SHAW COMMUNICATIONS INC
Form 40-F
December 23, 2003

Table of Contents

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 40-F

Check One

o	**Registration Statement Pursuant to Section 12 of the Securities Exchange Act of 1934**
þ	**Annual Report Pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended August 31, 2003 — Commission File Number: 333-7582

Shaw Communications Inc.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant s name into English (if applicable))

Alberta Canada

(Province or other jurisdiction of incorporation or organization)

4841

(Primary Standard Industrial Classification Code Number (if applicable))

N/A

(I.R.S. Employer Identification Number (if applicable))

Suite 900, 630 3rd Avenue S.W., Calgary, Alberta, Canada T2P 4L4
(403) 750-4500

(Address and telephone number of Registrant s principal executive offices)

CT Corporation System, 1633 Broadway, New York, NY 10019 (212) 664-1666

(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Class B Non-Voting Participating Shares	New York Stock Exchange
8.45% Canadian Originated Preferred Securities (Series A COPrS)	New York Stock Exchange
8.5% Canadian Originated Preferred Securities (COPrS)	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

8.54% Series B Capital Securities due 2027
8.25% Senior Notes due 2010
7.25% Senior Notes due 2011
7.50% Senior Notes due 2013
7.20% Senior Notes due 2011

(Title of Class)

For annual reports, indicate by check mark the information filed with this Form:

o Annual Information form þ Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

Class A Participating Shares	11,360,432 issued and outstanding
Class B Non-Voting Participating Shares	220,496,092 issued and outstanding

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the *Exchange Act*). If Yes is marked, indicate the filing number assigned to the Registrant in connection with such Rule

Yes o No þ

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 of 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

****

Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F arises; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

TABLE OF CONTENTS

SIGNATURES
REPORT TO SHAREHOLDERS
CORPORATE GOVERNANCE
MANAGEMENT S DISCUSSION AND ANALYSIS
MANAGEMENTS RESPONSIBILITY FOR FINANCIAL REPORTING
AUDITORS REPORT
FINANCIAL STATEMENTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FIVE YEARS IN REVIEW
CABLE AND INTERNET STATISTICS
SHAREHOLDER INFORMATION
CERTIFICATE OF THE CHIEF EXECUTIVE OFFICER
CERTIFICATE OF THE CHIEF FINANCIAL OFFICER
CONSENT OF INDEPENDENT CHARTERED ACCOUNTANTS

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

SHAW COMMUNICATIONS INC.
(Registrant)

December 19, 2003

By: /s/ R.D. Rogers

R.D. Rogers
Senior Vice President and
Chief Financial Officer

Table of Contents

SHAW COMMUNICATIONS INC.

ANNUAL REPORT 2003

Table of Contents

Shaw Communications Inc.

ANNUAL REPORT 2003
August 31, 2003

In our ongoing efforts to contain costs, Shaw Communications Inc. no longer publishes a formal annual report. This document includes the Report to Shareholders, Management s Discussion and Analysis and Shaw s Financial Statements for fiscal 2003.

CONTENTS	Page
Report to Shareholders	3
Corporate Governance	5
Management s Discussion and Analysis	6
Management s Responsibility for Financial Reporting	37
Auditors Report	38
Financial Statements	39
Notes to the Consolidated Financial Statements	42
Five Years in Review	98
Cable and Internet Statistics	99
Shareholder Information	100
Corporate Information	101

The Annual General Meeting of Shareholders will be held on January 21st, 2004 at 2pm in the Lobby of Shaw Court, 630 3rd Avenue S.W., Calgary, Alberta T2P 4L4.

Table of Contents

Shaw Communications Inc.

REPORT TO SHAREHOLDERS
August 31, 2003

Dear Fellow Shareholders:

Last year, we announced aggressive consolidated free cash flow targets for fiscal 2003 set originally at negative $9 million compared to a negative amount of $563 million last year. However there were always nagging questions was Shaw doing too much too fast, would the drive for free cash flow sacrifice future growth through reduced investment in growth opportunities, and was this an achievable target? Well, the performance this year should remove all doubt. Shaw s senior management and dedicated employees performed a delicate balancing act Shaw outperformed its free cash flow targets and we increased our Canadian customer base by 18,935 in basic subscribers, 39,813 in digital customers, 125,933 in Internet customers and 48,502 DTH customers. Furthermore, at the same time we introduced innovative product offerings such as Video-On-Demand, HDTV and new bundled services. As a result, Shaw posted strong financial results:

Consolidated free cash flow improved to $97 million compared to a negative amount of $563 million last year.

Consolidated revenue, excluding the US cable systems sold effective June 30, 2003, grew by 9.1%.

Consolidated operating income before amortization, excluding the US cable systems, grew by 31.3%.

These outstanding accomplishments were achieved through several initiatives: bundling of unique products and services, price increases, re-positioning and restructuring of operations, (including prudent management of capital expenditures), strategic divestitures and acquisitions and the refinancing and repayment of debt.

Bundling

A key driver to Shaw s success in building and retaining its customer base is its bundling strategy. This year we focused on creating new bundled product offerings to our customers. As a result, 38% of Shaw cable customers subscribe to a bundled service compared to 28% last year. The benefits of bundling to customers are the convenience of one stop shopping , savings and greater choice. The benefits to Shaw are incremental penetration as customers upgrade to additional services, churn reduction and operational efficiencies through centralized billing and customer care. In addition, the introduction of HDTV plus the unique service of Video-On-Demand creates extra value for the Shaw customer, bolstering the retention value of the bundled packages.

Price increases

During the past year, price increases have been implemented industry-wide in DTH and cable. Many customers of Shaw had not had a price increase in five years and in the case of cable, were sometimes paying $3 per month less than customers using competitive services. As a result, we implemented various price increases throughout the year which contributed significantly to our strong financial performance. To ensure that customers would remain loyal to Shaw, Shaw integrated its pricing and bundling strategies as described above. The bundling was key to this strategy and the effectiveness is evident by the growth in our customer base.

Repositioning and restructuring

In the last 18 months, Shaw underwent a series of restructurings and implemented a number of cost-saving initiatives. Most significantly, Shaw created a capital expenditure committee which included the CEO and President. The most important mandate of this committee is to strike a balance between capital spending without sacrificing customer service or growth. Capital expenditures and equipment subsidies decreased from $854 million last year to $401 million this year. However, despite decreased capital expenditures, our

Table of Contents

Shaw Communications Inc.

REPORT TO SHAREHOLDERS
August 31, 2003

customer base increased as highlighted above, and we continued to roll out new value-added service offerings such as VOD and HDTV.

Strategic divestitures and acquisitions
Effective June 30, 2003, we successfully completed the sale of our US cable systems. In addition, we announced the pending purchase of certain cable systems in Alberta and southern British Columbia from Monarch Cablesystems Ltd. Our cable systems are concentrated almost entirely in western Canada. Besides the obvious synergies this affords, it also increases our focus on a concentrated customer base, enabling us to provide high quality service while delivering an attractive array of services and thus be better positioned in an increasing competitive market place.

Refinancing and repayment of debt
As a result of the sale of the US cable systems and the strong growth in free cash flow, Shaw has access to over $1 billion of bank credit facilities. During the year, Shaw restructured its debt portfolio to obtain greater flexibility in its operations and to obtain a lower overall cost of borrowing. For example, we refinanced/repaid some of Cancom s and Star Choice s outstanding debt. The refinancing underscores the continued confidence that Shaw s lenders have in the Company and, based on existing market rates, it should generate significant annual interest savings.

Translation of improved performance into shareholder value
The total return on Shaw stock for the year was 14.3%. Although we exceeded the Standard and Poor s 500 performance, our belief is that Shaw shareholders have yet to be fully rewarded for the accomplishments that the Company has delivered. Shaw is financially and operationally strong, and utilizes creative and aggressive strategies to meet the competitive challenges of the current marketplace. Most importantly, we have over 6,000 employees who are dedicated to serving the interest of our shareholders and customers with pride and passion which bodes well for our performance in the future.

[Signed]
JR Shaw
Executive Chair

[Signed]
Jim Shaw
Chief Executive Officer

Table of Contents

CORPORATE GOVERNANCE

We at Shaw take good corporate governance seriously and place a high value on doing it right, both in terms of the spirit and intent of best corporate practices. As a public enterprise with a controlling shareholder, we realize the importance of maintaining the confidence of public investors and a governance and management system that adds value and growth to our enterprise. We also place a high value on the quality and reliability of our financial reporting.

The Corporate Governance Committee of the board of directors of Shaw is mandated to review and develop the corporate governance practices and policies of the Corporation, ensuring that the Corporation operates in compliance with, and shows due regard for, applicable laws and regulations. The Corporate Governance Committee has undertaken, and continues to undertake, a comprehensive review of the practices and policies of the Corporation to ensure that Shaw meets current expectations and complies with best practices. Highlights of Shaw s recent corporate governance initiatives include the following:

Board Independence The Corporate Governance Committee is satisfied that the board is appropriately comprised of knowledgeable individuals having expertise in our businesses as well as others having regulatory, government or related backgrounds. Out of 14 board members as at the end of the fiscal year, 11 of our directors are independent of management or of the majority shareholder of Shaw. Subsequent to year end, we also appointed an additional independent director who qualifies as a financial expert under applicable regulatory requirements. We continue to enhance our on-going programs and processes for educating and evaluating the board and its committees to ensure that our directors are able to fulfill all of their duties and responsibilities.

Board and Committee Charters Formal, written charters have been developed for Shaw s board of directors and each of the committees of the board (executive, audit, corporate governance and human resources).

Director Compensation Shaw has reviewed the compensation that it pays to its directors and has adopted a new policy governing the retainer of directors for special projects. We have also approved new requirements for shareholdings by non-management directors that will require each director to invest, at a minimum, the equivalent of $250,000 in Shaw shares. In addition, we have implemented appropriate director and officer indemnity and insurance arrangements.

Certification of Financial Statements Shaw has formalized and documented the process used to prepare its quarterly and annual financial statements and other public disclosure. This process culminates in the written certification of Shaw s financial statements by the Chief Executive Officer and the Chief Financial Officer in accordance with the rules of the Securities and Exchange Commission.

Code of Conduct Shaw has updated its Business Conduct Standards to ensure that it meets best corporate practices. Our Business Conduct Standards, which apply to all of Shaw s directors, officers and employees, outline the Shaw way of business, including with respect to customer care, relations with coworkers and stakeholders and our expectation of fairness and integrity in all that we do. The Corporate Governance Committee is responsible for monitoring compliance with Shaw s Business Conduct Standards and for approving waivers of the standards.

Related Party Transactions Shaw has adopted a formal policy for the approval and disclosure of related party transactions. All such transactions are placed before the Corporate Governance Committee for review to ensure fairness and appropriate disclosure.

Corporate Policies and Guidelines Under the guidance of the Corporate Governance Committee, Shaw has strengthened, updated and formalized corporate policies and guidelines, such as our insider trading guidelines and our corporate disclosure policies.

Table of Contents

Shaw Communications Inc.

MANAGEMENT S DISCUSSION AND ANALYSIS
August 31, 2003

FORWARD
Certain statements in this report may constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Included herein is a Caution Concerning Forward-Looking Statements section which should be read in conjunction with this report.

Tabular dollars are in thousands of Canadian dollars, except per share amounts or unless otherwise indicated. All per share amounts reflect common per share amounts, and are based on unrounded amounts. Percentage changes are based on rounded amounts.

INDEX

CONTENTS		Page
Outline		
I.	INTRODUCTION TO OUR BUSINESS	7
A.	Company overview core business and strategies	7
B.	Key performance drivers	8
C.	Critical accounting policies	9
D.	Related party transactions	13
E.	New accounting standards	13
F.	Known events, trends, risks and uncertainties	14
II.	RESULTS OF OPERATIONS	19
III.	FINANCIAL POSITION	32
IV.	CONSOLIDATED CASH FLOW ANALYSIS	33
V.	LIQUIDITY AND CAPITAL RESOURCES	34

Table of Contents

Shaw Communications Inc.

MANAGEMENT S DISCUSSION AND ANALYSIS
August 31, 2003

I. INTRODUCTION TO OUR BUSINESS

A. Company overview core business and strategies

(i) Shaw Communications Inc.

Shaw Communications Inc. (Shaw or the Company) is a diversified Canadian communications company whose core business is providing broadband cable television, Internet and satellite direct-to-home (DTH) services to over 2.9 million customers. Shaw s mission is to provide its customers with high-quality entertainment, information and communications services, utilizing a variety of distribution technologies.

Shaw s strategy is to maximize shareholder value by focusing on growing free cash flow. Shaw delivers this strategy on several fronts: delivering products and services to our customers in a cost effective manner; increasing customer penetration; delivering quality customer service; implementing of strategic price increases; leveraging our network infrastructure and generating operating efficiencies through innovative practices.

Shaw is organized into three major divisions. The representation of each of the divisions as a percentage of consolidated revenue in fiscal 2003 is as follows: Cable 71.5%; DTH 23.7%; and Satellite Services 4.8%.

(ii) Cable

The Cable division is comprised of Shaw s cable television, Internet and Big Pipe operations. Shaw is the largest cable television provider in Western Canada with approximately 2.1 million cable television customers in five provinces (British Columbia, Alberta, Saskatchewan, Manitoba and Ontario), representing approximately 28% of the Canadian cable television market. Through its technologically advanced broadband network, Shaw also had 886,220 Internet customers and 473,870 digital cable customers as at August 31, 2003. In addition, the Cable division established Big Pipe in 2000 to develop and operate the fibre network that serves as the primary Internet backbone for Shaw s broadband Internet customers and provides Internet and data connectivity services to large businesses and other organizations.

In past years, Shaw has enhanced the quality, depth and capacity of its plant and network infrastructure through significant capital investment. The plant and network is now essentially fully digital and two-way capable. Shaw s strategy is to leverage its network by providing additional services beyond traditional cable such as Video-on-Demand (VOD) and High-Definition TV (HDTV). The VOD service enables customers to select programming from a library of titles through an online ordering system and view the programming on their television at a time of their choosing with full VCR/DVD functionality including pause, rewind and fast forward using their remote control. This is a value-added service that Shaw anticipates will provide it with a competitive advantage over satellite, which does not have two-way network capability. VOD is viewed by the Company as an effective retention tool and is expected to provide further revenue opportunities. In addition, it is expected to support growth in Internet and digital as customers must have these services to access VOD. Shaw also leverages its network through increased penetration rates of digital cable, residential High-Speed, High-Speed Lite Internet and Business Internet (SOHO). Shaw has the highest digital penetration rate as a percentage of basic cable in Canada (23%) and the highest penetration of Internet in North America with 43%.

Shaw also has a customer-centric strategy designed to deliver service, simplicity and savings to its customers via unique bundled service offerings. Creating value for our customers equals value for Shaw through reduced churn, incremental penetration and operational efficiencies. Approximately 38% of Shaw cable customers subscribe to bundled services compared to 28% last year.

Shaw creates value through its clustering strategy, which involves geographical consolidation and realignment of its cable systems to take advantage of potential administrative, operating and marketing synergies that arise from larger, focused operations. Over a number of years, Shaw has acquired and divested various cable systems to complement its cable clusters. As a result, Shaw has consolidated its position as the dominant provider of cable television services in Western Canada. This year, Shaw completed the sale of its US cable systems and announced the pending acquisition of certain cable systems in Alberta and southern British Columbia from Monarch Cablesystem Ltd.

Shaw Communications Inc.

MANAGEMENT S DISCUSSION AND ANALYSIS
August 31, 2003

Finally, Shaw senior management and employees constantly re-evaluate operations to ensure that Shaw continues to be one of the best run cable companies in North America. In the last 18 months, Shaw underwent a series of restructurings and implemented a number of cost-saving initiatives.

(iii) DTH (Star Choice)

DTH (Star Choice) distributes digital video and audio programming services via DTH satellite to Canadian residences and commercial establishments. It is one of two active DTH satellite operators licensed by the Canadian Radio-television and Telecommunications (CRTC) to deliver digital subscription video and audio programming services via satellite directly to subscribers homes and businesses. Star Choice began the national roll-out of its digital DTH services in October, 1997 and, at August 31, 2003 had 808,526 subscribers across Canada.

Star Choice s customer acquisition strategy has migrated from households not served by cable or underserved by cable (*i.e.* served by cable systems that offer fewer than 80 channels) to households that receive full service cable. As its customer acquisition focus has shifted, Star Choice has concentrated on differentiating itself from alternative video services through unique product offerings such as time-shifting of programming.

Star Choice and Satellite Services share a strategy to leverage a common satellite infrastructure. The two divisions distribute largely the same digital video and audio signals to different markets (residential and business), thereby allowing Shaw to derive distinct revenue streams from different customers using a common platform. Similar operational, revenue and cost synergies exist between the businesses. In addition, in 2002 the CRTC modified certain structural separation licence conditions so as to allow DTH and Cable to integrate accounting and other administrative functions subject to the establishment of procedures to protect confidential information. Therefore over the last 18 months Star Choice has and is continuing to restructure its operations to take advantage of shared facilities with Cable where possible. For example, in July 2002, Star Choice converted to the same billing system as Cable.

(iv) Satellite Services

Satellite Services has three principal lines of business: (a) redistributing television and radio signals via satellite to cable operators and other multi-channel system operators in Canada and the US, referred to as satellite relay distribution undertaking (SRDU) services; (b) providing uplink and network management services for conventional and specialty broadcasters on a contract basis and (c) through Cancom Tracking Solutions, providing mobile tracking and messaging services to approximately 450 companies making it the largest provider of such services in the long-haul trucking industry in Canada, with approximately 26,000 vehicles using its services. The Business Television business which built and maintained satellite interactive distance learning (SIDL) networks was sold in March 2003.

B. Key performance drivers

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

(i) Revenue

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

The following key performance indicators are not measurements in according with Canadian or US GAAP and should not be considered as an alternative to net income or any other measure of performance by Canadian or US GAAP.

Shaw Communications Inc.

MANAGEMENT S DISCUSSION AND ANALYSIS
August 31, 2003

(ii) Operating income before amortization and operating margin
Operating income before amortization is calculated as revenue less operating, general and administrative expenses. In the case of the analysis of our business segments, it excludes one-time income and expense items such as restructuring, recovery of cable litigation accrual and inventory write-downs. It is intended to indicate the Company s ability to service and/or incur debt, and therefore it is calculated before amortization, (a non-cash expense) and interest. Operating income before amortization is also one of the measures used by the investing community to value the business. Operating margin is calculated by dividing operating income before amortization by revenue.

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

(iii) Free cash flow
Free cash flow is calculated as operating income before amortization (as defined above), less interest, entitlements on equity instruments net of current taxes, cash taxes on net income, equipment subsidies and capital expenditures (excluding capital expenditures in respect of the Burrard Landing Lot 2 Partnership (the Partnership), which the Company is required to proportionately consolidate). As the Partnership is financed by its own credit facility, this is a non-cash item for the Company. We focus on free cash flow as it measures our ability to repay debt, finance the business and pay dividends.

(iv) Subscriber counts, including penetration
We measure the count of our customers in Cable and DTH (Star Choice). In Cable, we include service categories such as basic, tier, digital terminals, digital customers, Internet and stand-alone Internet. Cable includes in its count only those customers who are on billing and are paying a fee for service. The customer count for Internet also includes scheduled installations due to the high-growth nature of this product. Cable measures penetration for basic services as a percentage of homes passed and in the case of all other services, as a percentage of basic customers.

The count of Star Choice customers includes those who are on billing and are paying a fee for service and also includes seasonal customers who have indicated their intention to reconnect within the next six months.

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

(v) Equipment and customer churn
Customer churn is calculated as the number of new customer activations less the net gain of customers during the period divided by the average of the opening and closing customers for the applicable period of calculation. Equipment churn is calculated on the same basis except that the number of units of equipment is used in the calculation instead of the number of customers. Churn provides some measure of customer satisfaction and preferences in addition to physical movement of the customer.

C. Critical accounting policies
An understanding of our accounting policies is necessary for a complete analysis of our results, financial position, liquidity and trends. Refer to Note 1 to the Consolidated Financial Statements for additional information on our accounting policies and to Note 21 to the Consolidated Financial Statements for additional information on Canadian-US GAAP differences. We prepared our Consolidated Financial Statements according to Canadian GAAP. This section discusses key estimates and assumptions that management has made under these principles and how they affect the amounts reported in the Consolidated Financial Statements and notes. It also describes significant accounting policies where alternatives exist. We focus your attention to the following critical accounting policies:

(i) Revenue recognition
Revenue is considered earned as services are performed, provided that at the time of performance, ultimate collection is reasonably assured. Such performance is regarded as having been achieved when reasonable

Shaw Communications Inc.

MANAGEMENT S DISCUSSION AND ANALYSIS
August 31, 2003

assurance exists regarding the measurement of the consideration that will be derived from rendering the service. Revenue from cable, Internet and DTH customers includes subscriber service revenue when earned. The revenue is considered earned as the period of service relating to the customer billing elapses. Revenue includes subscriber connection fees which is considered appropriate, as the performance of the installation is completed and is measurable. In addition, it provides appropriate matching of the subscriber connection fees to the initial selling expenses and related administrative and general office expenses incurred in respect of the installation. Subscriber connection and installation costs are capitalized as part of the Company s distribution system as the service potential of our distribution system is enhanced by the ability to generate future subscriber revenue. Costs of disconnections are expensed as incurred as the activity does not generate future revenue. The sale of modems, digital cable terminals (DCT) and DTH receiving equipment and the subscription for the related service are considered one transaction to generate future revenue. Therefore, the sale of modems, DCT and DTH receiving equipment is recognized only when subscriber service is activated. Satellite service and telecommunications revenue is recognized in the period in which the services are rendered to customers. The sale of satellite service equipment is recognized when goods are shipped.

(ii) Allowance for doubtful accounts

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

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

As outlined in the recommendations of the Canadian Institute of Chartered Accountants (CICA) with respect to property, plant and equipment, capitalization of costs include the consideration expended to acquire, construct, develop or better an item of property, plant and equipment and includes all costs directly attributable to the acquisition, construction, development or betterment of the assets including installation at the location and in the condition necessary for its intended use. Costs include installation costs such as architectural, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs, duties, testing and preparation charges. The cost of an item of property, plant and equipment includes direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the construction or development activity. The cost to enhance the service potential of an item of property, plant and equipment is considered a betterment. Service potential may be enhanced where there is an increase of the previously assessed physical output or service capacity, associated operation costs are lowered, the life or useful life is extended, or the quality of output is improved. Costs incurred in the maintenance of the service potential of an item of property, plant and equipment are expensed as incurred.

We capitalize direct labour and direct overhead incurred to construct new assets, upgrade existing assets and connect new subscribers. These costs are capitalized as they include the construction costs directly attributable to the acquisition, construction, development or betterment of our plant through either increased service capacity or lowered associated operating costs. Repairs and maintenance expenditures are charged to operating expenses as incurred. Although interest costs may be capitalized during construction, it is Shaw s policy not to capitalize interest. In addition, Shaw does not capitalize the internal direct labour and direct overhead costs incurred on the construction of buildings, as it is not a major portion of our business activity.

We capitalize costs in three principal areas:

1. Corporate engineering, which is primarily involved in overall planning and development of the cable/Internet infrastructure. Labour and overhead costs directly related to this activity are capitalized as the activities directly relate to the planning and design of the construction of our distribution system.

Table of Contents

Shaw Communications Inc.

MANAGEMENT S DISCUSSION AND ANALYSIS
August 31, 2003

2. Cable regional construction departments, which are principally involved in constructing, rebuilding and upgrading the cable/Internet infrastructure. Labour and overhead costs directly related to the construction activity are capitalized as the activities directly relate to the construction or upgrade of our distribution system. Capital projects include, but are not limited to, projects such as new subdivision builds, decrease of node sizes, and upgrades of the plant to 750 MHz capacity.

3. Subscriber related activities such as installation of new drops, satellite dishes and Internet services. The labour and overhead directly related to the installation of new services are capitalized as the activity involves the installation of capital assets (e.g. wiring, dishes, filters, software, etc.) which enhance the service potential of our distribution system through the ability to earn future service revenues. Costs associated with service calls, collection, disconnects and reconnects that do not involve the installation of a capital asset are expensed.

Amounts of direct labour and direct overhead capitalized fluctuate from year to year depending on the level of customer growth and plant upgrades for new services. In addition, the level of capitalization fluctuates depending on the proportion of internal labour versus external contractors used in construction projects. For example, beginning in fiscal 2002, we directly employed unit-based employees (UBEs) that were previously involved in customer installations, ongoing plant upgrades and a portion of new builds as contractors of Shaw.

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

(iv) Deferred charges deferred marketing costs and equipment subsidies

Under Canadian generally accepted accounting principles (GAAP), expenses that are linked to revenue generating activities in a cause and effect relationship are normally matched with the revenue in the accounting period in which the revenue is recognized.

DEFERRED MARKETING COSTS:

Shaw defers costs to launch new services and to position itself in new markets that have been acquired. These costs are amortized over two years, the period during which these costs are estimated to provide benefit. Shaw incurs significant marketing costs during the first few months of the launch of new services, such as new digital tier launches. These costs are often incurred during our free trial periods. We therefore benefit from this initial cost in future periods as customers subscribe to the new services after the trial periods. Our experience indicates that it takes approximately two years for the new services to reach maturity level in terms of customer acceptance. Therefore, we match the costs of the launch of the new services to the period in which the revenues from the new services will be recognized.

EQUIPMENT SUBSIDIES:

We subsidize the cost of equipment sold to subscribers to access subscription cable and DTH services. The subsidy creates an asset in the form of a customer which generates future revenues. Since both the customer and the Company make an investment, a relationship is created that provides future value for both. This relationship has resulted in a lower rate of turnover which also adds value. The sale of the equipment and subscription for service is considered as one transaction. Accordingly, our policy of amortizing the subsidies over a future period matches the cost of the subsidy with the anticipated future revenues generated from the customer subscription. As the term is not specified for which the customer will receive the services, we have considered our customer churn rate in determining that the amortization period of two years is reasonable. Our actual churn rate could justify a longer amortization period but we have selected a more conservative period to account for uncertainty related to potential changes in our competitive environment.

Table of Contents

Shaw Communications Inc.

MANAGEMENT S DISCUSSION AND ANALYSIS
August 31, 2003

The amortization of equipment subsidies and deferred marketing costs is included in the amortization line of the Consolidated Statement of Loss and is disclosed in Note 7 to the Consolidated Financial Statements. The cost of the subsidies is also highlighted in our segmented results in Note 15 to the Consolidated Financial Statements.

Under US GAAP, marketing costs and equipment subsidies are expensed as incurred. We recognize the Canadian-US GAAP difference on deferred equipment subsidies and marketing costs in Note 21 to the Consolidated Financial Statements.

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

(vi) Employment benefit plans
This year, Shaw implemented a defined benefit pension plan for key senior executives. The amounts reported in the financial statements relating to the defined benefit pension plan are determined using actuarial valuations that are based on several assumptions. We performed a valuation of the plan on August 31, 2002 and August 31, 2003. The valuation uses management s assumptions for the discount rate, rate of compensation increase, and expected average remaining years of service of employees. While we believe these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and related income statement impact. We account for differences between actual and assumed results by recognizing differences in benefit obligations and plan performance over the working lives of the employees who benefit from the plan. The most significant assumption used to calculate the net employee benefit plan expense is the discount rate. The discount rate is the interest rate used to determine the present value of the future cash flows that we expect will be needed to settle employee benefit obligations. It is usually based on the yield on long-term high-quality corporate fixed income investments. We determine the appropriate discount rate at the end of every year. Our discount rate was 6.50% at August 31, 2003 and 6.75% at August 31, 2002. Changes in the discount rate do not have a significant effect on our earnings. They do, however, have a significant effect on the projected benefit obligation. A lower discount rate results in a higher obligation.

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

(viii) Commitments and contingencies
We are subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. We recognize liabilities for contingencies and commitments

Table of Contents

Shaw Communications Inc.

MANAGEMENT S DISCUSSION AND ANALYSIS
August 31, 2003

when a loss is probable and capable of being estimated. Our contractual and other commercial obligations primarily relate to network fees and operating lease agreements for use of transmission facilities, including maintenance of satellite transponders and lease of premises in the normal course of business. Significant changes in our assumptions as to the likelihood and estimates of the amount of a loss could result in recognition of an additional liability.

(ix) Equity instruments
We have the ability to satisfy interest and redemption obligations on various financial instruments through the issuance of Class B Non-Voting Shares. As the satisfaction of the obligations by cash versus equity is at our discretion, we have included these instruments in shareholders equity and any payments thereon, net of taxes, are recorded as dividends. Under US GAAP, these instruments would be classified as debt and interest thereon would be recorded as interest expense. We recognize the Canadian-US GAAP difference on equity instruments in Note 21 to the Consolidated Financial Statements.

D. Related party transactions
All related party transactions are reviewed and approved by Shaw s Corporate Governance Committee. Refer to Note 18 to the Consolidated Financial Statements for information on related party transactions.

E. New accounting standards
We adopted the following policies in fiscal 2003:

(i) Foreign currency translation
Shaw retroactively adopted the amended Canadian standard for foreign currency translation which is consistent with US standards and eliminates the deferral and amortization method of accounting for unrealized translation gains and losses on non-current monetary assets and liabilities that are not hedged. Exchange gains and losses are now included in net income in the period they are incurred.

(ii) Stock-based compensation and other stock-based payments
Shaw adopted the new Canadian standard for stock-based compensation and other stock-based payments which requires that all stock-based awards granted to non-employees be accounted for at fair value. With limited exceptions relating to direct awards of stock, awards required or expected to be settled in cash and stock appreciation rights, the new standard permits the Company to continue its current policy of not recording any compensation cost on the grant of stock options to employees.

(iii) Impairment of long-lived assets
Shaw prospectively adopted the new accounting pronouncement, Impairment of Long-lived Assets which establishes standards for the recognition, measurement and disclosure of the impairment of long-lived assets held for use and harmonizes Canadian requirements with US GAAP impairment provisions. Previously, under Canadian GAAP, the impairment of long-lived assets was measured as the difference between the carrying value of the asset and the future undiscounted net cash flows expected to be generated by the asset. Under the new pronouncement, this measurement is used to determine if impairment has occurred, and the amount of impairment is measured as the difference between the carrying value of the asset and its fair value, calculated using quoted market price or discounted cash flows.

The following polices will be adopted in future fiscal periods:

(i) Hedging relationships
In fiscal 2004, Shaw will adopt Accounting Guideline (AcG) 13, Hedging Relationships. This guideline requires that hedging relationships be adequately documented to qualify for hedge accounting. There will be no impact as a result of adopting this policy as Shaw has already documented the effectiveness of its hedging relationships.

(ii) Asset retirement obligations
In 2005, the Company will retroactively adopt the new Canadian standard, Asset Retirement Obligations, which establishes standards for the recognition, measurement and disclosure of asset retirement obligations and the

Shaw Communications Inc.

MANAGEMENT S DISCUSSION AND ANALYSIS
August 31, 2003

related asset retirement costs. This new standard applies to obligations associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The standard requires the recognition of all legal obligations associated with the retirement, whether by sale, abandonment, recycling or other disposal of an asset. The Company is currently assessing the impact of the adoption of this new accounting policy.

F. Known events, trends, risks and uncertainties
Below is an analysis of known events, trends, risks and uncertainties that could cause reported financial information to not necessarily be indicative of future operating results or of future financial position.

The principal risks to which we are exposed are:

Competition and technological change, including change in regulatory risks

Interest rate, foreign exchange and market value risks

Contingencies

Uninsured risks of loss

(i) Competition and technological change
Shaw s businesses currently face competition from entities utilizing other existing communications technologies and may face competition in the future from other technologies being developed or to be developed. Recent regulatory and public policy trends also generally favour the emergence of a more competitive environment in Canada.

CABLE TELEVISION

Shaw s cable television systems compete with the direct reception by antenna of unencrypted over-the-air local and regional broadcast television signals. Shaw also either currently competes or may in the future compete with other distributors of television signals, including DTH satellite services, satellite master antenna systems (SMATV), multichannel, multipoint distribution systems (MMDS), other competitive cable television undertakings and telephone companies offering video service using Digital Subscriber Line technology (DSL), all of which offer services to subscribers for a fee.

DTH delivers programming via signals sent directly to receiving dishes from medium and high-powered satellites, as opposed to via broadcast, cable delivery or lower powered transmissions. DTH services presently provide more channels than some of Shaw s cable systems and are fully digital. Two licensed operators, Star Choice and Bell ExpressVu, are currently providing DTH services in Canada. These DTH operators have achieved rapid subscriber growth and together provide service to approximately 2.1 million Canadian households. In addition, grey and black market DTH providers (i.e. providers of US-based digital DTH programming services available in Canada without authorization from the CRTC or from the US DTH providers) also provide competitive services. The Supreme Court of Canada recently held that grey and black market DTH providers are violating the *Radiocommunication Act* (Canada), and are therefore providing an illegal service.

MMDS delivers television programming by unobstructed line-of-sight microwave transmission to subscribers equipped with special antennae. Since 1995, the CRTC has approved MMDS applications to compete with cable television service in given service areas. In particular, the CRTC has granted licenses to Skycable Inc. and Image Wireless Communications to provide MMDS in certain cable service areas in Manitoba, Saskatchewan and British Columbia. The CRTC has also issued licenses to Look TV and Look Télé to operate MMDS undertakings in southern Ontario and in Quebec and eastern Ontario, respectively. Look TV recently emerged from protection from its creditors under the *Companies Creditors Arrangement Act*.

In recent years, the CRTC has also licensed a number of competitive cable television undertakings to operate within the authorized service areas of incumbent cable licensees. One of these competitive undertakings, Novus Entertainment, operates within one of Shaw s licensed service areas in Vancouver.

Since 1998, telephone companies have been eligible to hold full scale broadcasting distribution licenses from the CRTC. A number of telephone companies have been granted broadcasting distribution licenses by the

Table of Contents

Shaw Communications Inc.

MANAGEMENT S DISCUSSION AND ANALYSIS
August 31, 2003

CRTC including Telus Corporation, in Alberta and British Columbia; SaskTel in Saskatchewan; Manitoba Tel in Manitoba.

To date, none of these competitors has had a material impact on Shaw s cable television operations. However, there can be no assurance that increased competition will not have a material adverse effect on Shaw s results of operations. Most of Shaw s cable systems are concentrated in major urban markets, with the remainder in smaller clusters, linked via fiber optic distribution systems either to each other or to larger markets. Through this clustering strategy, Shaw maximizes the benefits of operating efficiencies, enabling it to be a low-cost service provider, which is a necessary component in strengthening its competitive position. In addition, Shaw plans to continue to deploy new technologies to increase channel capacity, to take advantage of its existing infrastructure to expand the range and quality of its services and to expand its programming and communication service offerings.

INTERNET

There are a number of different types of Internet service providers (ISPs) offering residential and business Internet access services that compete with the Shaw High-Speed Internet service. These include on-line service and content providers (such as AOL Canada), independent basic access service providers (both national and regional), incumbent telephone companies and wireless communications companies.

Many ISPs provide telephone dial-up Internet access services that are limited to access speeds of up to 56 kbps. Such services are provided by incumbent telephone companies and independent ISPs (mainly through the use of the telephone companies facilities and services).

High-speed Internet access services are principally provided through cable modem and DSL technology. High-speed services enable users to transmit and receive print, video, voice and data in digital form at significantly faster access speeds than dial-up access through a regular telephone line. Internet access services through cable modem technology is primarily provided by cable companies. The CRTC has authorized third-party ISPs to access cable companies facilities to deliver high-speed Internet services. DSL services are principally offered by incumbent telephone companies such as BCE Inc. and its affiliates and Telus Corporation.

The ISPs have requested access to cable companies facilities to use the network to deliver their services. In November 2000, the CRTC approved a monthly rate for ISP access of $21.25 per end-user for Shaw. Other connection and installation charges will also apply, the rates for which are being reviewed by the CRTC. Until competing ISPs have access to high-speed access services pursuant to this third-party Internet access tariff, cable operators have been directed by the CRTC to provide access to their distribution systems to ISPs for resale at a 25% discount off the lowest retail rate charged by the cable operator for these services. To date, there has not been a great deal of interest by ISPs for either third-party Internet access or resale access services; however, in June 2003 Cybersurf Corp filed an application with the CRTC requesting remedies from the CRTC respecting the terms and conditions of resale of Shaw s retail Internet access service. The matter is currently before the CRTC.

In September 2003, Shaw filed an application with the CRTC asking the Commission to order Telus to stop its anti-competitive pricing of DSL Internet services and to ensure fair and sustainable competition in the high-speed Internet access market. The application cited examples over a period of five months, where Telus offered at least 18 different promotions for Internet access service to customers in Alberta and British Columbia. Shaw believes these promotions are priced well below Telus cost of service and extend beyond reasonably accepted periods of time for promotions. Shaw is in favour of fair and sustainable competition because it is in the best interests of the consumer, however, if anti-competitive pricing practices are permitted to continue it could significantly reduce competition in the Internet access market in Western Canada, which is not in the best interests of serving Internet customers. Shaw has specifically asked in its application that the CRTC forbid Telus from offering Internet promotional pricing at below-cost rates for periods in excess of three months. It also asks that the CRTC prevent Telus from offering competitive service bundles that include local telephone service in contravention of CRTC regulations.

Table of Contents

Shaw Communications Inc.

MANAGEMENT S DISCUSSION AND ANALYSIS
August 31, 2003

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

DTH

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

SATELLITE SERVICES

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

TELECOMMUNICATIONS

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

(ii) Interest rate, foreign exchange and market value risks
Shaw manages its exposure to floating interest rates and US dollar foreign exchange fluctuation through the use of interest rate and cross-currency exchange agreements or swaps . In order to minimize the risk of counterparty default under its swap agreements, Shaw assesses the creditworthiness of its swap counterparties. Currently 100% of our total swap portfolio is held by financial institutions with Standard & Poor s ratings (or the equivalent) ranging from AA- to A-1.

Shaw has the following financial exposures to risk in its day-to-day operations:

(a) Interest rates: Due to the capital-intensive nature of Shaw s operations, the Company utilizes long-term financing extensively in its capital structure. The primary components of this structure are:

1. Banking facilities of Shaw as more fully described in Note 9 to the Consolidated Financial Statements.

2. Various Canadian and US denominated senior notes and debentures with terms of varying maturities issued in the public and private markets as more fully described in Note 9 to the Consolidated Financial Statements.

3. Equity instruments issued in Canadian and US dollars with original terms of 5 - 99 years as more fully described in Note 11 to the Consolidated Financial Statements.

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

Shaw Communications Inc.

MANAGEMENT S DISCUSSION AND ANALYSIS
August 31, 2003

instruments through public market debt issues. Shaw also uses interest rate swap transactions to fix the interest rates on a portion of its bank debt. At August 31, 2003 Shaw had swapped out $527.0 million of its $606.8 million Canadian floating-rate bank indebtedness by means of two Canadian interest rate swap transactions entered into with a major Canadian chartered bank. The first swap fixes interest on a notional amount of bank debt of $177 million at a rate of between 9.49% to 11.64% depending on debt to cash flow ratios. The effective rate at August 31, 2003 was 9.74%. The termination of the interest rate swap matches the maturity of the underlying principal of the hedged bank debt, such that one-third of it terminates each year commencing April 30, 2004 until fully terminated April 30, 2007. The second swap fixes interest on $350 million of the term loan to maturity at a rate between 4.9525% and 7.0775% depending on debt to cash flow ratios. At August 31, 2003, the effective rate was 5.9525%.

As at August 31, 2003, approximately 97% of Shaw s consolidated long-term debt was fixed with respect to interest rates. The equity instruments are also fixed with respect to interest rates, but are subject to the foreign exchange fluctuations described below.

(b) Foreign exchange: As the Company has grown to become Canada s largest video broadband service provider, it has accessed the US capital markets for a portion of its financings. Since Shaw s revenues and assets are primarily denominated in Canadian dollars, it faces significant potential foreign exchange risks in respect of the servicing of the interest and principal components of its US $ denominated debt. In view of this, the Company s policy with respect to US debt is that at least 70% of the amounts maturing within the next ten years be hedged to protect against exchange fluctuations, and at August 31, 2003 approximately 94% of the maturities were hedged. The Company utilizes cross-currency interest rate transactions, where appropriate, to hedge its exposures on US $ denominated bank and debenture indebtedness.

There is also an exchange risk present with respect to the US $ denominated COPrS included in equity instruments which require quarterly interest payments and potential redemption in US dollars. However, because of the long period of time until mandatory redemption (43 and 93 years), it is not practical to hedge these requirements. In respect of the quarterly interest payments, Shaw has entered into a five-year extendible forward US $ purchase contract with a major Canadian bank whereby it buys US dollars at a fixed rate on the quarterly interest payment dates to make these payments. The current agreement enables Shaw to purchase US dollars at an exchange rate of $1.4078 Cdn. until March 31, 2005. The counterparty to this agreement has the option to extend this agreement for a further five years at this rate.

(c) Market value: Shaw s most significant investment is in Motorola, Inc. which represents 27% and 56% respectively of the carrying value and market value of the Company s publicly traded investments. The value of this investment is subject to market risk. To protect against future stock market volatility, Shaw monetized this investment through the issuance of a zero coupon loan which resulted in proceeds to Shaw based upon the then current trading values of Motorola. Upon maturity, the Zero Coupon Loan is repayable by tendering the underlying security of the Motorola shares or by issuing of Shaw Class B Non-Voting Shares or paying cash. Since we have the option of settling the Zero Coupon Loan by delivery of the Motorola shares, the respective foreign exchange risk and market risk on the Zero Coupon Loan and the Motorola investment are eliminated.

Table of Contents

Shaw Communications Inc.

MANAGEMENT S DISCUSSION AND ANALYSIS
August 31, 2003

The following tables summarize the impact of changes in the Cdn/US dollar exchange rate on the unhedged portion of Shaw s US denominated debt and equity instruments.

	Change in Cdn $ vs. US $	Change in principal amount	Change in interest expense	Impact on loss per share(1)
		($millions Cdn)		
Debt	$0.01	0.6		$0.001
	$0.03	1.7	0.1	$0.008
	$0.05	2.9	0.2	$0.013

Equity Instruments	Change in Cdn$ vs. US $	Change in principal amount(2)	Change in entitlement payments	Impact on loss per share
		($millions Cdn)		
COPrS	$0.01	3.2	N/A	N/A
	$0.03	9.5	N/A	N/A
	$0.05	15.8	N/A	N/A
Zero Coupon Loan	$0.01	0.2	0.02	
	$0.03	0.7	0.05	
	$0.05	1.1	0.09	

(1) Assumes income tax recovery of 36% and includes the impact of foreign exchange gain or loss, interest and dividend entitlements.

(2) Under Canadian GAAP, equity instruments are classified as equity and are measured using historical values, therefore the principal amount stated in the financial statements does not change with foreign exchange rate fluctuations. Under US GAAP, equity instruments are classified as debt and are translated at the year-end rate of exchange; therefore the principal amount is affected by foreign exchange rate fluctuations as outlined in the table above.

(iii) Contingencies

The Company and its subsidiaries are involved in litigation arising in the ordinary course and conduct of its business. As per the discussion above of our critical accounting policies, we recognize liabilities for contingencies when a loss is probable and capable of being estimated. As at August 31, 2003, there were no actions, suits or proceedings pending by or against the Company or its subsidiaries which would, in management s estimation, likely be determined in such a manner as to have a material adverse effect on the business of the Company.

(iv) Uninsured risks of loss

Last year, Telesat Canada (Telesat), the sole provider of satellite facilities in Canada, first disclosed that it observed power degradation of the Anik F1 satellite. Shaw uses Anik F1 in its DTH and Satellite Services operations. Telesat has since provided the following update in its press release of February 4, 2003:

Telesat announced today that it has signed a contract with Astrium, Europe s largest space company, for a new satellite targeted for launch in 2005 to replace the Anik F1 satellite and ensure continuity of service for its customers. The new satellite, Anik F1R, will carry telecommunications, broadcasting and Internet services.

Based on the foregoing, we do not anticipate any incremental cost to the Company or disruption to our DTH and Satellite Services customers.

Last year we disclosed that a plan put forward by Satmex (a Mexican satellite operator) to launch and operate a new satellite adjacent to the satellites used by Star Choice, might cause significant interference to Star Choice. We have since learned that the governments of Canada and Mexico intend to conclude a new Satellite Coordination Agreement to accommodate the operation of a new Mexican satellite network according to the

Shaw Communications Inc.

MANAGEMENT S DISCUSSION AND ANALYSIS
August 31, 2003

terms and parameters included in the 2000 Coordination Agreement. This would ensure that the operation of a new Mexican satellite will not interfere with the Anik satellites used by Star Choice. As a result, Shaw no longer considers this issue as a significant potential risk to Star Choice s DTH operations.

We are unable to obtain business interruption insurance covering damage or loss to one or more of the satellites that we use in our DTH and Satellite Services business. In respect of purchased transponders, we have rights to certain limited insurance proceeds which may be received by Telesat during the first five years following launch. Telesat has also made certain commitments to us for access to spare transponders on Anik F1 in the case of interruption. There is no assurance such transponders would be available. In respect of leased transponders, we currently lease satellite capacity from Telesat on Anik E2 and Anik F1 on an unprotected preemptible service level basis (the same level as all of Telesat s broadcast customers). Therefore, in the event of satellite failure, our service will only be restored as additional capacity becomes available, unless backup stand-by systems can be arranged. Restoration of our satellite service on a US satellite may require repositioning or repointing of consumers receiving dishes. In such event, consumers level of service may be diminished or they may require a larger dish. There have been two in-orbit failures of the Anik E satellite series. One or more failures of satellites used by us could cause customers to deactivate their DTH subscriptions or otherwise have a material adverse effect on our business and results of operations.

We self-insure our plant in our cable and Internet distribution system as the cost of insurance is generally prohibitive. The risk of loss is however mitigated as most of our cable plant is located underground. In addition, it is likely that damages caused by any one incident would be limited to a localised geographic area and therefore resulting business interruption and financial damages would be limited. Further, we have back-up disaster recovery plans in the event of plant failure and we have redundant capacity with respect to certain portions of our system. In the past, we have successfully recovered from damages caused by natural disasters, without significant cost or disruption of service.

II. RESULTS OF OPERATIONS

OVERVIEW OF FISCAL 2003 CONSOLIDATED RESULTS

	2003	**2002**	**2001**
($000s Cdn except per share amounts)			
Operations:			
Revenue	**2,076,740**	1,914,284	1,552,776
Operati			