SHAW COMMUNICATIONS INC.

ANNUAL REPORT 2001

In our ongoing efforts to contain costs, Shaw Communications Inc. no longer publishes a formal annual report. This document contains the Report to Shareholders, Management Discussion and Analysis and its Financial Statements for fiscal 2001.

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The Annual General Meeting of Shareholders will be held on December 7, 2001 at 11:00 am at Le Royal Meridien King Edward Hotel, Toronto.

REPORT TO SHAREHOLDERS

Shaw continued to execute its strategy of growing cash flow through focusing on a few key areas such as core cable, Internet, digital and satellite. As a result, the fiscal year 2001 was very active and successful. The Company achieved significant growth in operations and cash flow, completed strategic transactions necessary for present and future growth and secured the necessary funding and financial flexibility to support its strategy.

Operations

During a year of fierce competition from satellite, the core cable division was able to grow its subscriber base by 4,875 subscribers, increase digital penetration from 159,452 to 362,916 terminals, an increase of 128%, grow Pay TV subscribers by 159,000 to 340,000, an increase of 88%, increase revenues by 17.6% and operating income by 17.4%.

The increase of 247,572 or 71% high-speed Internet subscribers was awesome. Shaw leads the world in Internet penetration. During the year, revenue increased 92% to $190 million and operating income increased 96% to $65 million.

The satellite division experienced an increase of 183,806 subscribers or 41% and achieved a key milestone of breaking-even before including the costs of acquiring a subscriber. The achievement of this milestone is significant and demonstrates that we are on track to reach the primary target of being cash flow positive after including the cost of acquiring a subscriber by the end of fiscal 2002.

The Big Pipe division, launched in the fall of 2000, spent $106 million in building its North American broadband network and infrastructure which is so strategic to the present and future growth of the internal and external Internet based services. In addition, it generated third party revenues of $10.7 million. During 2002 Big Pipe will complete the build of its network, continue to grow its third party revenues and achieve positive cash flow from operations.

Significant Transactions

Shaw completed a number of key transactions this year that enhanced its competitive position. First, Shaw consolidated its cable operations almost entirely in Western Canada to achieve significant operating efficiencies. In addition, Shaw purchased the remaining interest in Cancom, which operates DTH satellite services – the only viable technology which is competitive with cable. Further, Shaw rationalized its existing operations and undertook to dispose of certain non-strategic assets to fund these transactions and to maintain a strong balance sheet. The transactions are more fully described below:

1. The exchange of the Ontario and New Brunswick cable systems for the cable systems in and around Vancouver.

2. The addition of the Edmonton and Winnipeg cable systems and nearby communities through the acquisition of Moffat Communications.

3. Acquired the balance of Cancom which included satellite services and Star Choice, the direct-to-home satellite provider.

4. Divested the cable systems in Nova Scotia, CKY (the television station in Winnipeg), the Women's Network (WTN) and monetized various investments.

REPORT TO SHAREHOLDERS

Financial

Shaw was added to the prestigious TSE35 Index and is now included in all of the major indexes of the Toronto Stock Exchange as well as being listed on the NYSE. Shaw also completed various financings totalling approximately $600 million in addition to amending its bank facilities from $1 billion to $1.4 billion.

Communications and Disclosure

We continue to build on our policy of fair and open communication with Shaw shareholders, customers and other stakeholders. The Shaw website contains extensive information on Shaw including the most recent investor presentations and if you are not on the Internet, call us and we will send you whatever information you require. This year marks the first time we have not published an extensive annual report as all the information is available on the Shaw website and in conjunction with press releases and detailed quarterly reports we believe that more than adequate information is available in the market place.

The Future

For the upcoming year we have press released our main goals, the most significant being:

1. Cable and Internet earnings before interest, taxes, depreciation and amortization of $610 million representing growth of approximately 26%.

2. To grow our satellite customer base from 628,000 to 900,000 and break-even after including costs of acquisition.

3. Maintain our leadership position in high-speed Internet access by growing our customer base from 596,000 to 850,000.

The September 11, 2001 terrorist attacks in the United States have created uncertainty throughout the world in respect to the economic fallout of this tragedy. During these uncertain times, there is concern that consumer spending will decrease. Historically, cable video operations are less impacted by reduced consumer spending. In addition, although high-speed Internet might be considered a discretionary service which consumers might forego, demand for high-speed Internet connections may increase to meet customer needs for telecommuting and desire for the latest news on evolving world events. The growth in satellite and digital subscribers could slow as customers may be reluctant to change or add new services during times of uncertainty. We will proceed to execute our plans with caution and if the economy slows down, we will look to reduce capital expenditures.

Our long-term strategy of profitable growth and staying focused has not changed as we continue to build on the key value drivers of core cable, digital, high-speed Internet access and satellite service. The execution of this strategy is dependent on the people that embody the Shaw culture, and we will ensure the continuation of this culture that provides quality people an environment to be part of a successful team.

[Signed]
JR Shaw
Executive Chair

[Signed]
Jim Shaw
Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

For the purposes of this discussion, the operations of Shaw Communications Inc. ("Shaw" or "the Company") and the financial figures relating to its operations have been reported in five segments: "Cable", which refers to Shaw's cables television services; "Internet", which refers to Shaw's high-speed Internet access service; "DTH (Star Choice)" which refers to Shaw's direct-to-home satellite services primarily provided to residential customers; "Satellite" which refers to Shaw's satellite uplink, satellite relay distribution undertakings ("SRDU") and other satellite services provided to business customers; "Telecommunications – Big Pipe" which operates a national fiber backbone for broadband Internet services

OVERVIEW OF FISCAL 2001 CONSOLIDATED RESULTS

	Years ended August 31	
($000's CDN except per share amounts)	2001	2000
Operations:		
Total revenue	**$1,571,953**	$971,000
Operating income before gains, interest, amortization and income taxes	**460,340**	397,663
Cash flow from continuing operations	**210,514**	237,789
Net income (loss) from continuing operations	**(147,421)**	133,843
Per share data*:		
Cash flow per share	**$0.77**	$1.08
Earnings (loss) per share	**($0.85)**	$0.53
Weighted average number of participating shares outstanding during period (000's)	**221,079**	188,927

* After deducting after-tax entitlements on Preferred Securities and Exchangeable Debentures and Zero Coupon Loan of $40,123 or $0.18 per share [2000 - $33,071 or $0.18 per share] for the year.

Revenue and operating expenses

The outstanding customer gains combined with the inclusion of the acquisition of Moffat, the exchange of cable systems with Rogers and the consolidation of Cancom (including Star Choice), fueled growth of consolidated revenue of 62% over the last year. Earnings before interest, taxes, depreciation and amortization ("EBITDA") increased by 16% over last year. EBITDA lagged behind revenue as it included the anticipated losses of Star Choice for twelve months this year compared to two months last year and a one-time incentive payment for all staff totalling $9 million. Star Choice is, as anticipated, experiencing operating losses due to the early stage deployment and growth of the Star Choice DTH business. The incentive payment is in recognition of employees' achievements in meeting record Shaw@Home subscriber growth targets to date and as an incentive to meet future growth targets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fixed charges

	2001	2000	Increase	%
(In $millions Cdn)				
Depreciation and amortization	**476**	234	242	103%
Amortization of deferred IRU revenue	**(5)**	(3)	(2)	62%
Interest	**207**	121	86	71%

The increase in amortization of $242 million over last year is a result of the full-year consolidation of Cancom, the Moffat acquisition effective March 1, 2001, the incremental effect of the Rogers exchange effective November 1, 2000 and the high level of cable and Internet capital expenditures in the past few years.

Amortization of deferred IRU revenue resulted from the sale of the FiberLink operation in February 2000. Shaw granted an indefeasible right to use certain specifically identified existing fibers in the Company's fiber optic cable networks for 60 years ("Shaw IRU"). The prepayment on the IRU of $525.2 million, in the form of cash plus shares of GT Group Telecom is being amortized into income on a straight-line basis over the 60-year period. In addition, the Company also recorded a prepayment on an IRU of $89.2 million in respect of certain specifically identified existing fibers acquired on the Moffat Communications Limited acquisition ("Moffat IRU"). The prepayment on the Moffat IRU is being amortized into income on a straight-line basis over the 30-year period. The amortization increased to $5 million this year compared to $3 million last year as a result of the full year amortization of the Shaw IRU revenue and the half year inclusion of the Moffat IRU.

The increase in interest of $86 million over last year is due to the consolidation of Cancom results for the full year, increased interest on new borrowings required to finance the Moffat acquisition, the Rogers cable system exchange and capital expenditures.

Investment activity gains and losses

	2001	2000	Decrease in income
(In $millions Cdn)			
Gain (loss) on sale of investments	**(107)**	143	(250)
Write-down of investments	**(163)**	-	(163)
Dilution gain on issuance of stock by investees	**5**	33	(28)

Due to the uncertainty surrounding 360networks, Shaw sold its investment which resulted in a loss of $138 million. This loss was offset primarily by the gain on sale of Astral Media Inc. of $18 million, which resulted in the net loss on sale of investments for the year of $107 million. The prior year gains of $143 million reflected sale of investments of a number of companies during better market conditions. In light of a prolonged downturn in the technology sector, Shaw recorded a write-down of its investment portfolio of $163 million, of which $103 million related to the write-down of Liberty Digital.

The Company realizes dilution gains in respect of its investment in GT Group Telecom Inc. The gains arise as a result of issuances of equity by GT subsequent to Shaw's investment, which reduced Shaw's ownership in that Company to approximately 23.3% at August 31, 2001 from 23.7% on August 31, 2000. The prior year's larger dilution gain reflected the reduction of Shaw's ownership in GT to approximately 23.7% from 30.7%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Other non-operating income and expenses

	2001	2000	Increase (decrease) in income
(In $millions Cdn)			
Gain on sale of cable systems	**67**	-	67
Gain on sale of FiberLink assets	**-**	88	(88)
Debt restructuring costs	**(9)**	(98)	89
Other revenue (expense)	**(1)**	4	(5)

On August 31, 2001, the Company sold its interest in its Nova Scotia cable systems for $210 million which resulted in the pre-tax gain of $67 million during the fourth quarter. The gain on sale of FiberLink assets in 2000 reflects the February 2000 sale of the FiberLink business to GT.

In November 2000, the Company incurred $9 million of debt restructuring charges in respect of the repayment of the Fundy 11% Senior Secured Second priority notes. The restructuring costs will be more than offset by interest savings of approximately $3 million this year and $17 million over the next four years. The prior year's restructuring costs of $98 million were in respect of the Company's redemption of its previously outstanding private placement debentures.

Income taxes

The income tax provision for the year includes a $250 million future income tax recovery as a result of income tax rate reductions. In consequence of adopting the tax liability method of accounting in the first quarter, as required by GAAP, future income tax assets and liabilities, previously measured using income tax rates at that time, were re-measured using reduced income tax rates substantially enacted as a result of Provincial and Federal Budget proposals and release of draft legislation causing a large reduction in the company's net future tax liability position.

Equity loss on investees

	2001	2000	Decrease in income
(In $millions Cdn)			
Total	**(71)**	(31)	(40)

The equity loss on investees is primarily due to the equity losses of GT Group Telecom Inc. The increase in loss for the year ended August 31, 2001 is due to a full twelve months inclusion of GT this year compared to only six and one-half months last year. Throughout the year, GT reported solid results with revenue growth of 20% and narrowed EBITDA losses. Although the events of September 11th have precipitated a greater air of uncertainty on the outlook of CLECs, GT is one of the strongest CLECs that should continue to grow.

Non-controlling interest

Non-controlling interest in the fourth quarter and for the year has virtually disappeared due to the elimination of the minority interest in Cancom with the February 1, 2001 purchase of the remaining outstanding shares of Cancom.

Net income (loss)

The net loss for the year ended August 31, 2001 was $147.4 million. The loss per share, determined after deducting after-tax entitlements on preferred securities, exchangeable debentures and zero coupon debentures of $40.1 million, was ($0.85). The after-tax per share impact of investment transactions and non-operating revenues and losses was $(1.13) which was offset by the per share impact of $1.13 on the income tax rate recovery of $250 million.

SEGMENTED OPERATIONS REVIEW

CABLE TELEVISION

Financial Highlights

	2001	2000	%
($000s Cdn, except for ARPU and per subscriber amounts)			
Total revenue	**919,363**	781,800	17.6
Operating income before interest, amortization and income taxes	**420,849**	358,515	17.4
Operating income as % of total revenue	**45.8%**	45.9%	(0.1)
Capital expenditures and DCT subsidies	**357,241**	296,683	
Free cash flow[1]	**63,608**	61,832	
ARPU[2]	**$39.89**	$36.97	
Operating income per subscriber per year	**$249**	$239	

1. Free cash flow is operating income less capital expenditures and DCT subsidies.
2. ARPU is the average monthly revenue per unit before discounts.

The growth in revenue of 17.6% for the year is attributable to the following factors:

a) The acquisition of Moffat effective March 1, 2001, which included approximately 312,000 basic subscribers, located primarily in Alberta and Manitoba, and 71,000 basic subscribers in Texas and Florida. This accounted for approximately $100 million of the increase in revenue.
b) Approximately $22 million of the growth resulted from to the Rogers cable system exchange, which includes organic growth in the Vancouver cable systems.
c) On January 1, 2001, the basic monthly rate increased $0.08 in most systems and Tier I monthly rates increased by $0.75 which resulted in approximately $9 million additional revenue for the year.
d) An increase in pay-per-view revenue of approximately $4 million as a result of the tremendous growth in digital cable.
e) The remaining increase is from overall growth in basic, extended tier and Pay TV service customers.

ARPU improved over the prior year due to three principal reasons: 1) increased digital penetration which generated higher pay-per-view buys, pay TV revenue and tier revenue; 2) the higher ARPU of the acquired Moffat systems; and 3) the January 1, 2001 rate increases on basic and Tier I services.

Cable operating expenses consist of the following:

	2001	Amount per subscriber per year	2000	Amount per subscriber per year
($000s Cdn, except per subscriber amounts)				
Operations and administration	**201,490**	**$ 100**	169,242	$ 96
Network fees	**236,867**	**118**	190,854	107
Signal delivery, agreement and franchise charges	**17,267**	**9**	27,823	16
Copyright	**19,194**	**10**	16,311	9
Cable Production Fund	**23,696**	**12**	19,055	11
	498,514	**$249**	423,285	$239

MANAGEMENT'S DISCUSSION AND ANALYSIS

The increase in the absolute amount of the cable expenses of approximately 18% reflects the 14% growth in Shaw's weighted average customer base through system acquisitions and natural growth. The increase in per subscriber operations and administration expense of $4 per year primarily reflects inherited costs of the acquired Moffat and Rogers cable system acquisitions. For example, the Moffat cable systems had operating margins of approximately 40% prior to Shaw's control. Approximately $9 of the increase in per subscriber network fees per year is due to the increase in network fees related to the increased Pay TV and Tier customer penetration. The remainder is due to program supplier fee increases of approximately $2 per subscriber per year. The reduction of signal delivery, agreement and franchise charges primarily reflect the full year elimination of Cancom uplink fees in 2001 compared to only two months in 2000. Copyright fees, which are calculated in reference to cable system licence class, have increased by $1 per subscriber per year. On the Rogers exchange, Shaw received a higher ratio of Class I cable systems licences, which are subject to higher copyright fees than Class 2 (lower fees) and Class 3 (exempt from fees) cable system licences. The Cable Production Fund per subscriber is calculated in reference to a percentage of revenue. As revenue per subscriber has increased, correspondingly the cable production fund has also increased on a per subscriber basis.

The free cash flow for the year remained relatively constant over last year due to the equipment subsidies of $58 million being offset by higher operating income of $62 million. We anticipate capital expenditures to be $240 million next year.

SUBSCRIBER STATISTICS

	2001	2000[1]	Change	%
Basic service:				
Actual	**2,135,125**	2,130,250	4,875	0.2%
Penetration	**71.1%**	72.0%		
Full Cable Service:				
Tier I	**1,737,653**	1,759,395	(21,742)	(1.2%)
Penetration of % of basic	**81.4%**	82.6%		
Tier II	**1,624,823**	1,625,357	(534)	-%
Penetration as % of basic	**76.1%**	76.3%		
Tier III	**1,356,251**	1,309,843	46,408	3.5%
Penetration as % of basic[2]	**63.5%**	61.5%		
Digital cable terminals ("DCT")	**362,916**	159,452	203,464	127.6%
Pay TV subscribers	**339,940**	180,985	158,955	87.8%

1. August 31, 2000 statistics restated for comparative purposes to adjust subscribers as if the exchange of Shaw's New Brunswick and Ontario cable systems for Rogers' Vancouver cable systems, the acquisition of the Moffat Communications Limited cable systems and the sale of the Nova Scotia cable systems had occurred on August 31, 2000.
2. In systems where Tier III available.

MANAGEMENT'S DISCUSSION AND ANALYSIS

System Acquisitions, Exchange and Divestitures
This year marks the most significant execution of Shaw's clustering strategy. Clustering creates significant operating efficiencies by sharing facilities and services thereby reducing operating redundancies. With the acquisition of the Moffat systems, the Rogers exchange and the sale of Access, Shaw's Canadian customer base is concentrated almost entirely in western Canada, with approximately 80% of its customer base in British Columbia and Alberta. It is anticipated that this will result in significant operational and administrative synergies. The acquisitions, exchange and divestitures are more fully described in note 2 of the consolidated financial statements.

As a result of the foregoing consolidation of Shaw's operations, Shaw is targeting cable and Internet EBITDA of $610 million, compared to $486 million (excluding the one-time $9 million Shaw@Home incentive bonus) this year, which represents a 26% increase over fiscal 2001. Revenue is projected to increase approximately 22% over fiscal 2001.

INTERNET

CUSTOMER STATISTICS

Shaw@Home Customers	2001	2000(1)	Change	%
Two-way homes passed	**2,528,414**	2,413,786	114,628	4.7%
Connected and scheduled installations	**596,045**	348,473	247,572	71.0%
Penetration of two-way homes passed	**23.6%**	14.4%		

1. The August 31, 2000 statistics have been restated for comparative purposes to adjust subscribers as if the exchange of Shaw's New Brunswick and Ontario cable systems for Rogers' Vancouver cable systems, the acquisition of the Moffat Communications Limited cable systems and the sale of the Nova Scotia cable systems had occurred on August 31, 2000.

Shaw@Home's customer base grew by over 70% with the record addition of over 247,000 subscribers. As a result, Shaw exceeded its year-end target of 538,000 Shaw@Home subscribers by 58,000 (after deducting the subscribers related to the sale of the Nova Scotia cable systems).

Shaw's bold leadership has ignited the March to the Million campaign with exceptional customer support infrastructure, aggressive sales campaigns and employee incentive programs. A large part of the success is attributable to the positive word-of-mouth and referrals from Shaw@Home customers that have resulted from exceptional levels of customer service and a high-quality and reliable network. Shaw demonstrated its commitment to excellent customer service when two years ago, Shaw recognized that it needed to take control of its Internet distribution network and develop its own infrastructure. Shaw had the foresight and the fortitude to invest heavily in this regard and is now seeing tangible results of record additions of Shaw@Home customers.

Shaw generated 40% of this year's growth in the fourth quarter. A large part of this was due to the heightened grass-root marketing campaigns which included system-wide telemarketing, an intensive door knocking campaign and the Shaw@Home Friend-Get-A-Friend Program. In addition, the Company has experienced tremendous subscriber growth with its incentive program which was established to pay out when the Company meets certain growth targets. This plan covered approximately 2,800 employees. The estimated cost of the program of $9 million has been recorded in the fourth quarter as a one-time compensation expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Building on the prior quarter's momentum, Shaw@Home added approximately 30,000 customers in the month of September and expects 250,000 additions in the next fiscal year.

FINANCIAL HIGHLIGHTS

	2001	2000	%
($000s Cdn, except for ARPU)			
Revenue	**190,155**	98,902	92.3%
Operating income(1)	**65,222**	33,359	95.5%
Operating margin(1)	**34.3%**	33.7%	0.6%
Capital expenditure	**204,125**	161,681	
Free cash flow(2)	**(204,903)**	(128,322)	
ARPU(3)	**$41.09**	$42.25	

1. Operating income and margin for 2001 is calculated based on operating income before the one-time incentive expense of $9 million.
2. Free cash flow is operating income as adjusted per note 1 above, less capital expenditures.
3. ARPU is the average monthly revenue per unit before discounts.

For comparative purposes, the operating income for 2001 has been presented exclusive of the one-time compensation expense of $9 million awarded to employees as an incentive to meet Internet growth targets. The operating income and margin would otherwise be 56,222 and 29.6% respectively for 2001.

The revenue and operating income increases for the year primarily reflect the growth in customers for the respective periods as well as the acquisition of approximately 72,000 Internet subscribers on the Moffat purchase and the Rogers exchange. ARPU decreased over prior periods due to the continued promotion of free installation.

Capital expenditures have increased significantly due to increased purchases of cable modems and related equipment to accommodate the growth in customer base. In addition, Shaw built a state-of-the-art data centre for high-speed Internet access and service. The new data centre will improve Shaw's ability and capacity to deliver and store a greater volume of email and services. The centre was completed in June and since then, all new high-speed Internet customers have been placed on the new Shaw email service. Existing subscribers will be transitioned from Excite@Home to Shaw's data centre by March 1, 2002 resulting in significant cost savings to Shaw. This will reduce Shaw's dependence on the At Home Corporation and the corresponding fees, which are currently 19% of revenues or approximately $7.50 per subscriber per month. Shaw@Home anticipates $225 million of capital expenditures next year primarily related to the purchase of modems on subscriber additions and another data centre which will provide for redundancy and anticipated future growth.

DTH (Star Choice)

FINANCIAL HIGHLIGHTS

	2001	2000(1)	%
(In $000s, Cdn, except for ARPU)			
Revenue	**342,988**	255,644	34.2%
Operating loss	**(58,512)**	(72,266)	19.0%
Operating margin	**(17.1%)**	(28.3%)	11.2%
Capital expenditure and equipment subsidies	**148,924**	106,537	
Free cash flow(2)	**(207,436)**	(178,803)	
ARPU (before discounts) (3)	**$45.26**	$40.41	

1. Only two months of the results of DTH were consolidated in Shaw's August 2000 quarter. The 2000 results as reported by Cancom in its August 2000 interim report are provided for comparative purposes.
2. Free cash flow is operating income less capital expenditures and equipment subsidies.
3. ARPU is the average monthly revenue per unit before discounts.

CUSTOMER STATISTICS

	2001	2000(1)	Change	%
Star Choice customers	628,806	445,000	183,806	41.3%

Star Choice subscribers grew by 184,000 for the year to exceed its revised target of 625,000 subscribers. The target was revised to reflect the delay in the launch of Anik F1.With the successful launch of Anik F1, Star Choice satellite television currently delivers more than 360 channels to its viewers – more than any other provider.

Now that Star Choice has its costs under control, installed the elliptical dishes in Quebec and has gained a competitive advantage in its programming offerings, Star Choice is concentrating on its sales and marketing efforts. In September, Star Choice announced a bold new business strategy to distinguish the company as a leading provider of direct-to-home satellite television programming in Canada. The strategy is centred around increased customer interaction that includes the new "Simple Satellite" and the "Leasing Plan", opening new call centres, launching a direct-to-home sales team, certifying professional installers, enhancing the tools provided at retail and revamping its Web site.

The Star Choice Simple Satellite plan is a new, unique consumer offer designed to make it easier for customers to adopt satellite television. Simple Satellite customers enjoy free basic installation by professional installers with lifetime maintenance on the dish and all outside components. In addition, if customers move, Star Choice will install a new dish at their new home at no cost. As a result, equipment subsidies should decrease in fiscal 2002 for the component of the equipment subsidy related to the dish, and capital expenditures will increase correspondingly. There will be no direct impact on earnings except for the effect of amortizing the ownership of the dish over five years compared to amortizing the equipment subsidy over two years. Star Choice will monitor the effect of the free maintenance, however, we expect that the expense in the first year will be immaterial due to the manufacturers' warranty.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Leasing Plan will be introduced in the first quarter. Under the plan, customers may lease the DTH receiver for approximately $12 per month plus an activation fee of $50. This is an attractive alternative compared to the $199 (net of the $50 programming credit) up-front cost of purchasing the receiver. This will cause a timing effect on cash flow in fiscal 2002, as Star Choice will recover the cash it would have otherwise received on the receiver within fourteen months. After this period, the rental income provides incremental cash flow of $12 per month per rental subscriber. Earnings will increase by the amount of the monthly rental of the DTH receiver and lower amortization expense resulting from the longer five-year amortization on DTH receiver compared to the two-year amortization on equipment subsidies. In addition, on a comparative basis, equipment sales revenue should decrease and be offset by an equivalent decrease of cost of sales and equipment subsidies. Capital expenditures will increase by the amount of the equipment sales revenue and equipment subsidy.

Revenue increased over 34% for the year, principally due to the increase in subscribers. The increase in ARPU for the year is due to continued focus on higher sales of premium packages, expanded services and improved pay-per-view buy rates. ARPU should increase next year as effective September 1, 2001 Star Choice raised its monthly rates on its Platinum, Gold and Silver packages by $2 and its Bronze package by $1.

The operating loss for the year decreased 19% from last year as the Company focused on cost reductions and benefited from increased economies of scale. As we had predicted, fourth quarter losses tapered off from the third quarter, from $13.7 million to $10.7 million and Star Choice reached its key milestone of breakeven on a pre-subscriber acquisition cost basis, based on the August 31, 2001 going forward run rate.

Capital expenditures increased over last year principally due to $36 million incurred to install the new elliptical satellite dishes in Quebec. As a result of the conversion to Anik F1, elliptical dishes were required in Quebec to receive French programming signals. Star Choice has retained ownership to the dishes. Correspondingly, free cash flow decreased over year. As a result of Star Choice retaining ownership to the dishes on new installations in fiscal 2002, it is anticipated that its capital expenditures will be $65 million next year.

Star Choice met its target of cost of acquisition per subscriber of $700 ending the year at $699 compared to $640 for the prior year. Star Choice also met its target churn rate of 9% with a 8.84% rate for the year.

Armed with its bold new business strategy, Star Choice announced its anticipated targets for 2002. As a result of adding direct selling to the distribution network, it is anticipated that gross subscriber additions will be approximately 325,000 and the churn rate will be approximately 9% resulting in approximately 900,000 subscribers at the end of the fiscal year 2002. Moreover, it is anticipated that Star Choice will meet another key milestone of breakeven on a post subscriber acquisition cost basis by fourth quarter of 2002. Subscriber acquisition costs are targeted to be in the $700 range. ARPU is estimated to increase to $48 as a result of the September 2001 price increases. Operating expenses per subscriber on a pre-acquisition cost basis are expected to be in the $39 range as a result of anticipated cost savings.

Satellite Services

FINANCIAL HIGHLIGHTS

	2001	2000[1]	%
(In $000s Cdn)			
Revenue (third party)	**108,721**	123,557	(12.0%)
Operating income	**48,152**	34,442	39.8%
Operating margin	**44.3%**	27.9%	16.4%
Capital expenditure	**111,747**	29,995	
Free cash flow[2]	**(63,595)**	4,447	

1. Only two months of the results of Satellite Services were consolidated in Shaw's August 2000 quarter. The 2000 results reflect those reported by Cancom in its August 2000 interim report and have been adjusted to reflect a year revenue elimination of uplink fees that would have been recorded if Cancom was consolidated with Shaw.
2. Free cash flow is operating income less capital expenditures.

The decline in revenue is mainly attributable to the introduction of a new tier rate structure for all of Canadian SRDU customers introduced September 1, 2000. In exchange for the new rate structure, Cancom was able to secure in excess of 85% of its customer base to long-term contracts averaging approximately five years. Most of the remaining 15% are covered by existing contracts.

Despite the decline in revenue this year, the satellite division increased its operating income by 39.8% for the year as a result of operating efficiencies and restructuring undertaken throughout the year. Capital expenditures during the year increased over last year as a result of the purchase of transponders on Anik F1 and deposits on transponders on Anik F2. Capital expenditures for the current quarter have tapered off as a result of the bulk of the transponder purchases being completed by the third quarter of 2001.

Satellite is expected to generate $105 million in revenue and operating income of $40 million next year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Telecommunications (Big Pipe)

FINANCIAL HIGHLIGHTS

	2001	2000[1]	%
(In $000s Cdn)			
Revenue (third party)	**10,726**	-	n/a
Operating loss	**(6,371)**	-	n/a
Operating margin	**(59.4%)**	-	n/a
Capital expenditures	**105,625**	77,038	
Free cash flow[1]	**(111,996)**	(77,038)	

1. Free cash flow is operating income less capital expenditures.

This is the first year of operations for Big Pipe, which operates a national fiber backbone for broadband Internet services. In addition to being the primary Internet backbone for Shaw's broadband Internet customers, Big Pipe's facilities are available to Internet Service Providers (ISPs) and organizations that require end-to-end connectivity to the Internet. The Big Pipe product offering includes Video, Ethernet Broadband, and ATM Broadband.

For the year ended August 31, 2001 Big Pipe generated revenue of $10.7 million ($34.5 million including Shaw@Home and satellite services). Big Pipe is still in the process of building its customer base to promote future revenue growth, and as a result, has incurred operating losses of $6.4 million to date. However, Big Pipe expects to reach breakeven next year with targeted third party revenue of $15 million. Furthermore, Big Pipe also hauls traffic for the Internet division providing a cost saving to the Internet division. At August 31, 2001 Big Pipe had 41 external customers, representing a gain of 16 for the quarter and has added 6 customers in September.

Capital expenditures of $106 million for the year are primarily a result of the acceleration of delivery of fiber from 360networks inc. On June 8, 2001 as part of a broad-ranging agreement first announced in March 2000, Big Pipe received delivery from 360networks inc. of 6,400 kilometers or 77,000 strand kilometers of dark fiber in Canada and the United States. The dark fiber is located on routes between Vancouver, Calgary, Winnipeg, Toronto and Buffalo, and Seattle to Sacramento. This completes delivery of the southern route as originally contemplated under the March 2000 agreements. The purchase price of the southern route was satisfied by the application of the full deposit of $57 million and a further payment of $47 million.

The northern route, consisting of 5,800 kilometers or 64,000 strand kilometers of dark fiber is scheduled to be delivered to Shaw in December 2001. The northern route also provides redundancy for the existing southern route. On June 28, 2001 360networks filed for protection from its creditors in both Canada and the United States. If 360networks is unable to deliver the northern route, Shaw will be released from its obligations to purchase the outstanding fiber with no financial risk. In such event, Shaw anticipates it will be able to secure alternate arrangements as there is excess supply of fiber in the market. As a result of the foregoing, Big Pipe anticipates capital expenditures of approximately $35 million next year.

The assets and operations of Shaw FiberLink were sold to GT Group Telecom Inc. ("GT") effective February 16, 2000.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RISKS AND UNCERTAINTIES

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

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.

1. Cable Television

Shaw's cable television systems compete with the direct reception by antenna of over-the-air local and regional broadcast television signals, and either currently compete or may in the future compete with other distributors of television signals to homes for a fee, including direct-to-home ("***DTH***") satellite services, satellite master antenna systems ("***SMATV***"), multichannel, multipoint distribution systems ("***MMDS***"), other competitive cable television undertakings and telephone companies offering cable service.

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 1.5 million Canadian households. In addition, grey market DTH providers (i.e. providers of U.S.-based digital DTH programming services sold in Canada without authorization from the CRTC) also provide competitive services.

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 licences to Look TV and Look Télé to operate MMDS undertakings in southern Ontario and in Quebec and eastern Ontario, respectively. Look TV recently filed for protection from its creditors under the *Companies' Creditors Arrangement Act* (CCAA) and has scaled back its operations.

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. Another competitive undertaking, Suite Systems Inc., has been licensed to operate within a number of Shaw's licensed service areas in western Canada, including Calgary and Edmonton.

Since 1998, telephone companies have been eligible to hold full scale broadcasting distribution licenses from the CRTC. To date, four telephone companies, NBTel, MT&T, Télébec and SaskTel, operating in the provinces of New Brunswick, Nova Scotia, Québec and Saskatchewan, respectively, have been granted broadcasting distribution licences by the CRTC. Manitoba Telecom Services Inc. also recently applied to the CRTC for a broadcasting license to serve parts of 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. Almost all of Shaw's cable systems are concentrated in major urban markets having favourable demographics and growth potential, 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 the deployment of 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.

2. Internet

Shaw is currently the largest provider of high-speed Internet services in Canada. There are a number of different types of Internet service providers ("ISPs") offering residential and business Internet access services that compete with the Shaw@Home 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). As at the end of calendar year 2000, approximately 60% of all Internet subscribers in Canada used low speed dial-up access services.

High speed Internet access services are provided through cable modem and DSL (Digital Subscriber Line) 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 currently provided by cable companies only, although 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 and its affiliates and Telus. According to the CRTC, as at the end of calendar year 2000, approximately 13% of all Internet subscribers in Canada used DSL technology, as compared to 27% using cable modem technology.

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, strong growth rates for high speed Internet services such as Shaw@Home. Longer term, Shaw anticipates that a projected proliferation of Internet devices, including smaller and less expensive personal computers, digital television sets and other Internet appliances, may accelerate demand for, and increase the value of, high-speed Internet services, benefiting Shaw and other broadband providers.

The ISPs have requested access to cable companies' facilities to use the network to deliver their services, and on August 31, 2000 the CRTC approved the rate of ISP access at $21.25 per end-user per month. Other connection and installation charges also apply. Until competing Internet service providers have access to high-speed access services pursuant to the tariff, cable operators have been directed by the CRTC to provide access to their distribution systems to other ISPs for resale at 25% discount off the lowest retail rate charged by the cable operator for these services. There are additional unresolved issues related to implementation of the service and fee to be charged to the ISPs, and the CRTC has indicated it will be announcing further proceedings on these matters. To date, there has not been a great deal of interest by ISPs for either third-party Internet access or resale access services.

3. 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 market satellite service providers and other competitors such as wireless operators, telephone companies and off-air television broadcasters.

4. 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 fibre distribution systems into territories previously only served by SRDU operators. This expansion permits delivery of distant U.S. and Canadian conventional television stations to more remote locations without the use of satellite transmission.

5. Telecommunications

Through its Big Pipe subsidiaries, Shaw competes with other telecommunications carriers in providing high speed broadband communications services (IP transit of data and video, Internet connectivity and services, and Internet applications infrastructure) 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.

The ISPs have requested access to cable companies' facilities to use the network to deliver Internet access service. In November 2000 the CRTC approved the rate of ISP access at $21.25 per end-user per month for Shaw. Other connection and installation charges also apply. Until competing Internet service providers have access to high-speed access services pursuant to the Third Party Internet Access tariff, cable operators have been directed by the CRTC to provide access to its distribution systems to ISPs for resale at 25% discount off the lowest retail rate charged by the cable operator for these services. The Commission is presently reviewing the cable companies' proposed rates for interconnection and various installation charges. To date, there has not been a great deal of interest by ISPs for either third-party Internet access or resale access services.

Economic Changes

The September 11, 2001 terrorist attacks in the United States and the recent retaliation efforts have created uncertainty throughout the world in respect to the economic fallout of this tragedy. During these uncertain times, there is concern that consumer spending will decrease. Although the Company cannot fully anticipate what impact this will have on overall market growth, historically, cablevideo operations are less impacted by reduced consumer spending. In addition, although high-speed Internet might be considered a discretionary service which consumers might forego, demand for high-speed Internet connections may increase to meet customer needs for telecommuting and desire for the latest news of the evolving events arising from the attacks. The growth in satellite and digital subscribers could slow as customers may be reluctant to change or add new services during times of uncertainty.

In addition, the attacks have raised security concerns. Shaw has extensive network and technical facilities in Canada and the US. These attacks have compelled Shaw to increase the vigilance in maintaining and securing these facilities.

FINANCIAL POSITION

Overview

Total assets at August 31, 2001 were $8.8 billion compared to $6.4 billion at August 31, 2000. The increase is primarily due to the acquisition of Moffat Communications Limited, the Rogers exchange and ongoing capital expenditures to expand our distribution network.

Property, Plant and Equipment

Total capital expenditures for 2001 of $848 million were higher than forecasted of $600 million due a number reasons, including the accelerated delivery of fiber from 360networks of $47 million, $36 million relating to Star Choice retaining ownership of the satellite dishes in Quebec on the re-pointing project and the remainder primarily relating to the greater than anticipated growth in the number of Shaw@Home customers. Forecasted capital expenditures in the 2002 fiscal year are approximately $600 million.

The major categories of capital expenditures are as follows:

	2002 Projected	2001 Actual	2000 Actual
(In $millions Cdn)			
Cable distribution system, including digital	240	**299**	297
Internet	225	**270**	162
DTH	65	**42**	1
Satellite services	-	**112**	20
Telecommunications (Big Pipe)	35	**106**	77
Shaw FiberLink	-	**-**	19
Corporate	35	**19**	32
	600	**848**	608

MANAGEMENT'S DISCUSSION AND ANALYSIS

Investments

Shaw's investment portfolio as at August 31, 2001 includes:

Investment [1]	Unrestricted shares	Restricted shares and warrants	Total shares and warrants	Market value[2]
				($000s Cdn)
GT Group Telecom	32,246,217		32,246,217	140,271
Terayon Communications	6,000,000		6,000,000	38,801
Liberty Digital	1,372,000		1,372,000	8,511
Canadian Hydro [3]	1,500,000	2,396,580	3,896,580	5,869
TippingPoint (formerly Netpliance)	5,000	93,333	98,333	1,067
Other publicly traded companies	-	-	-	30,645
Other non-public companies, at cost	-	-	-	33,576
				258,740

(1) The above table excludes shares pledged as collateral on equity instruments.
(2) Unless otherwise noted, the market value is based on closing prices as of August 31, 2001 less the cash payable on the exercise price of warrants. It also assumes all shares are free trading and all warrants are exercisable.
(3) On September 10, 2001, an additional 500,000 warrants vested and an additional 2,200,000 common shares and 1,100,000 warrants of Canadian Hydro were acquired through a private placement.

This year, the Company monetized 1,000,000 shares of Liberate with an original cost of $11 million for net proceeds of $43 million through the issue of equity linked debentures. A summary of the investments that have been monetized by equity linked debentures and similar instruments are as follows:

Equity instrument	Underlying investment	Carrying value of equity instrument	Carrying value of underlying investment	Future gain if equity instrument settled by investment
(In $millions Cdn)				
SHELS I	3,250,656 At Home	199	23	176
SHELS II	1,110,530 At Home	56	11	45
SHELS III	452,506 Liberate	50	5	45
SHELS IV	1,000,000 Liberate	43	11	32
Zero Coupon Loan	732,237 Motorola	34	9	25
Total		382	59	323

Other Assets

The increase of approximately $125 million in deferred charges primarily relates to the DTH and DCT equipment subsidies and increase in deferred foreign exchange losses reflecting the weakened Canadian dollar. The increase of approximately $1.7 billion in subscriber base reflects the impact of business acquisitions undertaken, net of amortization recorded during the year.

Long-Term Debt

Total long-term debt at August 31, 2001 was approximately $3.0 billion (2000 – $1.8 billion), the net increase being the result of the Moffat Communications Limited acquisition, the Rogers exchange and ongoing capital expenditures to expand our distribution network. The long-term debt of the parent company, Shaw Communications Inc., is unsecured, which gives the Company, rated as investment grade, significant flexibility and options in financing its operations.

Total U.S. dollar denominated long-term debt amounted to U.S. $872.2 million (2000 -U.S. $739.1 million) as follows:

	2001	2000
(U.S. $000s)		
Shaw 8.25% Senior Notes Due 2010	**440,000**	440,000
Shaw 7.25% Senior Notes Due 2011	**225,000**	-
Star Choice 13% Senior Secured Notes due 2005	**150,000**	150,000
Fundy Cable Ltd. Senior Secured Second Priority 11% Notes due 2005	**-**	91,916
Bank loans	**57,200**	57,200
	872,200	739,116

Concurrently with the issuance of the U.S. $225 million senior notes, Shaw entered into a cross-currency interest rate agreement on the principal amount of the notes at an exchange rate of $1.5815 Canadian. In addition, this agreement provides the U.S. funds for the semi-annual interest payments based upon an interest rate of 7.68% on the Canadian dollar equivalent of the debenture principal amount.

FINANCIAL INSTRUMENTS

Shaw structures its borrowings generally on a stand-alone basis. Therefore, borrowings by Shaw and Videon are unsecured, whereas the borrowings of Cancom, Star Choice and Big Pipe are secured by the assets of the respective entities within each group, and such instruments generally do not provide for cross-collateralization or cross-defaults between groups, or guarantees. This year, Shaw entered into a support arrangement in respect of the Cancom Structured Note as further described in Note 7 to the Consolidated Financial Statements. For details of Shaw's consolidated debt, see Note 7 to the Consolidated Financial Statements.

Shaw manages its exposure to floating interest rates and U.S. 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 its total swap portfolio is held by financial institutions with a Standard & Poor's rating (or the equivalent) ranging from A+ to AA-.

Interest rates:

Shaw Communications Inc. has the following financial exposures to risk in its day-to-day operations.

(a) Interest rates: Because of 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, Cancom and Big Pipe as more fully described in Note 7 of the Consolidated Financial Statements.

2. Various Canadian and U.S. denominated debentures with terms of varying maturities issued in the public and private markets as more fully described in Note 7 of the Consolidated Financial Statements.

3. Canadian Originated Preferred Securities (COPrS) issued in Canadian and U.S. dollars with terms of 30 – 99 years as more fully described in Note 9 of the Consolidated Financial Statements

Interest on bank indebtedness is based on floating rates, while the debentures and COPrS are fixed rate instruments. Shaw utilizes the credit facility to finance its day to day operations and, depending on market conditions, periodically converts the bank loans to fixed rate instruments through public market debt issues. It also uses interest rate swap transactions to fix the interest rates on a portion of its bank debt. At August 31, 2001 Shaw had "swapped out" $387 million of its total Canadian floating rate bank indebtedness by means of a $177 million and a $210 million Canadian interest rate swap transactions entered into with two major Canadian chartered banks. The interest rates were fixed at 8.89% and 6.12 – 6.17% respectively.

As at August 31, 2001, approximately 87% of Shaw's consolidated long-term debt was fixed with respect to interest rates. The COPrS are also fixed with respect to interest rates, however are subject to the foreign exchange fluctuations described below.

(b) Foreign exchange: As the Company has grown to become the second largest cable television operator in Canada, it has been required to access the U.S. capital markets for a portion of its financings. Because 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 U.S.$ denominated debt. In view of this, the Company's policy with respect to U.S. 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, 2001 approximately 72% of the maturities were hedged. The Company utilizes cross-currency interest rate transactions, where appropriate, to hedge its exposures on U.S.$ denominated bank and debenture indebtedness.

There is also an exchange risk present with respect to the U.S.$ denominated COPrS which require quarterly interest payments and potential redemption in U.S. dollars. However, because of the long period of time until mandatory redemption (30 and 99 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 U.S.$ purchase contract with a major Canadian bank whereby it buys U.S. dollars at a fixed rate on the quarterly interest payment dates to make these payments. The current agreement enables Shaw to purchase U.S. 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 has a significant portfolio of shares of publicly traded Canadian and U.S. corporations. In order to protect against future stock market volatility, Shaw regularly monetizes these investments through the open market sales of these investments or issuance of exchangeable debentures. These debentures result in proceeds to Shaw based upon current trading values of the related security, and upon maturity, are repayable by tendering the marketable security upon which the debentures were issued, the issuance of Shaw Class B Shares, or cash. Since these debentures are denominated in U.S. funds, there is an exchange risk upon redemption. However, given the length of the terms of these debentures, it is not practical to hedge this exposure.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Change in Cdn. $ vs. U.S.$	Change in principal amount	Change in interest expense	Impact on earnings per share (1)
		($millions Cdn)		
Debt	$0.01	2.1	0.2	$0.001
	$0.03	6.2	0.7	$0.003
	$0.05	10.4	1.2	$0.004

	Change in Cdn. $ vs. U.S.$	Change in principal amount (2)	Change in entitlement payments	Impact on earnings per share
		($millions Cdn)		
COPrS	$0.01	3.15	N/A	N/A
	$0.03	9.45	N/A	N/A
	$0.05	15.75	N/A	N/A
SHELS	$0.01	2.40	0.06	-
	$0.03	7.19	0.19	-
	$0.05	11.98	0.32	.001
ZERO Coupon Loan	$0.01	0.23	0.02	-
	$0.03	0.68	0.05	-
	$0.05	1.14	0.09	-

(1) Assumes income tax recovery of 43%. Includes interest impact and dividend entitlement impact and the amortization of the change in principal amounts that would be amortized over the remaining life of the unhedged debt.

(2) Under Canadian GAAP, equity instruments are classified as equity and are measured using historical values and are not affected by foreign exchange rate changes. Under U.S. GAAP, equity instruments are classified as debt, and are therefore affected by foreign exchange rate changes as outlined in the table above.

RECENT ACCOUNTING PRONOUNCEMENTS

The Company will be early adopting the recommendations of the Canadian Institute of Chartered Accountants ("CICA") with respect to Goodwill and Other Intangible Assets commencing the first quarter of fiscal 2002. Under this new standard an intangible asset with an indefinite useful life should not be amortized until its life is determined to be finite. These assets must be tested for impairment annually, or more frequently if events or circumstances indicate that the asset might be impaired. The policy must be applied prospectively. The Company is reviewing its intangible assets to determine which of these assets have an indefinite useful life. The Company will not amortize intangible assets that have an indefinite life.

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 judgements. 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 ensure that it is consistent with the financial statements.

Shaw Communications Inc. maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the 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 the 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 the majority of its members are outside unrelated directors. 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 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.

[Signed]

Jim Shaw
Chief Executive Officer

[Signed]

Ron Rogers
Senior Vice President and
Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of
Shaw Communications Inc.

We have audited the consolidated balance sheets of **Shaw Communications Inc.** as at August 31, 2001 and 2000 and the consolidated statements of income (loss) and retained earnings and cash flows for the years then ended. 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. 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

As discussed in note 10 to the financial statements, in 2001 the Company retroactively changed its method of accounting for income taxes.

Ernst & Young LLP

Calgary, Canada
October 9, 2001

Chartered Accountants

Shaw Communications Inc.

CONSOLIDATED BALANCE SHEETS

As at August 31

[thousands of Canadian dollars]	2001 $	2000 $ *(Restated – note 10)*
ASSETS *[note 7]*		
Current		
Accounts receivable	**182,612**	89,543
Income taxes recoverable	**6,267**	—
Inventories *[note 4]*	**95,375**	53,842
Prepaids and other	**24,669**	9,263
Assets held for sale *[note 2]*	**89,500**	—
	398,423	152,648
Investments and other assets *[notes 3 and 9]*	**550,707**	1,074,734
Property, plant and equipment *[note 4]*	**2,522,923**	1,643,246
Deferred charges *[note 5]*	**277,780**	152,894
Subscriber base and broadcast licenses *[note 6]*	**5,038,123**	3,378,461
	8,787,956	6,401,983
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness *[note 7]*	**1,789**	27,003
Accounts payable and accrued liabilities	**573,561**	335,007
Income taxes payable	—	1,963
Unearned revenue	**65,593**	45,453
Current portion of long-term debt	—	187,334
	640,943	596,760
Long-term debt *[note 7]*	**3,010,348**	1,590,320
Deferred credits *[note 8]*	**643,825**	541,602
Future income taxes *[note 10]*	**1,196,933**	1,209,243
Non-controlling interest	—	17,837
	5,492,049	3,955,762
Commitments and contingencies *[notes 2,3,7 and 12]*		
Shareholders' equity		
Share capital *[note 9]*	**3,182,746**	2,135,950
Retained earnings	**111,830**	310,250
Cumulative translation adjustment	**1,331**	21
	3,295,907	2,446,221
	8,787,956	6,401,983

See accompanying notes

On behalf of the Board:

[Signed]
JR Shaw
Director

[Signed]
Jim Dinning
Director

Shaw Communications Inc.

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND RETAINED EARNINGS

Years ended August 31

[thousands of Canadian dollars except per share amounts]	**2001** $	**2000** $ *(Restated – note 10)*
Revenue	**1,571,953**	971,000
Operating, general and administrative expenses	**1,111,613**	573,337
Operating income before amortization	**460,340**	397,663
Amortization *[notes 4, 5, 6 and 8]*	**476,294**	234,212
Amortization of deferred IRU revenue *[notes 2 and 8]*	**(4,902)**	(3,018)
Operating income (loss)	**(11,052)**	166,469
Interest *[note 7]*	**206,935**	120,991
	(217,987)	45,478
Gain (loss) on sale of investments	**(106,716)**	143,248
Write-down of investments *[note 3]*	**(163,454)**	—
Dilution gain on issuance of stock by equity investee *[note 2]*	**4,525**	33,245
Gain on sale of cable systems *[note 2]*	**66,595**	—
Gain on sale of FiberLink assets *[note 2]*	**—**	87,984
Debt restructuring costs *[note 7]*	**(8,590)**	(97,968)
Other revenue (expense)	**(665)**	4,495
Income (loss) from continuing operations before income taxes	**(426,292)**	216,482
Income tax expense (recovery) *[note 10]*	**(349,428)**	55,464
Income (loss) from continuing operations before the following	**(76,864)**	161,018
Equity loss on investees *[note 3]*	**(71,282)**	(30,661)
Non-controlling interest	**725**	3,486
Net income (loss) from continuing operations	**(147,421)**	133,843
Net loss from discontinued paging operations *[note 2]*	**—**	(239)
Net income (loss)	**(147,421)**	133,604
Retained earnings, beginning of year	**254,440**	224,749
Adjustment for change in accounting policy *[note 10]*	**55,810**	40,466
Retained earnings, beginning of year, restated	**310,250**	265,215
	162,829	398,819
Reduction on separation of media business *[note 9]*	**—**	(29,414)
Reduction on Class B shares purchased for cancellation	**—**	(12,171)
Dividends -		
Class A and B Shares	**(10,876)**	(8,505)
Equity instruments (net of income taxes)	**(40,123)**	(38,479)
Retained earnings, end of year	**111,830**	310,250
Earnings per share *[note 9]*		
Net income (loss) from continuing operations and net income (loss)	**($0.85)**	$0.53

See accompanying notes

Shaw Communications Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31

[thousands of Canadian dollars except per share amounts]	2001 $	2000 $ *(Restated – note 10)*
OPERATING ACTIVITIES *[note 15]*		
Cash flow from continuing operations	**210,514**	237,789
Net change in non-cash working capital balances related to operations	**42,672**	(4,198)
	253,186	233,591
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(828,727)**	(564,106)
Cable and MDU business acquisitions *[note 2]*	**(555,977)**	(145,222)
Cancom acquisition *[note 2]*	**(6,148)**	(135,913)
Deposit received on assets held for sale *[note 2]*	**150,000**	—
Proceeds on sale of cable systems *[note 2]*	**193,288**	—
Proceeds on sale of FiberLink assets *[note 2]*	—	53,653
Proceeds on sale of investments and other assets	**170,428**	667,530
Acquisition of investments	**(138,534)**	(788,880)
Additions to equipment subsidies	**(165,492)**	(20,840)
Additions to deferred charges	**(24,407)**	(17,445)
	(1,205,569)	(951,223)
FINANCING ACTIVITIES		
Decrease in bank indebtedness	**(25,214)**	(4,704)
Proceeds on pre-payment of IRU *[note 2]*	—	283,091
Debt restructuring costs *[note 7]*	**(8,590)**	(90,606)
Increase in long-term debt	**2,377,238**	2,231,082
Long-term debt repayments	**(1,535,353)**	(2,007,389)
Issue of equity instruments, net of after-tax expenses	**189,928**	339,887
Issue of Class B shares, net of after-tax expenses	**4,547**	(976)
Purchase of Class B shares for cancellation	—	(13,847)
Dividends and entitlement payments on equity instruments net of current taxes	**(50,289)**	(37,916)
	952,267	698,622
Effect of currency translation on cash balances and cash flows	**116**	—
Decrease in cash	—	(19,010)
Decrease in cash attributable to media business	—	(261)
Increase in cash attributable to paging business	—	19,271
Cash, beginning of the year	—	—
Cash, end of the year	—	—
Cash flow from continuing operations per share *[notes 9 and 15]*	**$0.77**	$1.08

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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[tabular amounts in thousands of Canadian dollars]

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 business is providing satellite, broadband cable television, Internet and Internet infrastructure services (“telecommunications”) primarily in Canada. The Company also has significant interests in Internet infrastructure and interactive television companies.

The consolidated financial statements are prepared by management on the historical cost basis in accordance with Canadian generally accepted accounting principles. The effects of differences between the application of Canadian and U.S. GAAP on the financial statements of the Company are described in note 16.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and those of its subsidiaries, all of which are wholly owned except for Canadian Satellite Communications Inc. (“Cancom”) (99.7% interest) and Access Communications Inc. (75% interest sold August 31, 2001). 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.

Investments in entities over which the Company exercises significant influence are accounted for using the equity method and include Cancom until June 30, 2000 (at which time Cancom became a subsidiary of the Company), GT Group Telecom Inc. (“GT”) and Halifax Cablevision Limited (“Halifax”) until August 31, 2001 (at which time Halifax was sold). Other investments are recorded at cost and written down only when there is evidence that a decline in value that is other than temporary has occurred.

Acquisitions subject to CRTC approval are held in trust by a trustee who exercises control over the business until such time as the CRTC renders a decision on the proposed acquisition. Accordingly, such acquisitions are recorded at cost until a decision is rendered and the Company is able to exercise significant influence or control and determine the appropriate form of accounting.

Revenue and expenses

Revenue from cable television, Internet and satellite customers includes earned subscriber service revenue prior to the payment of any network fees by the Company. Service charges billed or paid for in advance are deferred and recorded as revenue when earned. Income includes subscriber connection fees, as they are considered to represent a partial recovery of initial selling expenses and related administrative and general office expenses. Subscriber connection costs are capitalized as part of the distribution system and costs of disconnections are expensed as incurred.

The sale of Direct-To-Home receiving equipment is recognized when subscriber service is activated.

Telecommunications revenue is recognized in the period in which the services are rendered to customers.

Property, plant and equipment

Property, plant and equipment additions are recorded at cost. 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	10-15 years
Converters and modems	7 years
Decoders	5 years
Satellite audio, data and video network	3-7 years
Buildings	20-40 years
Data processing	4 years
Other	3-10 years

Deferred charges

Deferred charges primarily include (i) financing costs and credit facility arrangement fees related to the issue of long-term debt amortized on a straight-line basis over the period to maturity of the related debt; (ii) marketing costs incurred to launch new specialty services and to launch the DTH services under the new satellite Anik F1, amortized on a straight-line basis over a two-year period commencing with the commercial offering of the service; (iii) foreign exchange losses on translating long-term debt; (iv) Direct-To-Home ("DTH") pre-operating costs; and (v) equipment subsidies.

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The deferred pre-operating costs include the costs of positioning the Company's subsidiary, Star Choice, for entry into the DTH digital satellite business. These costs were deferred until commercial operations commenced and are being amortized on a straight-line basis over five years.

Equipment subsidies incurred in order to expand the Company's customer base include the cost of subsidizing equipment sold to subscription cable and satellite television customers, plus the direct selling costs in respect of DTH equipment. These subsidies are deferred and amortized on a straight-line basis over a two-year period.

Subscriber base and broadcast licenses

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 primarily of subscriber base and broadcast licenses. Amounts allocated to subscriber base and broadcast licenses on cable acquisitions are amortized using the increasing charge method with an interest rate of 4% over forty years, and amounts allocated to DTH licenses and subscriber base are amortized on a straight-line basis over 35 years. Amounts allocated to goodwill are amortized on a straight-line basis over forty years. These assets are written down if there is evidence of a permanent impairment in their value to the Company. The potential impairment of these assets is measured against the undiscounted value of expected future operating income before amortization, taxes and interest.

Deferred credits

Deferred credits include: (i) prepayments received under indefeasible right to use agreements amortized on a straight-line basis into income over the term of the agreement; (ii) fair value adjustments on debt assumed on acquisitions amortized on a straight-line basis over the term of the debt; and (iii) foreign exchange gains on translating long-term debt and on translating short-term investments held in escrow.

Income taxes

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Equity instruments

The Company has the ability to satisfy interest and redemption obligations on various financial instruments through the issuance of Class B Shares. Accordingly, these instruments are included in shareholders' equity and any payments thereon, net of taxes, are recorded as dividends.

Foreign currency translation

The financial statements of foreign subsidiaries, all of which are self-sustaining, are translated using the current rate method, whereby assets and liabilities are translated at year-end exchange rates and revenues and expenses at average exchange rates for the year. Adjustments arising from the translation of the financial statements are deferred and included in a separate component of shareholders' equity.

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.

Exchange gains or losses on translating long-term debt are included in deferred credits or deferred charges and, except for hedged debt, are amortized on a straight-line basis over the remaining life of the debt. Other exchange gains and losses are included in net income for the year.

Financial instruments

The Company uses derivative financial instruments to manage risks from fluctuations in exchange and interest rates. These instruments include interest rate swaps, currency swaps, and foreign currency forward purchase contracts. All such instruments are only used for risk management purposes. The Company accounts for these financial instruments as hedges and as a result the carrying values of the financial instruments are not adjusted to reflect their current market value. The net receipts or payments arising from financial instruments relating to the management of interest risks are recognized in interest expense over the term of the instrument. Foreign exchange gains or losses arising on cross-currency agreements used to hedge U.S. dollar denominated debt are deferred until the hedged item is settled.

Stock-based compensation

The Company has a stock option plan for directors, officers, employees and consultants to the Company. The options must be issued at not less than their fair value; accordingly, no compensation expense is recorded on the grant of options under this plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles 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.

The Company has invested in a number of development projects and in companies utilizing and developing new distribution technologies. Control of Cancom and its 100% subsidiary Star Choice Communications Inc. ("Star Choice"), a DTH satellite operator, was acquired in 2000. Star Choice commenced commercial operations on October 1, 1997 and has experienced significant operating losses. These operating losses are expected to continue as Star Choice continues to build its customer base.

The Company has estimated the useful lives of capital assets and the recoverability of deferred costs, development projects and the subscriber base using current business plans. Significant changes in the assumptions with respect to the competitive environment and the DTH market could result in impairment of capital assets, development projects and certain long-term investments.

2. BUSINESS ACQUISITIONS AND DIVESTITURES

Cable and MDU business acquisitions

	2001				
	Issue of Class B shares $	**Cash** $	**Application of opening investment** $	**Accounts payable** $	**Total purchase price** $
(i) Moffat Communications Limited	**765,238**	**465,365**	**105,138**	**4,661**	**1,340,402**
(ii) Rogers Communications exchange	—	**78,662**	**661**	**24,844**	**104,167**
(iii) MDU business	—	**10,604**	—	—	**10,604**
(iv) Other cable systems	—	**1,346**	—	**1,344**	**2,690**
	765,238	**555,977**	**105,799**	**30,849**	**1,457,863**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2001 and 2000
[tabular amounts in thousands of Canadian dollars]

	2000			
	Issue of Class B shares $	Cash $	Application of deposits and assets in escrow $	Total purchase price $
(v) Access Communications Inc.	—	3,074	123,726	126,800
(vi) Fundy Communications Inc.	151,515	131,928	192	283,635
(vii) Squamish, B.C.	—	10,220	—	10,220
	151,515	145,222	123,918	420,655

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

	2001 $	2000 $ (Note 1)
Identifiable net assets acquired at assigned fair values		
Assets held for sale	**239,500**	—
Investments and other assets	**7**	38,065
Property, plant and equipment	**353,500**	114,189
Deferred charges	**4,634**	—
Subscriber base – DTH	**9,886**	—
Subscriber base – cable	**1,760,672**	736,314
	2,368,199	888,568
Working capital deficiency	**37,106**	19,020
Long-term debt	**372,000**	209,273
Indefeasible right of use	**89,200**	—
Future income taxes	**394,821**	232,652
Deferred credits	**17,209**	5,500
Non-controlling interest	**—**	1,468
	910,336	467,913
Purchase price	**1,457,863**	420,655

Note 1 – restated to reflect the adoption of the liability method of accounting for income taxes.

(i) Effective March 1, 2001, the Company acquired 100% of Moffat Communications Limited ("Moffat"). The principal operations and assets of Moffat consisted of:
   a) Cable television and Internet distribution systems serving 312,000 basic cable subscribers and 43,000 high-speed Internet subscribers in Alberta, Manitoba and Northern Ontario;
   b) Cable television and Internet distribution systems serving approximately 71,000 basic subscribers and 3,000 high-speed Internet subscribers in Florida and Texas;
   c) WTN, a nationally distributed specialty television network; and
   d) CKY-TV ("CKY"), a CTV television network affiliate in Manitoba.

   In conjunction with the Company's plans to acquire Moffat, agreements were made to dispose of Moffat's interest in WTN for $202.5 million to Corus Entertainment Inc. (see note 13) and its interest in CKY for $37 million to CTV Inc. Accordingly, the WTN and CKY assets are reflected in the balance sheet as assets held for sale at the agreed upon selling price less a deposit for $150 million received from Corus on the WTN sale. The sale of WTN is subject to CRTC approval, however, Corus is still obliged to pay for the acquisition notwithstanding the decision to be made by the CRTC on ownership. The sale of CKY was closed in September 2001. No gain or loss is expected to result on these dispositions.

(ii) Effective November 1, 2000 the Company and Rogers Communications Inc. ("Rogers") exchanged certain cable television and Internet assets resulting in the Company acquiring Roger's approximately 626,000 subscribers in Vancouver and surrounding area in exchange for the Company's approximately 604,000 subscribers in Southern Ontario and New Brunswick plus cash for the cost of the incremental subscribers acquired in the exchange. The exchange of cable systems was undertaken by both companies to consolidate their respective cable television operations. No gain or loss was recorded in this exchange of assets. The incremental subscribers acquired have been recorded at their cash cost to the Company.

(iii) Approximately 13,533 DTH satellite subscribers were purchased in Ontario, Quebec and Western Canada.

(iv) The Company has a commitment to purchase by May 31, 2003, a number of subscribers in Florida. Approximately 3,300 subscribers for U.S. $7.8 million are remaining in respect of this commitment at August 31, 2001.

(v) Effective September 1, 1999, the Company acquired a 75% interest in Access Communications Inc. ("Access") and a 100% interest in Access Cable Television Bedford/Sackville Limited. Access also owned a 45% interest in Halifax Cablevision Limited. The three companies operated cable television systems served approximately 142,000 subscribers primarily in Nova Scotia, and were acquired from a director of the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(vi) Effective November 1, 1999, the Company acquired all the shares of Fundy Communications Inc., which operated cable systems serving approximately 186,000 subscribers in New Brunswick.

(vii) Effective June 30, 2000, the Company purchased the cable television system serving approximately 3,700 subscribers in Squamish, British Columbia.

Cancom acquisition

On August 31, 1999, Cancom and Star Choice completed a share exchange transaction resulting in Star Choice becoming a wholly owned subsidiary of Cancom. Cancom provides satellite-based solutions for business and Star Choice provides DTH satellite television services. Prior to this transaction, the Company held a 9.5% interest in Cancom, accounted for on a cost basis, and a 49.9% interest on a diluted basis in Star Choice, accounted for on the equity basis. After the share exchange, the Company held approximately 35% of Cancom, which was accounted for on the equity basis.

During 2000, the Company purchased additional interests in Cancom resulting in Cancom becoming a subsidiary (94.3% interest) for consolidation purposes effective July 1, 2000. During 2001, the Company purchased the remaining 5.7% outstanding shares of Cancom. Subsequent to the 100% buyout, a third party exercised its Cancom warrants resulting in a dilution of the Company's ownership to 99.7%. A summary of the net assets acquired at assigned fair values and the consideration given for the 94.3% interest and 5.7% interest in Cancom is summarized as follows:

	2001 $	2000 $ (Note 1)
Identifiable net assets acquired at assigned fair values		
Investments and other assets	—	15,339
Property, plant and equipment	—	81,943
Deferred charges	—	103,724
Subscriber base and broadcast licenses	**111,260**	1,114,228
	111,260	1,315,234
Working capital deficiency	—	18,413
Long-term debt assumed	—	246,089
Deferred credits	—	15,451
Future income tax liability	**30,720**	247,029
Non-controlling interest	**(12,691)**	19,855
	18,029	546,837
Purchase price	**93,231**	768,397

[tabular amounts in thousands of Canadian dollars]

Consideration:

	2001 $	**2000** $
Cash	**6,148**	135,913
Class B shares	**87,083**	534,788
Amounts included in accounts payable	**—**	26,720
Cancom investment at August 31, 1999	**—**	63,823
Equity in Cancom losses to June 30, 2000	**—**	(19,500)
Costs of WIC investment	**—**	26,653
	93,231	768,397

Note 1 – restated to reflect the adoption of the liability method of accounting for income taxes.

Divestitures

(i) Effective August 31, 2001, the Company sold to Bragg Communications Inc., a company controlled by a director of the Company, its 75% interest in Access (including its 45% interest in Halifax Cablevision Limited) and its 100% interest in Access Cable Television Bedford/Sackville Limited for $209.6 million ($193.3 million cash and $16.3 million promissory notes at prime plus .5%). A pre-tax gain of $66.6 million was recognized on the sale.

(ii) Effective February 16, 2000, the business of Shaw FiberLink was sold to GT Group Telecom Inc. ("GT"). Under the agreement, the Company granted GT an indefeasible right to use ("IRU") certain specifically identified existing fibers in the fiber optic cable networks of the Company for 60 years and sold to GT the remaining property and assets used in connection with its FiberLink business. In addition, the Company granted GT an IRU in additional fiber kilometers to be built over the next three years at an estimated capital cost of $65 million. The Company received net proceeds of $732.2 million, consisting of $332.2 million in cash, net of disposal costs of $27,808,000, and $400 million representing the value of 29,096,097 GT shares, an approximate 31% interest. A pre-tax gain of $88 million was recognized on the sale of the FiberLink business to the extent of the interest sold, and a prepayment on the IRU totaling $525.2 million was recorded which is being amortized into income over the term of the IRU.

During the year, GT issued equity which reduced the Company's equity interest from 23.65% to 23.28% and resulted in a dilution gain of $4.5 million for the year. As a result of an initial public offering of shares by GT in 2000, the Company recorded a dilution gain of $33.2 million on the reduction of its interest in GT from approximately 31% to approximately 23.65%.

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(iii) On November 9, 1999 the Paging division was sold for $19 million. Paging division revenues for 2000 until the date of disposition were $3.4 million.

3. INVESTMENTS AND OTHER ASSETS

	2001 $	2000 $
Investments, at cost net of write-downs:		
360networks inc	—	146,367
Liberty Digital, Inc. ("Liberty") (market value - $8,511; 2000 - $49,991)	**8,511**	111,779
Motorola, Inc. ("Motorola") (market value - $33,858; 2000 - $33,858)	**8,925**	8,925
TippingPoint Technologies Inc., formerly Netpliance, Inc. ("Tipping Point") (market value - $1,067; 2000 - $11,536)	**1,067**	22,247
OpenTV Corp	—	3,672
At Home Corporation ("At Home") (market value - $255,687; 2000 - $256,243)	**34,227**	34,753
Terayon Communication Systems ("Terayon") (market value - $38,801; 2000 - $490,242)	**51,669**	51,655
Liberate Technologies ("Liberate") (market value - $93,068; 2000 - $101,653)	**16,043**	22,494
Moffat Communications Limited *[note 2]*	—	105,138
Canadian Hydro Developers, Inc. ("Canadian Hydro") (market value - $5,869)	**8,737**	—
Astral Media, Inc. ("Astral") *[note 13]*	—	37,961
Publicly traded telecommunications companies (market value - $30,645; 2000 - $53,953)	**47,255**	46,255
Investments in private technology companies	**33,576**	38,333
Investments at equity:		
GT Group Telecom ("GT")	**331,235**	385,233
Halifax Cablevision Limited *[note 2]*	—	37,934
Other	—	120
Other assets:		
Employee home relocation mortgages and loans	**2,911**	4,071
Deposits and costs on pending acquisitions	—	661
Short-term investments held in escrow	—	15,303
Other	**6,551**	1,833
	550,707	1,074,734

[tabular amounts in thousands of Canadian dollars]

The market values indicated in the above table for the shares of At Home and Liberate reflect the amounts that would be recorded by the Company as proceeds of disposition if the Company surrendered such shares as payment on the outstanding SHELS at the amounts recorded as proceeds when the SHELS were issued.

The market value of the Motorola shares, which have been sold forward to match the maturities on the Zero Coupon Loan, is reflected at the amount recorded in the accounts for the loan.

The At Home and Liberate shares have been pledged as collateral for outstanding SHELS and the Motorola shares for the outstanding Zero Coupon Loan (see note 9).

Canadian Hydro

Canadian Hydro, a Canadian public corporation, develops and operates electrical generating plants. A summary of the holdings in Canadian Hydro is as follows:

	2001	**2000**
	(number of shares/warrants)	
Shares:		
Free trading	**1,500,000**	—
Subject to hold periods	**1,265,000**	—
Warrants:		
Vested – exercise price of $2.00	**631,580**	—
Vested – exercise price of $3.27	**500,000**	—
Non-vested – exercise price of $3.27	**500,000**	—
	4,396,580	—

Pursuant to an agreement between the Company and Canadian Hydro, the Company is committed to exercise the $2.00 warrants on or before December 31, 2001.

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Investment write-downs

As a result of the prevailing poor condition of the technology sector, management has reviewed the carrying value of the Company's investments in this sector and concluded that the investments should be written down by the following amounts:

	$
Liberty	**103,268**
TippingPoint	**21,180**
Other public companies	**6,203**
Private companies	**32,803**
	163,454

Investments at equity

In June 2001, the Company acquired an additional 3,000,000 Class A Voting Shares of GT, representing approximately 40.1% of the outstanding voting shares of GT. Shaw's equity interest in GT at August 31, 2001 is 23.28%.

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

	2001 $	**2000** $
GT	**(70,730)**	(10,655)
Cancom (to June 30, 2000)	—	(19,500)
Halifax Cablevision Limited	—	10
Other	**(552)**	(516)
	(71,282)	(30,661)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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4. PROPERTY, PLANT AND EQUIPMENT

	2001		**2000**	
	Cost $	**Accumulated amortization** $	**Cost** $	**Accumulated amortization** $
Cable and telecommunications distribution system	**2,323,156**	**599,073**	1,663,451	488,651
Converters and modems	**502,944**	**152,808**	315,759	85,557
Decoders	**40,923**	**3,231**	3,388	395
Satellite audio, video and data network equipment	**155,336**	**5,960**	59,524	1,769
Buildings	**173,146**	**33,259**	112,690	28,162
Data processing	**69,198**	**32,034**	48,014	20,489
Other assets	**137,190**	**89,742**	93,730	55,310
	3,401,893	**916,107**	2,296,556	680,333
Land	**37,137**	**—**	27,023	—
	3,439,030	**916,107**	2,323,579	680,333
Net book value	**2,522,923**		1,643,246	

Labour costs attributable to construction and subscriber connections are capitalized. In 2001, the amount capitalized was $62,941,000 (2000 - $48,223,000). Amortization provided in the accounts on property, plant and equipment for 2001 amounted to $288,164,000 (2000 - $177,963,000 on continuing operations and $659,000 in respect of paging business assets).

Included in the cable and telecommunications distribution system assets is the cost of rights-to-use fibers under indefeasible right to use agreements with terms extending to 60 years totaling $42,669,000 (2000 - $17,053,000).

In prior years, inventories consisting of television and satellite receiving equipment were included as a component of property, plant and equipment. Inventories have been reclassified and are now shown separately as a component of current assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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5. DEFERRED CHARGES

	2001		2000	
	Cost $	Accumulated amortization $	Cost $	Accumulated amortization $
Financing costs and credit facility arrangements fees	**56,774**	**19,274**	40,605	12,275
Marketing costs to launch new services	**10,309**	**3,177**	14,867	14,744
Foreign exchange losses on translating long-term debt	**59,792**	**3,293**	12,892	410
Pre-operating costs	**8,320**	**2,756**	8,539	723
Equipment subsidies	**281,217**	**113,341**	115,725	13,251
Other	**6,825**	**3,616**	2,602	933
	423,237	**145,457**	195,230	42,336
Net book value	**277,780**		152,894	

Amortization provided in the accounts on deferred charges for 2001 amounted to $117,516,000 (2000 - $27,803,000 on continuing operations and $393,000 in respect of paging business assets).

6. SUBSCRIBER BASE AND BROADCAST LICENSES

	2001		2000	
	Cost $	Accumulated amortization $	Cost $	Accumulated amortization $
Cable systems	**3,996,528**	**159,714**	2,390,197	124,166
DTH operations	**1,237,915**	**36,606**	1,116,769	4,339
	5,234,443	**196,320**	3,506,966	128,505
Net book value	**5,038,123**		3,378,461	

Amortization provided in the accounts on subscriber base and broadcast licenses amounted to $71,081,000 (2000 - $29,435,000).

[tabular amounts in thousands of Canadian dollars]

7. LONG-TERM DEBT

	Effective interest rates %	2001 $	2000 $
Corporate			
Bank loans	Fixed and variable	**612,646**	385,107
Senior notes-			
Due April 11, 2005	7.05	**275,000**	275,000
Due October 17, 2007	7.40	**300,000**	—
U.S. $440 million due April 11, 2010	7.88	**682,352**	647,460
U.S. $225 million due April 6, 2011	7.68	**348,930**	—
Other		**—**	1,843
		2,218,928	1,309,410
Cancom			
Bank loans	Variable	**88,800**	8,810
Subordinated credit facility	Variable	**40,000**	40,000
Structured Note, due December 15, 2003	7.00	**250,000**	—
		378,800	48,810
Star Choice			
U.S.$150 million Senior secured notes	13.00	**232,620**	220,725
Other subsidiaries			
Videon CableSystems Inc. 8.15% Senior Debentures Series "A" due April 26, 2010	7.63	**130,000**	—
Big Pipe Credit Facility	Variable	**50,000**	
U.S. $91.9 million Senior Secured Second priority Notes	11.00	**—**	135,254
Bank loans	Variable	**—**	63,455
		180,000	198,709
Total consolidated debt		**3,010,348**	1,777,654
Less current portion		**—**	187,334
		3,010,348	1,590,320

Interest on long-term debt included in interest expense amounted to $206,935,000 (2000 - $120,991,000).

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Corporate

Bank Loans

The Company has a $50 million revolving operating loan facility with interest rates and borrowing options the same as those contained in the credit facility described below.

A syndicate of banks has provided the Company with an unsecured credit facility which at August 31, 2001 amounted to $1.4 billion, $1.2 billion of which is revolving on a reducing basis commencing in fiscal 2004 until repaid by April 30, 2007. As at August 31, 2001, $783.5 million (net of committed letters of credit of $28.5 million) of the $1.2 billion portion of the unsecured facility was not utilized. The balance of the facility, which has been fully drawn, is non-revolving term repayable in eight semi-annual increasing installments such that the loan is repaid by April 30, 2007. Funds are available to the Company in both Canadian and U.S. dollars. At August 31, 2001, the U.S. portion of the bank loans was U.S $57.2 million ($88.8 million Canadian).

At August 31, 2001, interest rates on $177 million of Canadian dollar borrowings were fixed by means of an interest rate swap at 8.89%. The Company has also assumed the obligations of Videon CableSystems Inc. whereby $210 million of Canadian dollar borrowings were fixed by means of interest rate swaps ranging from 6.12% to 6.17%. Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptance and U.S. libor rates and averaged 7.4% for the year (2000 – 7.5%).

Senior Notes

The Senior notes are senior 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 on the U.S. $ Senior Notes ($440 million) which have an interest coupon rate of 8.25%. This agreement has resulted in an effective interest rate of 7.88% on the Canadian $ equivalent of the U.S. debt. The exchange rate applicable to the principal portion of the debt has been fixed at $1.4605 Canadian.

The Company has entered into a cross-currency interest rate agreements to fix the liability for interest and principal payments on the U.S. $ Senior Notes ($225 million) which have an interest coupon rate of 7.25%. This agreement has resulted in an effective interest rate of 7.68% on the Canadian $ equivalent of the U.S. debt. The exchange rate applicable to the principal portion of the debt has been fixed at $1.5815 Canadian.

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Cancom

Bank Loans

Cancom's banking facilities include a $15 million demand operating line of credit and a seven-year $350 million revolving reducing term credit facility. Funds are available in Canadian or the U.S. dollar equivalent. Interest rates on the operating line fluctuate with Canadian prime rate and U.S. base rates. Interest rates on the $350 million facility fluctuate with Canadian bankers' acceptances and prime rates and U.S. libour base rates. Interest rates on these facilities averaged 8.87% (2000 – 10.14%) for the year.

The $350 million facility is revolving on a reducing basis commencing in fiscal 2004 until repaid by July 31, 2007. As at August 31, 2001, $260.2 million (net of committed letters of credit of $1.0 million) of the facility was not utilized.

The operating line and $350 million facility are collateralized by a first ranking fixed and floating charge and security interest in all assets and undertakings of Cancom and each of Cancom's subsidiaries, excluding Star Choice and its subsidiaries.

Subordinated Credit Facility

Cancom has a $40 million standby subordinated credit facility due May 2, 2004. The effective interest rate on this facility for the year ended August 31, 2001 was 9.29% (2000 - 9.76%). The facility is unsecured and bears interest at rates based upon bankers' acceptances.

Structured Note

On August 31, 2001 Cancom issued a $250 million 7% Structured Note due December 15, 2003. The note is subordinate to the Cancom bank loans. The parent company has entered into a support arrangement on the note whereby in the event of continuing default on the note or upon maturity of the note, the parent company has agreed to satisfy the obligations through either subscribing for additional shares of Cancom to yield sufficient cash proceeds to satisfy the repayment of the note or, at its option, by purchasing for cash or sufficient Class B Shares of the Company, the note from the holders at an amount equal to the principal plus accrued interest. Interest is payable quarterly on the 15th of March, June and September and December of each year, beginning December 15, 2001.

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Star Choice

Senior secured notes

Star Choice, a wholly-owned subsidiary of Cancom, has issued Senior secured notes which are due December 15, 2005 and are redeemable at the option of Star Choice at 106.5% of the issue price of U.S. $150 million on or after December 15, 2002, 103.25% of the issue price on or after December 15, 2003 or at 100% of the issue price on or after December 15, 2004. Interest is payable semi-annually on June 15 and December 15 of each year. The notes are collateralized by all of the assets of Star Choice with the exception of the assets of a subsidiary, Direct Choice TV Inc.

Other subsidiaries

Videon CableSystems Inc.

Videon CableSystems Inc. ("Videon") has issued 8.15% Senior Unsecured Debentures that are due April 26, 2010. Interest is payable semi-annually on April 26 and October 26 of each year.

Pursuant to the inter-creditor agreement between the debenture holders and the syndicate of banks which had provided a credit facility to Videon, the debenture holders were required to release the debenture security when the credit facilities were repaid in June 2001. As a result, the debentures are unsecured. The debentures are non-recourse to the parent company. The effective interest rate on the debentures is 7.63% after giving effect to the mark-to-market adjustment on the debt at the date of the Moffat acquisition which adjustment is included in deferred credits.

Big Pipe Credit Facility

Big Pipe Ventures, L.P., a wholly owned subsidiary, entered into a credit agreement with a United States subsidiary of a major Canadian Chartered Bank providing for a $50 million non-revolving term facility, which at August 31, 2001 was fully drawn. The facility, which is non-recourse to the parent company, is collateralized by a general security agreement and a pledge of all of the shares of Big Pipe Nova Scotia. The facility bears interest based on the Canadian prime rate which averaged 8% for the year. The facility is repayable in two instalments of $1,250,000 each on January 15 and July 15, 2005, one instalment of $5,000,000 on January 15, 2006 and the remaining balance due on July 15, 2006.

[tabular amounts in thousands of Canadian dollars]

Debenture redemptions

In 2001, the Company called for redemption of the U.S. $91.9 million 11% senior secured priority notes and in 2000 called for redemption of all outstanding debentures incurring costs in connection with the early redemptions as follows:

	2001 $	2000 $
Restructuring fees	**8,590**	90,606
Realization of deferred foreign exchange losses	—	27,707
Write-off of deferred financing costs	—	4,102
Write-off of deferred bond warrant proceeds	—	(24,447)
	8,590	97,968

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, 2001.

Long-term debt repayment

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

	$
2002	—
2003	—
2004	**360,145**
2005	**391,597**
2006	**455,482**
Thereafter	**1,803,124**
	3,010,348

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8. DEFERRED CREDITS

	2001		2000	
	Cost $	**Accumulated amortization** $	**Cost** $	**Accumulated Amortization** $
Indefeasible right to use (“IRU”) agreements	**614,423**	**7,920**	525,223	3,018
Fair value adjustments on debt assumed on acquisitions	**30,660**	**3,917**	20,951	5,058
Foreign exchange gains on translating long-term debt	**8,855**	**276**	4,398	894
Deposit on future fiber purchase	**2,000**	**—**	—	—
	655,938	**12,113**	550,572	8,970
Net book value	**643,825**		541,602	

IRU agreements are in place for periods between 30 and 60 years and are being amortized into income over the agreement periods. Amortization in respect of the IRU agreements for 2001 amounted to $4,902,000 (2000 - $3,018,000); amortization in respect of fair value adjustments on debt and debenture purchase warrants in 2000 amounted to $4,359,000 (2000 - $7,941,000) and was offset against interest expense; and amortization provided in the accounts on foreign exchange gains for 2001 amounted to $467,000 (2000 - $989,000) and is netted against the amortization charge.

9. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of Class A voting participating shares (“Class A Shares”), Class B non-voting participating shares (“Class B Shares”), Class 1 preferred shares, Class 2 preferred shares, Canadian Originated Preferred Securities (“COPrS”), Variable Rate Equity Linked Exchangeable Debentures (“SHELS”) and Zero Coupon Loans.

Effective September 1, 1999, the authorized share capital of the Company was amended to eliminate the par value on Class B Shares.

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Issued and outstanding

Number of Securities 2001	Number of Securities 2000		2001 $	2000 $
11,403,972	11,419,972	Class A Shares	**2,499**	2,503
220,368,357	194,204,919	Class B Shares	**2,106,569**	1,249,697
		EQUITY INSTRUMENTS		
		COPrS-		
5,700,000	5,700,000	8.45% Series A U.S. $142.5 million, due September 30, 2046	**192,871**	192,871
100,000	100,000	8.54% Series B due September 30, 2027	**98,467**	98,467
6,900,000	6,900,000	8.50% Series U.S. $172.5 million, due September 30, 2097	**252,525**	252,525
6,000,000	—	8.875% Series due September 28, 2049	**147,202**	—
		SHELS-		
137,693	137,693	Series I – U.S. $137.7 million	**199,342**	199,342
39,053	39,053	Series II – U.S. $39.1 million	**56,345**	56,345
33,923	33,923	Series III – U.S. $33.9 million	**50,342**	50,342
28,853	—	Series IV – U.S. $28.9 million	**42,726**	—
		Zero Coupon Loan U.S. $22.9 million	**33,858**	33,858
			3,182,746	2,135,950

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Class A and Class B shares

Class A Shares are convertible at any time into an equivalent number of Class B Shares. The Class B Shares are convertible into an equivalent number of Class A Shares in limited circumstances.

Changes in Class A and Class B share capital and contributed surplus in 2001 and 2000 are as follows:

	Class A Shares		Class B Shares		Contributed surplus
	Number	$	Number	$	$
August 31, 1999	11,446,072	2,916	168,161,498	1,403	1,004,625
Elimination of par value on Class B Shares	—	—	—	656,521	(656,521)
Reduction on separation of media business	—	(407)	—	(91,884)	(348,104)
Class A conversions	(26,100)	(6)	26,100	6	—
Stock option plan issuances	—	—	2,795,176	—	—
Purchase of shares for cancellation	—	—	(397,400)	(1,676)	—
Issued in respect of:					
Cable system acquisitions	—	—	7,401,796	151,515	—
Cancom acquisition	—	—	16,217,749	534,788	—
Share issue costs	—	—	—	(976)	—
August 31, 2000	11,419,972	2,503	194,204,919	1,249,697	—
Class A conversions	(16,000)	(4)	16,000	4	—
Stock option plan issuances	—	—	454,671	4,581	—
Issues in respect of:					
Cable system acquisitions	—	—	23,007,524	765,238	—
Cancom acquisition	—	—	2,685,243	87,083	—
Share issue costs	—	—	—	(34)	—
August 31, 2001	11,403,972	2,499	220,368,357	2,106,569	—

Effective September 1, 1999, the Company's shareholders approved an arrangement to divide the Company into two separate public corporations, Shaw Communications Inc. and Corus Entertainment Inc. The separation and concurrent changes to the Company's shareholder equity accounts resulted in the following increases (decreases) in shareholders' equity:

	$
Reduction in Class A shares	(407)
Reduction in Class B shares	(91,884)
Allocation of contributed surplus to Class B shares on elimination of par value designation	656,521
Reduction in contributed surplus	(1,004,625)
Reduction in retained earnings	(29,414)
	(469,809)

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Equity instruments

COPrS

COPrS rank as unsecured junior subordinated debt. The Company has the right to defer payments of interest on the securities for a period up to 20 consecutive quarterly periods provided that no extension period may extend beyond the stated maturity of the securities. 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 securities is either in default or is being deferred. There may be multiple extension periods of varying lengths, each of up to 20 consecutive quarterly periods, throughout the term of the securities. During any extension period, interest will accrue but will not compound. The Company may satisfy its obligation to pay deferred interest on any applicable interest payment date through the issuance to the trustee of Class B Shares of the Company, in which event the holders of the securities shall be entitled to receive cash payments equal to the deferred interest from the proceeds of the sale of the requisite Class B Shares by the trustee.

The COPrS are redeemable, at the Company's option, in whole or in part, at any time after September 30, 2002 (8.45% Series A), September 30, 2007 (8.54% Series B), or September 30, 2003 (8.50% Series) or October 17, 2005 (8.875% Series) at a redemption price equal to 100% of the principal amount of the securities to be redeemed plus accrued and unpaid interest thereon to the date of such redemption. The Company has the ability to satisfy redemption obligations through the issuance of Class B Shares.

The Company has purchased a five-year extendible forward purchase contract to provide the U.S. funds required for the quarterly interest payments on the U.S. denominated securities at an exchange rate of $1.4078 Cdn.

SHELS

Each series of the SHELS are in denominations of U.S. $1,000 and are due 25 years following the date of issuance. The SHELS are collateralized by the underlying security indicated opposite such series below and are exchangeable at the holder's option at any time, excluding the maturity date, into the underlying security at the Conversion Rate indicated. In lieu of delivering the underlying security, the Company may make cash payment equal to the fair market value of the underlying security at that time. The Company may satisfy its obligation to pay the applicable redemption price or the principal amount of the SHELS plus accrued interest through the issuance of Class B Shares.

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Interest is payable on the SHELS at a rate equal to the dividend rate of the underlying security plus a varying percentage (“Incremental Interest Rate”) depending on whether the underlying security is subject to trading restrictions (“Restricted Shares”). A summary of the terms of each series of the SHELS is as follows:

Series	Underlying security	Conversion Rate per U.S. $1,000	Incremental Interest Rate Restricted Shares	Incremental Interest Rate Free Trading Shares	Average interest rate for year
SHELS I, due November 9, 2924	3,250,656 free trading shares of At Home Corporation	23.61	9.00%	2.25%	2.25%
SHELS II, due March 8, 2025	1,110,530 free trading shares of At Home Corporation	28.44	9.00%	2.25%	4.69%
SHELS III, due May 31, 2025	452,506 free trading common shares of Liberate Technologies	13.34	9.50%	2.25%	2.25%
SHELS IV, due October 6, 2025	1,000,000 free trading shares of Liberate Technologies	34.66	N/A	2.25%	2.25%

Any time after November 9, 2002, March 8, 2003, May 31, 2004 and October 6, 2004 for SHELS I, II, III and IV respectively, the Company may redeem not less than that number of SHELS equal to one-third of such SHELS outstanding as of the date of issuance by delivering the number shares of the underlying security based on the applicable conversion rate for each U.S. $1,000 principal amount or by a cash payment that approximates the fair market value of the underlying security at the time of redemption plus accrued and unpaid interest thereon to the date of such redemption.

Zero Coupon Loan

The Zero Coupon Loan is collateralized by a forward contract entered into by the Company in respect of 732,237 Motorola shares. The loan bears interest at 7.53% compounded annually with principal and interest payable in 4 equal weekly installments commencing July 19, 2005. The Company may satisfy its obligation to pay principal and interest at maturity through the issuance of Class B Shares.

Concurrent with receipt of the Zero Coupon Loan proceeds, the Company entered into an equity forward sale contract in respect of 732,237 Motorola shares whereby the Company has agreed to forward sell the shares at dates that coincide with the maturity dates of the Zero Coupon Loan.

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Until May 27, 2005, the Company has the option to elect to deliver the required number of Motorola shares in exchange for cash payments that equal the payments required under the Zero Coupon Loan at each respective maturity date. If the Company does not elect to physically settle the forward contract, a cash settlement will be made between the parties for the difference between the fair market value of the Motorola shares at maturity and the forward sale price of U.S.$44.7567 per share.

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 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 their fair market value. The maximum number of Class B Shares issuable under the plan may not exceed 16,000,000.

The changes in options in 2001 and 2000 are as follows:

	2001		**2000**	
	Shares	**Weighted average exercise price $**	**Shares**	**Weighted average exercise price $**
Outstanding at beginning of year	**5,450,000**	**32.49**	—	—
Granted	**3,510,000**	**32.73**	5,450,000	32.49
Exercised	**(16,000)**	**32.62**	—	—
Forfeited	**(1,303,500)**	**32.66**	—	—
Outstanding at end of year	**7,640,500**	**32.57**	5,450,000	32.49

The following table summarizes information about the options outstanding at August 31, 2001:

	Options outstanding			Options exercisable	
Range of prices	Number outstanding at August 31, 2001	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at August 31, 2001	Weighted average exercise price
$29.70 - $34.08	7,640,500	9.1	$32.57	1,125,750	$32.47

Under the previous stock option plan, options were granted to senior officers and employees to acquire Class B Shares. The number of shares issued under the plan varied depending upon the growth in market value of the shares. In connection with the separation of the Company's media business on September 1, 1999, all vesting rights under the stock option plan were accelerated and 2,795,176 Class B Shares were issued on that date on a cashless basis.

Other stock options

In conjunction with the acquisition of Cancom, holders of Cancom options elected to receive 0.9 of one of the Company's Class B shares in lieu of one Cancom share which would be received upon the exercise of a Cancom option under the Cancom option plan.

At August 31, 2001 there were 184,764 Cancom options outstanding with exercise prices between $6.13 and $16.45 and a weighted average price of $10.67. The weighted average remaining contractual life of the Cancom options is 4.9 years. At August 31, 2001, 25,928 Cancom options were exercisable into 23,335 Class B shares of the Company at a weighted average price of $16.34 per Class B share.

Warrants

Prior to the Company's acquisition and consolidation of Cancom effective July 1, 2000, Cancom and its subsidiary Star Choice had established a distributor and dealer warrant plan to grant Cancom warrants to acquire Cancom shares at a price of $22.50 per Cancom common share. The Company provided for this obligation (using $25 per equivalent Shaw common share) in assigning fair values to the assets and liabilities in the purchase equation on consolidation based on the market price of the Shaw shares at that time. Accordingly, the issue of the warrants under the plans had no impact on earnings of the Company.

A total of 985,637 warrants have been granted and vest evenly over a four year period. At August 31, 2001, no warrants have vested.

Dividends

The holders of Class B 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 $0.005 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 Shares, holders of Class A Shares and Class B Shares participate equally, share for share, as to all subsequent dividends declared.

Share transfer restriction

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

Earnings and cash flow per share

The Company has retroactively adopted the new Canadian accounting recommendations for the computation and disclosure of earnings per share. Under the new standard, the treasury method of calculating diluted earnings per share must be used. This method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase common share at the average market price during the period. This change had no effect on the reported earnings per share in the current or prior year.

Earnings per share calculations are based on net income (loss) from continuing operations after deducting entitlements on the equity instruments, net of income taxes, amounting to $40,123,000 (2000 - $33,071,000) as the numerator in the calculation and the weighted average number of Class A Shares and Class B Shares outstanding during the year (2001 – 221,079,000; 2000 – 188,927,000) as the denominator. Cash flow calculations per share are based on the same weighted average number of shares.

Options to purchase 8,649,472 (2000 – 5,647,819) Class B Shares were outstanding under the Company's stock option plan and the Cancom option plan at August 31, 2001, warrants to issue 985,637 Class B Shares were outstanding at August 31, 2001, and the Company has the right to issue Class B Shares in satisfaction of its redemption obligations on equity instruments included in share capital. These potentially dilutive securities have not been included in calculating diluted earnings per share for the current or prior year as they do not have a dilutive impact on earnings.

10. INCOME TAXES

Effective September 1, 2000, the Company changed its method of accounting for income taxes from the deferral method to the liability method of tax allocation as required by new Canadian accounting standards. The change has been applied retroactively with a restatement of prior years statements.

The new standard resulted in an increase in the August 31, 2000 carrying value of significantly influenced investments by $6 million, property, plant and equipment by $14 million,

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subscriber base and broadcast licenses by $1.1 billion, future income tax liabilities by $1 billion and retained earnings by $56 million ($40 million at August 31, 1999). For the year ended August 31, 2000, the financial statements have been restated by increasing amortization expense by $11.6 million, decreasing income tax expense by $16 million, decreasing equity loss by $10.9 million and increasing net income by $15.3 million, or $0.08 per share.

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 tax liabilities and assets are as follows:

	2001 $	**2000** $
Future income tax liabilities:		
Investments	—	56,452
Property, plant and equipment	**177,725**	180,558
Subscriber base and broadcast licenses	**1,266,176**	1,130,517
Deferred charges	**43,837**	—
Partnership income	**61,771**	130,110
	1,549,509	1,497,637
Future income tax assets:		
Non-capital loss carryforwards	**326,574**	282,236
Investments	**26,002**	—
Deferred charges	—	6,158
	352,576	288,394
Net future income tax liability	**1,196,933**	1,209,243

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, projections of operating results and tax planning strategies available to the Company and its subsidiaries.

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

	2001 $	2000 $
Current statutory income tax rate	**43%**	45%
Income taxes expense (benefit) at current statutory rate	**(183,306)**	97,417
Increase (decrease) in taxes resulting from:		
Effect of future tax rate reductions	**(250,227)**	—
Large corporations tax	**7,456**	4,139
Non-taxable portion of (gains) losses on sale/write-down of assets and investments	**35,727**	(38,283)
Amortization on amounts assigned to assets on business combinations not deductible for tax purposes	**5,188**	2,783
Originating temporary differences recorded at future tax rates expected to be in effect when realized	**34,291**	—
Other (2000 includes non-taxable debenture warrant proceeds)	**1,443**	(10,592)
Income tax expense (benefit)	**(349,428)**	55,464

Significant components of the provision for income taxes are as follows:

	2001 $	2000 $
Current tax expense	**38,379**	34,415
Future income tax expense (benefit) related to origination and reversal of temporary differences	**(137,580)**	21,049
Future income tax recovery resulting for rate changes	**(250,227)**	—
Income tax expense (benefit)	**(349,428)**	55,464

11. BUSINESS SEGMENT INFORMATION

The Company provides cable television services; high-speed Internet access; DTH (Star Choice) satellite services; satellite distribution services; Internet infrastructure services ("telecommunications") and, until February 16, 2000, when the Shaw FiberLink operations were sold to GT Group Telecom Inc., fiber optic data, video, voice and Internet telecommunications

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services. All of these operating segments are located in Canada except for two small cable television systems acquired in the Moffat acquisition that are located in the United States.

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 revenues and operating income before amortization charges.

	2001					
	Cable TV **$**	**Internet** **$**	**DTH** **$**	**Satellite** **$**	**Telecom-munications** **$**	**Total** **$**
Revenues – total	919,363	190,155	342,988	123,684	34,539	1,610,729
Inter segment	—	—	—	(14,963)	(23,813)	(38,776)
	919,363	190,155	342,988	108,721	10,726	1,571,953
Operating income (loss) before amortization	420,849	56,222 (1)	(58,512)	48,152	(6,371)	460,340
Operating income (loss) as % of external revenue	45.8%	34.3% (2)	(17.1%)	44.3%	(59.4%)	29.3%
Segment assets	5,614,229	454,011	1,467,821	238,809	190,631	7,965,501
Corporate assets including equity investees						822,455
Total assets						8,787,956
Capital expenditures by segment – accrual basis	298,964	270,125	41,709	111,747	105,625	828,170
Corporate expenditures						18,770
Working capital change						(18,213)
Capital expenditures cash flow						828,727

Notes-

(1) Internet operating income includes a one-time expense of $9,000,000 to employees as an incentive to meet internet growth targets.

(2) Operating income as a % of external revenue is calculated based on operating income before the one-time incentive expense of $9,000,000.

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	2000					
	Cable TV	**Internet**	**DTH**	**Satellite**	**FiberLink**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenues – total	781,800	98,902	49,418	22,458	26,528	979,106
Inter segment	—	—	—	(2,334)	(5,772)	(8,106)
	781,800	98,902	49,418	20,124	20,756	971,000
Operating income (loss) before amortization	358,515	33,359	(5,970)	4,438	7,321	397,663
Operating income (loss) as % of external revenue	45.9%	33.7%	(12.1)%	22.1%	35.3%	41.0%
Segment assets	3,500,645	229,715	1,182,289	75,325	80,090	5,068,064
Corporate assets including equity investees						1,333,919
Total assets						6,401,983
Capital expenditures by segment – accrual basis	296,683	161,681	982	19,638	18,575	497,559
Corporate expenditures						32,049
Telecommunications						77,038
Working capital change						(42,540)
Capital expenditures cash flow						564,106

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2001 and 2000
[tabular amounts in thousands of Canadian dollars]

12. COMMITMENTS AND CONTINGENCIES

Commitments

(i) During 2001 the Company, through one of its subsidiaries, purchased 28 Ku-band transponders and leased 3 C-band transponders on the Anik F1 satellite from Telesat Canada ("Telesat"). The Company has posted a letter of credit with Telesat to secure the monthly lease payments for the term of the lease, which is five years. The posting of this letter of credit reduces the available funds that can be drawn on Cancom's $350 million credit facility (Note 7). The Company, through another one of its subsidiaries, has entered into an agreement with Telesat to purchase 16 Ku-band transponders on the Anik F2 satellite, scheduled to be launched during calendar 2002 at a cost of $48 million. Under the terms of this agreement the Company has made two cash deposits for $28.8 million and is committed to paying an additional deposit in 2002 for $14.4 million. Under the Ku-band 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 fifteen years.

(ii) The Company has various long-term operating lease agreements for the use of transmission facilities, including satellite transponders, and premises as follows:

	$
2002	**105,000**
2003	**98,000**
2004	**95,000**
2005	**91,000**
2006	**90,000**
Thereafter	**651,000**
	1,130,000

Contingencies

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

13. RELATED PARTY TRANSACTIONS

Corus Entertainment Inc. ("Corus")

The Company and Corus are subject to common voting control. During the year, network fees of $77,314,000 (2000 - $12,235,000) and advertising fees of $1,746,000 (2000 - $1,444,000) were paid to various Corus subsidiaries and entities subject to significant influence. In addition, the Company provided cable system distribution access to Digital ADventure, the advertising division of Corus, for $3,416,000 (2000 - $3,412,000), administrative services to Corus at a cost of $1,166,000 (2000 - $1,685,000) and uplink of television signals to Corus for $3,185,000 (2000 - $530,000).

During the year, the Company sold its interest in the Astral Media, Inc. to Corus for $109.8 million, recording a gain of the sale for $17.7 million.

The Company and Corus have also entered into two separate agreements whereby the Company will sell its interest in WTN to Corus for $202.5 million (note 2) and purchase from Corus the western Canadian Viewer's Choice Pay-Per-View service for $35 million. Both transactions are subject to CRTC approval.

GT Group Telecom Inc. ("GT")

The Company exercises significant influence over GT. GT has been granted an indefeasible right to use ("IRU") certain specifically identified existing fibers in the fiber optic cable networks of the Company for 30 to 60 years. The Company performed maintenance for GT in respect of the fiber subject to the IRU for $5,179,000, and provided GT with Internet services for $5,174,000.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

14. 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 liabilities approximates their carrying amount due to their short-term nature.

(ii) Investments and other assets

a) The fair value of publicly traded shares included in this category is determined by the closing market values for those investments except in those cases where investments are subject to the rights of holders of SHELS to exchange the SHELS for an underlying investment at predetermined conversion rates, in which case the fair value is set at the amount recorded in the accounts on the receipt of proceeds on the SHELS issued. Similarly, the fair value of investments subject to forward sale agreements which are pledged as collateral for the Zero Coupon Loan and match the maturity of the loan are valued at the proceeds received on the loan.

b) The fair value of other investments in this category approximates their carrying 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 U.S. 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 interest and cross-currency interest exchange agreements and U.S. currency contracts is based upon quotations by the counterparties to the agreements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2001 and 2000
[tabular amounts in thousands of Canadian dollars]

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

	2001		2000	
	Carrying amount $	Estimated fair value $	Carrying amount $	Estimated fair value $
Long-term debt	**3,010,348**	**3,120,644**	1,777,654	1,815,470
Derivative financial instruments -				
Interest exchange agreements	—	**37,811**	—	24,461
Cross-currency interest rate exchange agreements	—	**(61,544)**	—	11,008
U.S. currency purchase and purchase option contracts	—	**(20,442)**	—	4,210
	3,010,348	**3,076,469**	1,777,654	1,855,149

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 interest and cross-currency interest exchange agreements and U.S. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2001 and 2000
[tabular amounts in thousands of Canadian dollars]

15. STATEMENTS OF CASH FLOWS

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

(i) Cash flow from continuing operations

	2001 $	2000 $
Net income (loss) from continuing operations	**(147,421)**	133,843
Non-cash items:		
Amortization	**476,294**	234,212
Amortization of deferred IRU revenue	**(4,902)**	(3,018)
Future income tax provision (recovery)	**(387,807)**	21,049
Gain on sale of FiberLink assets	**—**	(87,984)
Write-down of investments	**163,454**	—
Loss (gain) on sale of investments	**106,716**	(143,248)
Gain on sale of cable systems	**(66,595)**	—
Gain on issuance of stock by equity investees	**(4,525)**	(33,245)
Equity loss on investees	**71,282**	30,661
Non-controlling interest	**(725)**	(3,486)
Debt restructuring costs	**8,590**	97,968
Other	**(3,847)**	(8,963)
Cash flow from continuing operations	**210,514**	237,789

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

	2001 $	2000 $
Accounts receivable	**(69,779)**	9,880
Inventories	**(36,798)**	(19,488)
Prepaids and other	**(9,536)**	9,568
Accounts payable and accrued liabilities	**141,389**	2,731
Income taxes payable	**320**	(9,517)
Unearned revenue	**17,076**	2,628
	42,672	(4,198)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2001 and 2000
[tabular amounts in thousands of Canadian dollars]

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

	2001 $	**2000** $
Interest	**183,416**	122,505
Income taxes paid	**9,706**	6,618

16. UNITED STATES ACCOUNTING PRINCIPLES

The consolidated financial statements of the Company are prepared in Canadian dollars in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). The following adjustments and disclosures would be required in order to present these consolidated financial statements in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2001 and 2000
[tabular amounts in thousands of Canadian dollars]

(a) Reconciliation to accounting principles generally accepted in the United States

	2001 $	2000 $ *(Restated – note 10)*
Net income (loss) using Canadian GAAP	**(147,421)**	133,604
Add (deduct) adjustments for:		
Amortization of intangible assets (1) (5) (6)	**(39,099)**	(33,962)
Deferred charges (2)	**(69,031)**	(12,995)
Foreign exchange gains (losses) (3)	**(67,094)**	24,733
Equity in loss of investees (4)	**(7,963)**	(22,299)
Write-down on investments (7)	**163,454**	—
Gain on sale of cable systems (6)	**3,339**	—
Entitlement payments on equity instruments (8)	**(70,394)**	(59,490)
Debt restructuring costs (9)	**8,590**	70,261
Income tax effect of adjustments	**49,315**	(6,454)
Effect of future income tax rate reductions on differences	**29,701**	—
Income (loss) using U.S. GAAP before extraordinary item	**(146,603)**	93,398
Extraordinary item		
Debt restructuring costs, net of tax (9)	**(5,498)**	(27,105)
Net income (loss) using U.S. GAAP	**(152,101)**	66,293
Unrealized gains on available-for-sale securities, net of tax (7)		
Unrealized holding gains (losses) arising during the year	**(485,213)**	445,387
Less: reclassification adjustments for losses (gains) included in net income	**(76,282)**	(97,472)
	(561,495)	347,915
Cumulative effect of accounting change (10)	**(27,376)**	—
Adjustment to fair value of derivatives (10)	**66,726**	—
Effect of future income tax rate reductions on differences	**128,625**	—
	(393,520)	347,915
Comprehensive income (loss) using U.S. GAAP	**(545,621)**	414,208
Income (loss) per share using U.S. GAAP before extraordinary item	**(0.66)**	0.49
Net income (loss) per share using U.S. GAAP	**(0.69)**	0.35
Comprehensive income (loss) per share using U.S. GAAP	**(2.47)**	2.19

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2001 and 2000
[tabular amounts in thousands of Canadian dollars]

Balance sheet items using U.S. GAAP

	2001		2000	
	Canadian GAAP $	**U.S. GAAP** $	**Canadian GAAP** $	**U.S. GAAP** $
			(Restated - note 10)	
Investments and other assets (7)	**550,707**	**899,730**	1,074,734	1,914,508
Deferred charges (2) (3)	**277,780**	**67,470**	152,894	59,061
Subscriber base and broadcast licenses (1) (5) (6)	**5,038,123**	**5,012,889**	3,378,461	3,309,429
Deferred credits (3)	**643,825**	**635,246**	541,602	538,098
Future income taxes	**1,196,933**	**1,195,867**	1,209,243	1,452,973
Long-term debt (8)	**3,010,348**	**4,155,713**	1,590,320	2,497,444
Shareholders' equity	**3,295,907**	**2,273,666**	2,446,221	1,971,985

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

	2001 $	**2000** $
		(Restated - note 10)
Shareholders' equity using Canadian GAAP	**3,295,907**	2,446,221
Amortization of intangible assets (1)	**(123,542)**	(124,028)
Deferred charges (2)	**(55,546)**	4,954
Foreign exchange gains (losses) (3)	**(39,294)**	(2,042)
Equity in loss of investees (4)	**(44,791)**	(47,190)
Gain on sale of subsidiary (5)	**13,822**	13,822
Gain on sale of cable television systems (6)	**47,501**	43,175
Unrealized gains on investments (7)	**258,726**	541,040
Equity instruments (8)	**(1,118,467)**	(903,967)
Fair value of derivatives (10)	**39,350**	—
Shareholders' equity using U.S. GAAP	**2,273,666**	1,971,985

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2001 and 2000
[tabular amounts in thousands of Canadian dollars]

Areas of material difference between accounting principles generally accepted in Canada and the United States and their impact on the consolidated financial statements are as follows:

(1) Amortization of intangible assets

Under Canadian GAAP, amounts allocated to subscriber base are amortized using an increasing charge method which commenced in 1992. Under U.S. GAAP, these intangibles are amortized on a straight-line basis over forty years.

(2) Deferred charges

Marketing costs to launch new services, first-year start-up and pre-operating costs and equipment subsidies are deferred and amortized under Canadian GAAP. Under U.S. GAAP, these costs are expensed as incurred.

(3) Foreign exchange gains (losses)

Foreign exchange gains (losses) on translation of long-term debt are amortized on a straight-line basis over the remaining life of the debt under Canadian GAAP. U.S. GAAP requires gains and losses to be included in income or expenses when incurred.

(4) Equity in loss of investees

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

Under Canadian GAAP, the investment in Star Choice was accounted for using the cost method of accounting until CRTC approval was received for the transaction. When the Company received CRTC approval, the amount in the accounts under the cost method became the basis for the purchase price allocation and equity accounting commenced. Under U.S. GAAP, equity accounting for the investment was done retroactively to the date the Company first acquired shares in Star Choice.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2001 and 2000
[tabular amounts in thousands of Canadian dollars]

(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 U.S. 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 subscriber base under U.S. GAAP as a result of item (1) adjustments.

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

(7) Unrealized gains (losses) on investments

Under U.S. 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. Under Canadian GAAP, these investments are carried at cost and written down only when there is evidence that a decline in value, that is other than temporary, has occurred.

(8) Equity instruments

Equity instruments are classified as equity under Canadian GAAP and interest thereon net of taxes is recorded as dividends. Under U.S. GAAP, these instruments would be classified as debt and interest thereon recorded as interest expense.

[tabular amounts in thousands of Canadian dollars]

(9) Extraordinary item

Under U.S. GAAP, debt restructuring costs are treated as extraordinary items, whereas for Canadian GAAP such costs are not. The debt restructuring costs incurred in 2000 are reduced by the write-off of deferred foreign exchange losses amounting to $27,707,000 which are expensed under U.S. GAAP.

(10) Derivative instruments and hedging activities

Under U.S. GAAP, all derivatives are recognized in the 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. Under Canadian GAAP, derivatives are not recognized in the balance sheet.

Accounting for derivatives under U.S. GAAP commenced September 1, 2000. The transition adjustments resulting from adoption have been recognized in other comprehensive income (shareholders' equity) as a cumulative effect of an accounting change.

(b) Statements of cash flows

Under U.S. GAAP, cash flow from continuing operations per share cannot be reported in the statement.

(c) Stock-based compensation

The Company applies APB Opinion 25 in accounting for common share options granted to employees and officers for U.S. GAAP purposes. Had compensation expense been determined on the basis of the estimated fair values of the options granted in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation", August 31, 2001 net loss using U.S. GAAP would have increased by $14,701,000 or $0.07 per common share (August 31, 2000, net income would have decreased by $3,622,000 or $0.02 per common share).

The fair value of common share options granted in 2001 was $20,532,000 (2000 - $46,929,000). The fair value of common share options granted is estimated as at the grant date using the Black-Scholes option pricing model, using the following assumptions:

Dividend yield	0.17%
Risk-free interest rate	5.25%
Expected life	4 years
Expected volatility	25%

(d) Recent accounting pronouncements

In June 2001, the Financial Accounting Standards Board issued recommendations on accounting for business combinations (Statement 141) and goodwill and other intangible assets (Statement 142). New Canadian Standards have also been adopted which are substantially the same as the U.S. standards.

All business combinations initiated on or after July 1, 2001 must now be accounted for using the purchase method. Under Statement 142, goodwill should not be amortized but instead, tested annually for impairment. Similarly, an intangible asset with an indefinite life should not be amortized until its life is determined to be finite. Such assets must be tested for impairment annually, or more frequently if events or circumstances indicate that the asset might be impaired.

Management is reviewing the impact of those changes and expects to adopt the rules with respect to goodwill and other intangibles in the first quarter of fiscal 2002.

FIVE YEARS IN REVIEW

	2001	2000	1999(1)	1998(1)	1997(1)
($000's except per share and per subscriber amounts)					
Income					
Cable	919,363	781,800	637,107	589,332	532,520
Internet	190,155	98,902	40,714	8,362	-
DTH(3)	342,988	49,418	-	-	-
Satellite(3)	108,721	20,124	-	6,361	-
Telecommunications (Big Pipe)	10,726	-	-	-	-
FiberLink	-	20,756	31,591	19,748	14,160
	1,571,953	971,000	709,412	623,803	546,680
Operating income (loss)(2)					
Cable	420,849	358,515	287,676	267,159	250,777
Internet	56,222	33,359	10,586	1,381	-
DTH(3)	(58,512)	(5,970)	-	-	-
Satellite(3)	48,152	4,438	-	(4,069)	-
Big Pipe	(6,371)				
FiberLink	-	7,321	11,611	4,864	3,255
	460,340	397,663	309,873	269,335	254,032
Net income (loss) before discontinued operations	(147,421)	133,843	46,550	19,644	9,176
Discontinued paging operations	-	(239)	(456)	(1,432)	(1,436)
Separation of media division	-	-	(301)	(4,687)	8,852
Net income (loss)	(147,421)	133,604	45,793	13,525	16,592
Earnings (loss) per share					
Net income (loss) from continuing operations	(0.85)	0.53	0.12	0.04	0.07
Discontinued and separated operations	-	-	-	(0.04)	0.05
Net income (loss)	(0.85)	0.53	0.12	-	0.12
Net cash flow from operations	210,514	237,789	207,894	147,853	123,613
Cash flow per share	0.77	1.08	1.08	0.91	0.88
Balance sheet					
Total assets	8,787,956	6,401,983	3,734,395	3,256,453	2,453,962
Long-term debt	3,010,348	1,777,654	1,410,659	1,402,478	1,482,012
Cash dividends declared per share					
Class A	0.045	0.040	0.035	0.035	0.030
Class B	0.050	0.045	0.040	0.040	0.035

(1) The Company applied the provisions of the new Canadian accounting standard for income taxes for 2001 and 2000. Under the new standard the Company accounts for future income tax assets or future income tax liabilities at the rates that are expected to apply when the asset or liability is settled. The prior years of 1997 to 1999 have not been restated and reflect the deferral method of tax allocation.

(2) Operating income represents net income from continuing operations before deducting interest expense, income taxes, amortization and unusual items.

(3) The DTH and satellite divisions were consolidated effective July 1, 2000. As a result, there are only two months of operations reflected in the fiscal 2000 year in respect of DTH and satellite.

CABLE AND INTERNET STATISTICS

SUBSCRIBER STATISTICS AS AT AUGUST 31, 2001

Region	Homes passed	Basic subscribers	Digital deployment	Internet subscribers
Vancouver Island including Victoria/Duncan/ Nanaimo and area	297,914	222,316	31,194	76,328
Vancouver/Kamloops/Chilliwack/Kelowna/ Penticton/Vernon and area	1,163,833	824,143	153,372	232,062
Calgary/Red Deer/Edmonton/Hinton/ Fort McMurray/Lethbridge and area	884,366	630,376	105,326	207,972
Saskatoon/Prince Albert/Moose Jaw/Swift Current	123,075	81,449	13,744	24,143
Winnipeg/Thunder Bay/Sault St. Marie and area	426,966	307,256	39,295	51,836
Texas and Florida	105,143	69,585	19,985	3,704
Total cable systems	**3,001,297**	**2,135,125**	**362,916**	**596,045**

SHAREHOLDER INFORMATION

Share Capital and Listings

The Company is authorized to issue an unlimited number of Class A participating and Class B non-voting participating shares. At August 31, 2001, the Company had 11,403,972 Class A Shares and 220,368,357 Class B Shares outstanding. The Class A Shares are listed on the Canadian Venture Stock Exchange under the symbol SJR.A. The Class B Shares are listed on The Toronto Stock Exchange under SJR.B and on the New York Stock Exchange under the symbol SJR. The 8.54% Series A and 8.50% Series of Preferred Securities (COPrS) are listed on the New York Stock Exchange under SJRPRA and SJRPRB respectively. The 8.875% Preferred Securities are listed on the Toronto Stock Exchange under SJR.PR.A.

Trading Range of Class B Shares on the Toronto Stock Exchange

September 1, 2000 to August 31, 2001

Quarter	**High**	**Low**	**Total volume**
First	$36.50	$29.90	22,052,805
Second	$35.00	$29.78	45,115,143
Third	$35.00	$27.94	26,100,809
Fourth	$36.50	$26.50	19,311,336
Closing price, August 31, 2001	$31.51		112,580,093

Share Splits

There have been three splits of the Company's shares – 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 9, 1999, press releases on our Investor Relations website at www.shaw.ca/investors.

Dividend Policy

The current annual dividend rates are $0.045 per Class A participating share and $0.05 per Class B non-voting participating share. Dividends are subject to review by the Board of Directors on an annual basis.

Quarterly Information

Quarter	**Operating revenue**	**EBITDA(1)**	**Net income (loss) from continuing operations (2)**	**Earnings (loss) per share(3)**	**Cash flow(4)**	**Cash flow per share(4)**
($000s Cdn except per share amounts)						
2001						
Fourth	436,875	125,023	(294,758)	(1.39)	47,383	0.16
Third	432,045	136,095	(8,741)	(0.11)	62,098	0.22
Second	357,391	104,238	189,137	0.86	49,706	0.19
First	345,642	94,984	(33,059)	(0.21)	51,327	0.20
Total	1,571,953	460,340	(147,421)	(0.85)	210,514	0.77
2000						
Fourth	302,228	102,978	12,283	0.01	58,332	0.26
Third	227,433	101,364	3,855	(0.03)	64,045	0.29
Second	229,982	100,582	77,536	0.37	60,209	0.27
First	211,357	92,739	40,169	0.18	55,203	0.26
Total	971,000	397,663	133,843	0.53	237,789	1.08

(1) Earnings before interest, taxes, depreciation and amortization and unusual items.
(2) Net income (loss) from continuing operations equals net income (loss) except for First Quarter 2000 and total 2000 in which case net income is $39,930 and $133,604 respectively.
(3) Earnings (loss) per share from continuing operations equals earnings (loss) per share from net income (loss). Diluted earnings per share are not applicable except for in Second Quarter of 2001, where diluted earnings per share were $0.77.
(4) Cash flow and cash flow per share from continuing operations.

CORPORATE INFORMATION

Directors

JR Shaw (4)
Executive Chair,
Shaw Communications Inc.

Jim Dinning (1) (2)
Executive Vice President
Sustainable Development
and External Relations,
TransAlta Corporation

George F. Galbraith (4)
Corporate Director

Ronald V. Joyce
Senior Chairman and
Co-Founder,
The TDL Group Ltd.

Charles V. Keating (2)
Corporate Director

Harold A. Roozen (1) (4)
President and Chief
Executive Officer,
CCI Thermal
Technologies Inc.

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

Jeffrey Royer (1) (2)
Corporate Director

Bradley S. Shaw
Senior Vice President,
Operations
Cancom and Star Choice

Leslie E. Shaw (3)
Chairman,
ShawCor Ltd.

J.C. Sparkman (4)
Corporate Director

John S. Thomas (3)
President, Delta Cable
Communications Ltd. & Coast
Cable Communications Ltd.

Willard (Bill) Yuill (3)
Chairman,
Monarch Communications Inc.

(1) Audit Committee
(2) Human Resources Committee
(3) Corporate Governance Committee
(4) Executive Committee
(5) Secretary on all Committees

Senior Officers

JR Shaw
Executive Chair

Jim Shaw
Chief Executive Officer

Michael F. Abram
President, Shaw Ventures

Jackie L. Altwasser
Vice President, Finance

Peter J. Bissonnette
President

Michael D'Avella
Senior Vice President, Planning

Robert A. (Randy) Elliot
Senior Vice President,
Technical Operatons
Shaw Cablesystems G.P.

William A. MacDonald
Senior Vice President, Operations
Shaw Cablesystems G.P.

Margot M. Micallef (5)
General Counsel and
Corporate Secretary

Ronald D. Rogers
Senior Vice President and
Chief Financial Officer

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

Louis Desrochers
Honorary Secretary

CORPORATE GOVERNANCE
Information concerning Shaw's corporate governance policy is contained in the Information Circular and is also available by contacting the Company.

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

CORPORATE OFFICE
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Ernst & Young LLP

PRIMARY BANKER
The Toronto-Dominion Bank

TRANSFER AGENTS
CIBC Mellon Trust Company
Calgary
1-800-387-0825

Chase Mellon Shareholder
Services, L.L.C.,
New York
1-800-526-0801

DEBENTURE TRUSTEES
Montreal Trust Company of
Canada

Bank of New York

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

To receive an Annual Report of the Shaw Children's Programming Intitiative, please fax your request to (403) 750-4501.

To receive additional copies of the Annual Report for Shaw Communications Inc., please fax your request to (403) 750-7469 or email angela.haigh@shaw.ca

For further inquiries relating to Shaw's philanthropic practices, please call (403) 750-6998.

During fiscal 2001, the following trademarks are owned by Shaw Communications Inc. or one of its subsidiaries or affiliates including: Shaw, Corus Entertainment Inc., FiberLink, Shaw Ventures, Corus, Big Pipe, Shaw@Home, Shaw Digital Cable, Digital Cable, Star Choice, Canadian Satellite Communications (Cancom), Videon, Moffat Communications Limited, Fundy Cable Ltd.

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