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

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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

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

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

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

(1) Amortization of intangible assets

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

(2) Deferred charges and credits

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

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

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

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

(4) Equity in loss of investees

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

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

Shaw Communications Inc.
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[all amounts in thousands of Canadian dollars except share and per share amounts]

(5) Gain on sale of subsidiary

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

(6) Gain on sale of cable systems

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

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

(7) Gains (losses) on investments

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

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

(8) Derivative instruments and hedging activities

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

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

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2008, 2007 and 2006

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

(9) Subscriber connection fee revenue and related costs

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

(10) Pension liability

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

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

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

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

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

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

(b) Stock-based compensation

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

Shaw Communications Inc.
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[all amounts in thousands of Canadian dollars except share and per share amounts]

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

(c) Advertising costs

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

(d) Recent accounting pronouncements

(i) Fair Value Measurements

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

(ii) Business Combinations

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

22. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

(1) See key performance drivers on page 9.

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

Shaw Communications Inc.
SHAREHOLDERS' INFORMATION
August 31, 2008

Share Capital and Listings

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

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

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

Share Splits

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