2012 Annual Report

Shaw

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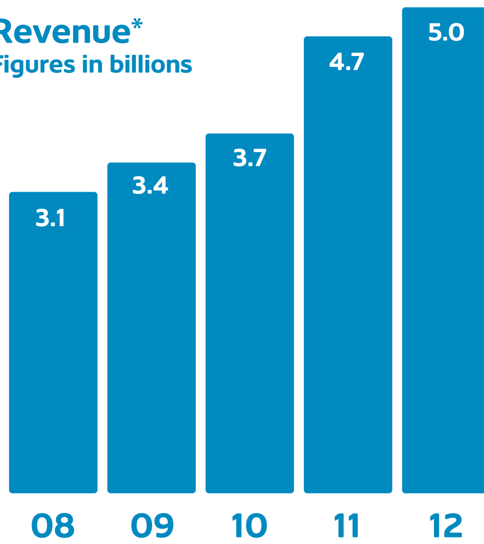
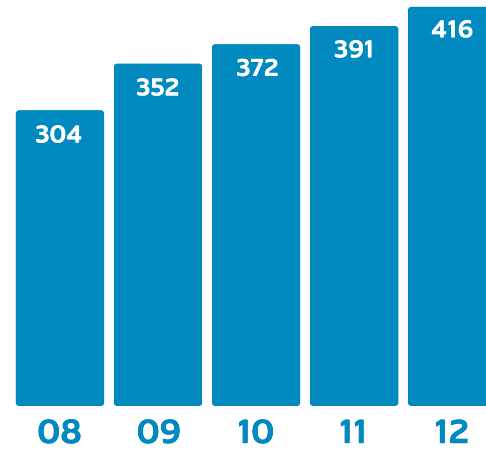
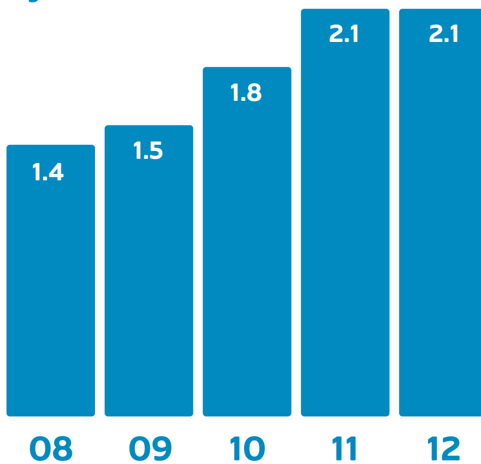
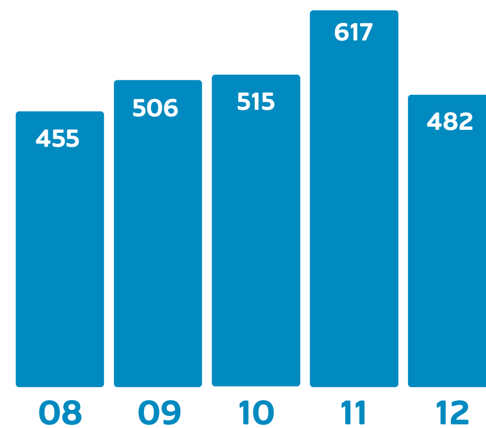
The Annual General Meeting of Shareholders will be held on January 9, 2013 at 11:00am (Mountain Time) at the Shaw Barlow Trail Building, 2400 – 32 Avenue NE, Calgary Alberta.

Exciting things are coming down the pipe at Shaw. As technology and content evolve – in this anytime, anywhere, at home or on-the-go world – we are helping Canadians make sense of it all. We put our customers first, work hard to earn their trust, and never forget that Shaw is a choice.









*Financial information for fiscal 2008, 2009 and 2010 is prepared in accordance with previous Canadian generally accepted accounting principles.

Shaw Communications Inc.
REPORT TO SHAREHOLDERS
August 31, 2012

Dear fellow Shareholders:

We are pleased to report solid operational and financial performance in fiscal 2012. Our portfolio of assets has positioned us well to lead in this dynamic and competitive marketplace. Our results reflect our effort during the year to balance customer and financial growth, the delivery of an exceptional customer experience, and continued investment in leading technology.

Our strategy has been consistent over many years as we make significant investments in our network and systems to deliver innovative products and services, strive to provide an exceptional customer experience, and focus on sound capital and financial management. We are continually striving to enhance and improve our operations. Our focus and spirit has made us what we are today and will drive us to become what we want to be tomorrow.

OUR CUSTOMER DRIVES OUR STRATEGY

Our customers have always been the cornerstone of our foundation. We put them first, work hard to earn their trust, and never forget that Shaw is a choice. We believe that exceptional customer service is a differentiator in this competitive environment and during 2012 we continued to invest in our all Canadian customer call centres, adding resources and customer care tool enhancements.

Our network represents a significant competitive and differentiated advantage. During the past year we invested in projects and infrastructure that will further strengthen our strategic positioning:

- The Digital Network Upgrade ("DNU") project remains on track and we expect to complete the digitization of our analog tiers in 2013, expanding our broadband leadership capabilities and providing additional capacity to add to our HDTV and On Demand offerings. We continue to invest in technology initiatives to recapture bandwidth and optimize our network.
- Our WiFi network build is well underway extending our customers broadband experience beyond their home, further differentiating our service from the competition. Shaw is the first service provider in Canada to deliver secure and reliable wireless broadband through an extensive WiFi network covering thousands of locations.

Our products and services are evolving as we deliver innovative new offerings and enhanced services, providing choice and value to our customers.

- We recently launched the initial products in our TV Everyway initiative, with Shaw Go Movie Central and Shaw Go NFL Sunday Ticket apps for the Apple iPhone and iPad, allowing our customers to access programming whether at home or on the go.
- Within our Media division we launched new specialty services - National Geographic Wild, Lifetime and H2 - and Global launched the first Mandarin language newscast produced by a national network in Canada.
- Using adaptive streaming technology through the satellite receiver, Shaw Direct launched a Video-On-Demand service and currently has over 3,000 movie and TV titles available.

Shaw Communications Inc.
REPORT TO SHAREHOLDERS
August 31, 2012

Our people are vital to everything we do. The passion, commitment and dedication that everyone at Shaw brings to work everyday allows us to execute against our priorities and deliver to our customers. We recently were honored to learn that Shaw was named among Canada's Top 100 Employers for 2013.

FINANCIAL PERFORMANCE

We delivered solid financial results in fiscal 2012 as we took steps to balance subscriber growth and profitability in a highly competitive market. We are focused on disciplined and sustainable pricing strategies, customer retention and long term growth. During 2012 consolidated revenue and operating income before amortization improved and we made prudent capital investment decisions focused on ensuring that long term value and profitability is being generated. We also increased our dividend, as we return capital value to shareholders.

- Revenue for the year improved 5% to $5.0 billion and operating income before amortization was up 4% to $2.13 billion.
- We invested over $900 million in our core Cable and Satellite capital infrastructure and approximately $30 million in Media.
- Free cash flow for the year was $482 million.
- We increased our dividend during 2012 by 6%, paying a total of $416 million.

Our capital structure and healthy liquidity position support investment grade ratings. We enter 2013 with a strong balance sheet and solid cash flows providing the financial flexibility to invest in our network, take advantage of strategic opportunities, and grow shareholder returns.

OPERATING HIGHLIGHTS

Fiscal 2012 marked the first full year of inclusion of our Shaw Media division. Although conventional advertising revenues were affected by continued economic uncertainty, the business performed well, capitalizing on its strong specialty portfolio.

Our subscriber growth during the year was balanced as telecommunication companies across our footprint competed to expand their service offerings.

- During 2012 we added 35,000 Internet subscribers, maintaining one of the strongest broadband businesses in North America. The equivalent of 86% of Basic subscribers now take these services.
- Digital Phone continues to be popular. As at August 31, 2012 we had over 1.3 million Digital Phone lines. Customer growth of 131,000 lines was achieved in fiscal 2012, with the equivalent of 61% of Basic subscribers taking these services.
- Digital customers grew by 98,000, to total more than 1.9 million at August 31, 2012, representing a penetration of over 86% of Basic cable. During the year we lost 71,000 Basic cable subscribers and gained 1,000 Shaw Direct DTH subscribers.

In addition to the DNU and WiFi build initiatives, we also focused on expanding Shaw Business service offerings, increasing the serviceable footprint and growing our business sales force. Through leveraging our existing and new fibre investments we believe Shaw Business provides an attractive growth opportunity.

Shaw Communications Inc.
REPORT TO SHAREHOLDERS
August 31, 2012

OUR COMMUNITIES

We are committed to giving back to the communities where we live and work and taking action to reduce our environmental impact. We support a wide variety of initiatives including those directed towards children and families, education, health, historical preservation, and the arts. We also recognize the environment is everyone's responsibility and we promote conservation practices throughout our operations.

MOVING FORWARD

The competitive environment remains challenging and we enter 2013 confident about the opportunities that exist for our business. We are focused on driving performance and value through continuous improvement and evolution. We know that to remain successful we can't stand still. We look forward to the opportunities that the new year will bring and we thank you, our shareholders, for your continued support, loyalty and confidence.

[Signed]

JR Shaw
Executive Chair

[Signed]

Bradley S. Shaw
Chief Executive Officer

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012

November 29, 2012

FORWARD

Tabular dollars are in millions of Canadian dollars, except per share amounts or unless otherwise indicated. Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements.

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CAUTION CONCERNING FORWARD LOOKING STATEMENTS

Statements included in this Management's Discussion and Analysis that are not historic constitute "forward-looking statements" within the meaning of applicable securities laws. Such statements include, but are not limited to, statements about future capital expenditures, financial guidance for future performance, business strategies and measures to implement strategies, competitive strengths, expansion and growth of Shaw's business and operations and other goals and plans. They can generally be identified by words such as "anticipate", "believe", "expect", "plan", "intend", "target", "goal" and similar expressions (although not all forward-looking statements contain such words). All of the forward-looking statements made in this report are qualified by these cautionary statements.

Forward-looking statements are based on assumptions and analyses made by Shaw in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances as of the current date. These assumptions include, but are not limited to, general economic conditions, interest and exchange rates, technology deployment, content and equipment costs, industry structure, conditions and stability, government regulation and the integration of recent acquisitions. Many of these assumptions are confidential.

You should not place undue reliance on any forward-looking statements. Many factors, including those not within Shaw's control, may cause Shaw's actual results to be materially different from the views expressed or implied by such forward-looking statements, including, but not limited to, general economic, market and business conditions; changes in the competitive environment in the markets in which Shaw operates and from the development of new markets for emerging technologies; industry trends and other changing conditions in the entertainment, information and communications industries; Shaw's ability to execute its strategic plans; opportunities that may be presented to and pursued by Shaw; changes in laws, regulations and decisions by regulators that affect Shaw or the markets in which it operates; Shaw's status as a holding company with separate operating subsidiaries; and other factors described in this report under the heading "Known events, trends, risks and uncertainties". The foregoing is not an exhaustive list of all possible factors. Should one or more of these risks materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein.

The Corporation provides certain financial guidance for future performance as the Corporation believes that certain investors, analysts and others utilize this and other forward-looking information in order to assess the Company's expected operational and financial performance and as an indicator of its ability to service debt and return cash to shareholders. The Company's financial guidance may not be appropriate for this or other purposes.

Any forward-looking statement speaks only as of the date on which it was originally made and, except as required by law, Shaw expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect any change in related assumptions, events, conditions or circumstances.

I. INTRODUCTION TO THE BUSINESS

A. Company overview – core business and strategies

Shaw Communications Inc. ("Shaw" or the "Company" or "Corporation") is a diversified Canadian communications and media company whose business is providing consumers with broadband cable television, Internet, Home Phone, telecommunications services (through Shaw Business), satellite direct-to-home services (through Shaw Direct) and engaging programming content (through Shaw Media). Shaw Media operates the second largest conventional television network in Canada, Global Television, and numerous specialty networks. It provides customers with high-quality entertainment, information and communications services, utilizing a variety of distribution technologies.

Shaw's business is encapsulated within its vision statement: "We, the leading entertainment and communications company, deliver exceptional customer experience through outstanding people sharing Shaw values."

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

The strategy also includes promoting brand awareness, strengthening the Shaw name from coast to coast. The Shaw brand is synonymous with diverse product offerings and high-quality customer service.

During 2012 the Company operated three principal business segments: (1) Cable – comprised of cable television, Internet, Digital Phone and Shaw Business operations; (2) Satellite – comprised of direct-to-home ("DTH") and Satellite Services; and (3) Media – comprised of television broadcasting. As a percentage of Shaw's consolidated revenues for the year ended August 31, 2012, the Cable, Satellite and Media divisions represented approximately 63%, 16% and 21% of Shaw's business, respectively. During 2012 Shaw's businesses generated consolidated revenues of $5.0 billion.

A fourth business segment, Wireless, was in the development/construction stage during 2010 and 2011. During 2008 the Company participated in the Canadian Advanced Wireless Spectrum ("AWS") auction and was successful in acquiring 20 megahertz of spectrum across most of its cable footprint. In March 2010 the Company commenced activities on a traditional wireless infrastructure build and late in 2011, after completing a strategic review of this initiative, concluded that the economics as a new entrant would be extremely challenging, even with the Company's established base and considerable strengths and assets. Shaw decided to not pursue a traditional wireless business and instead plans to focus on initiatives that align with leveraging its Media and programming assets, and strengthening its leadership position in broadband and video.

The description of these operating business segments, including more specific details for the last two fiscal years follows.

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[1] See definitions under key performance drivers on page 20.

B. Description of the business

(i) Cable

Shaw's Cable operations provide Cable television, Internet, and Digital Phone services to residential and business customers. These services are delivered through an extensive fibre optic and co-axial cable distribution network.

Shaw's strategy is to leverage its network by providing additional services beyond traditional cable television. In past years, it enhanced the quality, depth and capacity of its plant and network infrastructure through significant capital investments, and the plant and network is essentially fully digital and two-way capable. These investments enabled Shaw to leverage its existing network and expand its service offerings to include digital programming, On Demand programming, High Definition ("HD") television including three dimensional ("3D") HD, Internet, and Digital Phone. During 2011 Shaw commenced a major upgrade of its network to convert television analog tiers to digital (the Digital Network Upgrade "DNU"). This upgrade, which continued through 2012, is expected to significantly increase the capacity of the Shaw network and allow the Company to expand its Internet, HD and On Demand offerings. Shaw's investments in plant infrastructure will accommodate further growth opportunities. Shaw continues to invest in technology initiatives to recapture bandwidth and optimize its network, including increasing the number of nodes on the network and using advanced encoding and digital compression technologies such as MPEG-4.

To take advantage of potential administrative, operating and marketing synergies that arise from larger, focused operations, Shaw has consolidated its position as the dominant provider of cable services in Western Canada. Approximately 70% of the Company's cable television subscribers are clustered in and around five major urban markets in Western Canada: Vancouver and Victoria, British Columbia; Calgary and Edmonton, Alberta; and Winnipeg, Manitoba. The balance of Shaw's subscribers are mainly in smaller regional clusters, linked via fibre either to each other or to larger markets. These markets include the Okanagan region, British Columbia (Kamloops, Kelowna, Penticton, Vernon); Saskatoon/Prince Albert/Moose Jaw/Swift Current, Saskatchewan; and Thunder Bay/Sault Ste. Marie/Hamilton, Ontario.

Shaw continues to acquire cable systems to complement its cable "clustering" strategy. During fiscal 2011 Shaw completed the acquisition of Lake Broadcasting and Sun Country Cablevision cable systems located in the interior region of British Columbia.

Shaw has a customer-centric strategy designed to deliver high-quality customer service, simplicity and value to its customers through various bundled service offerings for its video, Internet and Digital Phone services. The benefits of bundling to customers include the convenience of "one-stop shopping" and value pricing. The benefits to Shaw include retention of existing customers (churn reduction); attraction of new customers; incremental penetration as customers upgrade to additional services offered in a bundle; and operational efficiencies through centralized billing and customer care.

A more detailed description of each of the principal operations comprising the Company's Cable Segment is set forth below.

Cable Television

The Company's initial core business was cable television services, which today provides the customer base and physical infrastructure for much of the Company's distribution service businesses. The Company is one of the largest cable television providers in Canada. As at

August 31, 2012, Shaw served approximately 2.2 million cable television customers in five provinces (British Columbia, Alberta, Saskatchewan, Manitoba and certain portions of Ontario), representing approximately 31% of the Canadian cable television market.

The Company's cable television business is operated through its extensive fibre optic and co-axial cable distribution network. Shaw's fibre backbone and interconnect network link its cable systems and subscribers together. Shaw receives originating television signals at its head-end sites and re-transmits these signals via its network to customers' homes in its cable serving areas. Digital cable customers receive additional services via digital cable terminals ("DCTs") which translate encrypted signals delivered to customers' homes over Shaw's network.

Digital cable significantly expands the range of services that may be offered to a subscriber and extends programming capacity. Digital cable, which is delivered by the Company's network to DCTs deployed in subscribers' premises, also enhances picture and sound quality and provides the platform from which Shaw has launched, and expects to continue to be able to launch, new revenue-generating video and interactive services. Shaw offers customers a variety of DCTs for purchase or rent.

To its Digital subscribers, Shaw also offers On Demand viewing options, including Pay-Per-View ("PPV") and Video-on-Demand ("VOD") services. The PPV service allows customers to select and pay for specific programs which are available on various channels with different start times. The VOD service enables customers to select programming from a library of titles through an on-line ordering system or directly through the set-top interactive program guide, and to view the programming on their television at a time of their choosing, with pause, skip backward and skip forward functionality. On Demand programming includes movies, sports, concerts and other special events, with prices dependent on the nature of the programming. Shaw also offers a wide variety of free On Demand programming including hit TV series, movies, events, music videos and more. Shaw offers On Demand programming to over 97% of its customers.

As at August 31, 2012, the Company had approximately 1.9 million Digital subscribers, representing a penetration rate of over 86% of Basic cable subscribers. Of the Digital customers, over 1.0 million have HD capabilities. Shaw continues to launch HD channels which offer superior picture detail and sound quality in a format that fully utilizes the capabilities of wide screen, HD ready televisions. In support of HD, Shaw offers for purchase or rent DCTs which support the decoding and processing of HD content, as well as DCTs which incorporate HD and Personal Video Recorder ("PVR") features.

Shaw recently launched the first phase of its TV Everywhere service, Shaw Go, which allows customers streaming access to TV shows, sporting events and movies on popular mobile devices. The first phase of the service includes the Shaw Go Movie Central and Shaw Go NFL Sunday Ticket apps.

Internet

Leveraging its cable television infrastructure, Shaw provides high-speed Internet access services to residential and business subscribers in almost all of its operating areas. The Company currently offers a wide variety of residential Internet service levels to match the speed, usage and budget requirements of its subscribers. Similar to its residential Internet service, Shaw also offers a variety of Internet services for small and medium business customers. As at August 31, 2012, there were over 1.9 million subscribers (connected and scheduled installations) to Shaw's Internet access services.

In providing its Internet access services, Shaw deploys cable modems, generally based on DOCSIS 2.0 or 3.0 specifications. This technology has enabled the Company to increase the capabilities and reliability of its network by increasing the capacity and throughput of both the upstream and downstream portions of Shaw's cable infrastructure. Upgrades and enhancements of its capital infrastructure are ongoing and include the DNU, building up the Company's Internet backbone, and decreasing the average node size.

During 2012, Shaw commenced building a managed carrier-grade WiFi network to extend a customer's broadband experience beyond their home, and launched the service on a trial basis in select cities. WiFi is in virtually all portable consumer devices and customers are actively seeking WiFi hotspots to reduce data costs and improve their wireless broadband experience. The Shaw WiFi trial is currently available in Calgary, Edmonton, Winnipeg, Vancouver and Victoria.

During 2011 Shaw conducted an extensive consultation process which allowed its Internet customers to share their ideas on Internet usage allowances and billing. As a result of these consultations, Shaw launched new Internet packages with higher speeds and expanded usage allowances, including an industry leading 250 Mbps service using DOCSIS 3.0 technology to meet the increasing data needs of its subscribers. Currently, the 250 Mbps service is available to approximately 17% of the Company's customers, and will be rolled out to additional areas as the DNU is completed.

In 2011 Shaw also launched a 1 Gigabit Internet service in limited service areas. The service utilizes Fibre-to-the-Premises ("FTTP") and will be able to support new, cutting-edge broadband applications that require faster download speeds.

Shaw operates two Internet data centres in Calgary, Alberta and several smaller regional centres. The data centres allow the Company to manage its Internet services exclusively, providing e-mail service directly to its customers using "@shaw.ca" e-mail addresses, provisioning web space, and managing backbone connectivity and peering arrangements. The centres also host Shaw customers' most popular web content locally.

During 2011 the Company commenced construction of a new data centre in Calgary that will allow it to stay ahead of the technology curve being able to handle new innovations as they are adopted, such as the WiFi network initiative. The data centre will incorporate energy efficient cooling systems allowing Shaw to reduce the environmental impact. The centre is planned to be complete late in fiscal 2015.

Digital Phone

In 2005, Shaw entered the "triple play" market of voice, video and data services with the launch of Shaw Digital Phone, a reliable, fully featured and affordable residential telephone service. Since then, the Company continued to expand its Digital Phone footprint and offers the service to 96% of homes passed. As at August 31, 2012, it had approximately 1.4 million Digital Phone lines (primary and secondary lines on billing plus pending installs).

Shaw Digital Phone offers packages tailored to meet the needs of residential subscribers with varying levels of included long distance and calling features. Professional installation, access to E-911 (enhanced 911 emergency service), directory and operator services, and around-the-clock (24/7/365) customer support are included in the Digital Phone service at no additional cost to subscribers. Similar to the residential packages, Shaw offers a variety of Shaw Business products for home based or smaller businesses including managed and hosted PBX and a Primary Rate Interface ("PRI") service for medium and larger businesses.

Shaw Digital Phone utilizes PacketCable technology and DOCSIS specifications. Customers' existing phone lines are connected into modems usually installed at the location of the central wiring in the customers' premises. The modem converts the voice conversation (sounds waves) into digital IP packets that are carried to an IP-based telephone switch ("softswitch"). At this point, the packets are transformed again into traditional telephone signals for connection to the public switched telephone network or may be routed through the IP network to the called party.

Unlike internet phone providers who use the internet to route calls, Shaw's Digital Phone service uses Shaw's own private managed broadband network and the public switched telephone network to route calls, allowing the Company to ensure a consistent level of quality and reliability to its phone customers.

During 2012, Shaw Digital Phone expanded its service in the Kootenay region of British Columbia to Fairmont, Invermere and Radium, and in 2011 Shaw Digital Phone services were made available in a number of smaller communities in British Columbia, Alberta and Manitoba.

Shaw Business

Shaw Business is responsible for the development and management of the national fibre network that is the primary Internet backbone for Shaw's broadband Internet customers. This backbone network is also used to carry Shaw Digital Phone capacity and video signals. In addition, Shaw Business provides services to small and medium size business, Internet Service Providers ("ISPs"), cable companies, broadcasters, governments and other organizations that require end-to-end Internet, data and voice connectivity. Shaw Business is also a major account and wholesale provider offering third parties advanced high speed data connectivity and Internet services in Canada and the United States. Its offerings currently include data, voice and video transport and Internet connectivity services. It also continues to establish public and private peering arrangements with high speed connections to major North American, European and Asian network access points and other tier-one backbone carriers.

Shaw Business has built both its fibre network and its customer base to promote future revenue growth. Its network includes multiple fibre capacity on two diverse cross-North America routes. The Company's southern route principally consists of approximately 6,400 route kilometres (4,000 miles) of fibre located on routes between Vancouver (via Calgary, Winnipeg, Chicago, Toronto and Buffalo) and New York City and between Vancouver and Sacramento. The northern route consists of approximately 4,000 route kilometres (2,500 miles) of fibre between Edmonton (via Saskatoon, Winnipeg and Thunder Bay) and Toronto. This route provides redundancy for the existing southern route. Shaw Business also maintains a marine route consisting of approximately 330 route kilometres (200 miles) located on two fibres from Seattle to Vancouver Mainland (via Victoria). In addition, Shaw Business has secured additional capacity to connect the cities of Toronto (via Montreal and Boston) to New York City, Seattle to Vancouver and Edmonton to Toronto.

(ii) Satellite

Shaw's Satellite operations own and lease, directly and indirectly, satellite transponders that receive and amplify digital signals and transmit them to receiving dishes located within the footprint covered by the satellite. Shaw Direct and Satellite Services businesses share the satellite infrastructure distributing digital video and audio signals to different markets (residential and business), thereby allowing the Company to derive distinct revenue streams from different customers using a common platform.

Satellite interests in these transponders are set forth in the table below.

Satellite	Transponders	Nature of Satellite Interest
Anik F2	18 Ku-band	Owned
	6 Ku-band	Leased
	2 Ku-band (partial)	Leased
Anik F1R	28 Ku-band	Leased
	1 C-band	Leased
	1 C-band (partial)	Leased
Intelsat Galaxy 16	1 Ku-band (partial)	Leased

During 2010, Satellite entered into agreements to acquire capacity on a new satellite, Anik G1, expected to be available in early calendar 2013. This capacity will provide additional bandwidth for expanded customer choice, including new HD channels and other advanced services.

A more detailed description of each of the principal operations comprising the Company's Satellite Segment is set forth below.

Shaw Direct

Shaw Direct is one of three DTH satellite operators licensed by the CRTC to deliver digital subscription video and audio programming services from satellites directly to subscribers' homes and businesses. Shaw Direct began its national roll-out of digital DTH services in 1997 and, as at August 31, 2012, had approximately 910,000 subscribers.

The market for Shaw Direct's digital DTH services can be divided into three principal categories: households not served by cable and typically having access to a limited number of broadcast services; households underserved by cable (i.e. served by cable systems that offer fewer than 80 channels); and households that receive full service cable (80 or more channels), primarily in urban areas. Other potential customers include commercial, institutional and recreational facilities interested in video and audio programming.

With dual satellites (Anik F2 and Anik F1R) whose signals are received by subscribers through an elliptical dish, as at August 31, 2012, Shaw Direct offered over 500 digital video and audio channels with a programming line-up offering the majority of television services that are available in Canada, including local over-the-air broadcasters, national networks, specialty channels, U.S. and foreign channels, adult programming and ethnic services. Shaw Direct's subscribers have the option of choosing from a menu of programming packages designed to target and accommodate subscriber interests, primary language, income level and type of household. Such packages are marketed through Shaw Direct and a nation-wide distribution network of third party retail locations.

Shaw Direct continues to transition to advanced modulation and encoding technology, including MPEG-4, for its programming allowing it to increase its channel capacity. As part of its commitment to enhance its service offerings, over 10 standard and high definition channels were added during 2012. As at August 31, 2012, Shaw Direct offered over 90 HD channels. In addition, during 2012 Shaw Direct began to offer a streaming VOD service through the satellite receiver. Shaw Direct's VOD service currently provides customers with access to over 3,000 movie and TV titles and series.

With the new satellite expected to be available in early calendar 2013, Shaw Direct's satellite television services capacity will expand by 30 percent through 16 additional national transponders. The new transponders will provide bandwidth for expanded subscriber choice, including new HD channels and other advanced services. The additional transponders will also provide enhanced service quality, acting as important in-orbit back-up capacity. During 2012 Shaw Direct continued to install compatible outdoor equipment so that many customers will be able to immediately access the new capacity once it is available.

Satellite Services

Satellite Services operations include two primary businesses, Shaw Broadcast Services and Shaw Tracking.

Shaw Broadcast Services redistributes television and radio signals via satellite to cable operators and other multi-channel system operators in Canada and the U.S., referred to as a satellite relay distribution undertaking ("SRDU"), and provides uplink and network management services for conventional and specialty broadcasters on a contract basis.

The redistribution of signals to cable companies and other operators is known in Canada as SRDU services. Shaw Broadcast Services currently provides SRDU and signal transport services to approximately 400 distribution undertakings, primarily cable operators, and redistributes 350 television signals and over 100 audio signals in both English and French to multi-channel system operators. Shaw Broadcast Services also offers HITS/QT and QT Plus (Headend In the Sky/Quick Take), which allow small and medium size cable companies to offer digital signals to subscribers with a substantially reduced capital outlay. HITS/QT and QT Plus facilitate increased availability and penetration of digital services in Canada and thereby add incremental revenues to Shaw Broadcast Services from the additional services provided to smaller cable companies.

Shaw Broadcast Services' uplink and network management services include backhaul (transport of signals to the uplink site), uplink (delivery of signal to the satellite so that it can be distributed to cable operators and other distributors), bandwidth, authorization and signal monitoring. Shaw Broadcast Services currently provides such services to over 130 specialty and pay broadcasters across Canada, as well as to Canadian pay audio providers.

Shaw Tracking provides asset tracking and communication services to approximately 700 companies in the transportation industry in Canada, with over 45,000 vehicles using its services. Shaw Tracking's services capture all related information pertaining to an asset (i.e. location, performance and productivity measures) and effectively integrate into a carrier's fleet management system. Via satellite, cellular and Bluetooth networks, Shaw Tracking provides immediate real time visibility to a company's fleet and freight. Shaw's services and solutions target a wide variety of segments of transportation across Canada.

(iii) Media

In May 2010, the Company entered into agreements to acquire, subject to various regulatory approvals, 100% of the broadcasting business of Canwest Global Communcations Corp. ("Canwest") including CW Investments Co. ("CW Media"), the company that owned the specialty channels acquired from Alliance Atlantis Communications Inc. in 2007. During 2010, the Company completed certain portions of the acquisition including acquiring a 49.9% equity interest, a 29.9% voting interest, and an option to acquire an additional 14.8% equity interest and 3.4% voting interest in CW Media for total consideration of approximately $750 million,

including acquisition costs. Also during 2010, the Competition Bureau cleared Shaw's acquisition and the Ontario Superior Court of Justice issued a sanction order approving the related consolidated plan of compromise, arrangement and reorganization. In late October 2010 the CRTC approved Shaw's application to assume control of Canwest's broadcasting business and the outstanding portions of the acquisition closed on October 27, 2010. The total consideration, including debt assumed, was approximately $2.0 billion.

In 2011 the Media results were equity accounted until October 27, 2010, at which time the balance sheet and results of operations were consolidated.

The acquisition of Shaw's Media business included the Global Television Network ("Global") and a leading portfolio of Specialty services. Technology is driving change in the Canadian Broadcasting system, transforming content distribution and viewership. This strategic acquisition allows Shaw to unite broadcasting services and content with its advanced distribution platforms to offer customers strong choices in this rapidly evolving landscape.

The Canadian television broadcasting market is comprised of a number of English, French, and third language stations and services that operate in different segments of the market. The "Conventional" broadcast sector includes government owned public networks, such as the Canadian Broadcasting Corporation ("CBC"), as well as privately owned station groups and networks, such as Global and the CTV Television Network ("CTV" owned by BCE Inc.). The "Specialty and Pay" sector includes Specialty television services, such as Showcase, History, HGTV Canada, TSN (owned by BCE Inc.), and Sportsnet (owned by Rogers Communications Inc), which provide special interest programming including news, sports, arts, lifestyle and entertainment programming.

Global reaches 96% of Canada's population through 12 over-the-air ("OTA") conventional television stations. Global offers a programming mix of entertainment programs and news that includes hit programs such as *Bones, Glee, NCIS:LA, Hawaii Five-O, Rookie Blue* and the reality series *Survivor* and *Big Brother*. Global offers news through its early-evening network newscast Global National and delivers local news programs to a number of markets. Global expanded its news line-up in 2012 with the launch of morning news programming in Toronto, Regina, Saskatoon and Winnipeg, and plans to launch morning news programming in Montreal and Halifax in 2013.

The Specialty television services owned and operated by the Media division comprise 18 channels, including Showcase, History, HGTV Canada, Food Network Canada, Slice and TVtropolis. The Company also has an interest in several non-operated channels including two French language specialty television services and one English language specialty television service. In 2012, Media launched National Geographic Wild, a channel dedicated to wildlife programming, and rebranded two existing channels as Lifetime and H2. Media also acquired the remaining equity interest in Mystery during the year. Media plans to launch a dedicated 24 hour all news Specialty channel in the province of British Columbia in 2013.

The following table sets forth all of the Specialty services in which the Company holds an interest:

Specialty Services Operated	% Equity Interest
Showcase	100%
Slice	100%
History	100%
H2	100%
HGTV Canada	67%
Food Network Canada	51%
Action	100%
Lifetime	100%
National Geographic Canada	50%
National Geographic Canada Wild	50%
BBC Canada	50%
Twist TV	100%
IFC Canada	100%
DIY	67%
TVtropolis	67%
MovieTime	100%
DejaView	100%
Mystery	100%

Specialty Services Not Operated	% Equity Interest
Historia	50%
Series+	50%
ABC Spark	49%

C. Seasonality and other additional information concerning the business

(a) Seasonality and customer dependency

Although financial results of the Cable and Satellite business segments are generally not subject to significant seasonal fluctuations, subscriber activity may fluctuate from one quarter to another. Subscriber activity may also be affected by competition and varying levels of promotional activity undertaken by the Company. Shaw's Cable and Satellite businesses generally are not dependent upon any single customer or upon a few customers.

The Media business segment financial results are subject to fluctuations throughout the year due to, among other things, seasonal advertising and viewing patterns. In general, advertising revenues are higher during the fall, the first quarter, and lower during the summer months, the fourth quarter. Expenses are incurred more evenly throughout the year. The Specialty Services are dependent on a small number of broadcast distribution undertakings ("BDUs") for distribution of the services.

(b) Environmental matters

Shaw's operations are subject to environmental regulations, including those related to electronic waste. A number of provinces have enacted regulations providing for the diversion of certain types of electronic waste through product stewardship programs ("PSP"). Under a PSP, companies who sell designated products in or into a province are required to participate in or develop an approved program for the collection and recycling of designated electronic materials and, in some cases, pay a per-item fee. Such regulations have not had, and are not expected to have, a material effect on the Company's earnings or competitive position.

(c) Foreign operations

Shaw does not have material foreign assets or operations.

Shaw Business U.S. Inc., a wholly-owned subsidiary of the Company, has entered into an indefeasible right of use ("IRU") with respect to a portion of a United States fibre network and owns certain other fibre and facilities in the United States. Shaw Business U.S. Inc. commenced revenue-generating operations in the United States in 2002. Its revenues for the year ended August 31, 2012 were not material.

(d) Employees

As at August 31, 2012, the Company employed approximately 14,000 people.

D. Government regulations and regulatory developments

Substantially all of the Corporation's business activities are subject to regulations and policies established under various Acts (*Broadcasting Act (Canada)* ("Broadcasting Act"), *Telecommunications Act (Canada)* ("Telecommunications Act"), *Radiocommunication Act (Canada)* ("Radiocommunication Act") and *Copyright Act (Canada)* ("Copyright Act")). Broadcasting and telecommunications are generally administered by the CRTC under the supervision of the Department of Canadian Heritage (Canadian Heritage) and Department of Industry (Industry Canada), respectively.

Pursuant to the Broadcasting Act, the CRTC is mandated to supervise and regulate all aspects of the broadcasting system in a flexible manner. The Broadcasting Act requires BDUs to give priority to the carriage of Canadian services and to provide efficient delivery of programming services. The Broadcasting Act also sets out requirements for television broadcasters with respect to Canadian content. Shaw's businesses are dependent upon licenses (or operate pursuant to an exemption order) granted and issued by the CRTC and Industry Canada.

Under the Telecommunications Act, the CRTC is responsible for ensuring that Canadians in all regions of Canada have access to reliable and affordable telecommunication services of high-quality. The CRTC has the authority to forbear from regulating certain services or classes of services provided by a carrier if the CRTC finds that there is sufficient competition for that service to protect the interests of users. All of Shaw's telecommunication retail services have been forborne from regulation and are not subject to price regulation. However, regulations do impact certain terms and conditions under which these services are provided.

The technical operating aspects of the Corporation's businesses are also regulated by technical requirements and performance standards established by Industry Canada, primarily under the Telecommunications Act and the Radiocommunication Act.

Pursuant to the Copyright Act, the Copyright Board of Canada oversees the collective administration of copyright royalties in Canada including the review and approval of copyright tariff royalties payable to copyright collectives by BDUs.

The sections below include a more detailed discussion of various regulatory matters and recent developments specific to Shaw's businesses.

Licensing and ownership

For each of its cable, DTH and SRDU undertakings, the Corporation holds a separate broadcasting license or is exempt from licensing. In November 2010, cable undertakings owned and operated by the Corporation were renewed by the CRTC for a five-year period ending August 31, 2015. The licenses of the Corporation's DTH and SRDU undertakings were recently renewed by the CRTC for a seven year period to August 31, 2019. Shaw has never failed to obtain a license renewal for its cable, DTH or SRDU undertakings.

The Company also holds a separate license for each of its conventional OTA television stations and each specialty service. These CRTC broadcasting licenses must be renewed from time to time and cannot be transferred without regulatory approval. The majority of the Corporation's licenses for its OTA television stations and specialty services expired on August 31, 2011 and were renewed for a five-year term effective September 1, 2011 and ending August 31, 2016. The renewal decision implemented an expenditure-based regulatory regime, whereby the Corporation must expend a certain percentage of its prior-year revenues from its conventional OTA and specialty services on Canadian content, and also on specific categories of Canadian programs defined as "programs of national interest". With certain restrictions, the Corporation may share these regulatory obligations between and among its various conventional OTA and specialty licenses. These obligations are imposed on an individual license basis.

The potential for new or increased fees through regulation

Effective September 1, 2009, each licensed BDU was required to contribute 1.5% of its gross revenues derived from Broadcasting to the Local Programming Improvement Fund ("LPIF") to support local television stations operating in non-metropolitan markets. Exempt systems were not required to contribute to the LPIF. In July 2012, the Commission determined that it is inappropriate to maintain the LPIF in the long term and that it will phase out the LPIF over the next two broadcast years. Accordingly, for the 2012-2013 broadcast year, the LPIF contribution rate is reduced from 1.5% to 1.0%. For the 2013-2014 broadcast year, the LPIF contribution rate will be further reduced to 0.5%. As of September 2014, the LPIF will be discontinued.

In October 2008 the CRTC announced a change in its policy regarding the delivery of distant signals by licensed BDUs. Under the new policy, licensed cable BDUs must obtain the consent of an OTA broadcaster to deliver its signal in a distant market. DTH distribution undertakings can distribute a local over-the-air television signal without consent within the province of origin, but must obtain permission to deliver the over-the-air television signal beyond the province of origin unless the DTH distribution undertaking is required to carry the signal on its basic service.

In May 2011 the CRTC released its new DTH satellite distribution policy, pursuant to which it will require Shaw Direct to distribute, in standard definition, all conventional OTA stations that conform with LPIF eligibility requirements 30 days after Anik G1 comes into operation. The CRTC did not introduce any specific rules with respect to the permitted scope of distribution of local stations or any new rights of remuneration.

In March 2010 the CRTC introduced a new regime to allow privately-owned local television stations to negotiate a value for the distribution of their programming with cable and satellite companies. The CRTC was uncertain as to its authority to implement this regime and sought clarification of its jurisdiction to do so under the Broadcasting Act by reference of the matter to

the Federal Court of Appeal. In February 2011 the Federal Court of Appeal ruled, by a 2-1 majority, that the CRTC has the required jurisdiction. In April 2012, the Supreme Court of Canada heard an appeal of the Federal Court of Appeal's decision. Depending on the outcome of the appeal, which was initiated by major broadcast distribution companies, it is possible that the CRTC will implement a value-for-signal policy that requires the negotiation of monetary and/ or non-monetary compensation or, where no agreements are reached, permits blackouts.

Genre exclusivity

The CRTC has indicated its intention to review the Genre Protection Policy in 2013-2014. This policy applies specifically to Category A specialty services, which are licensed on a one-per-genre basis and enjoy broad protection from direct competition within their respective programming genres. As a result of this proceeding, the policy could be removed entirely or for specific programming genres.

Access rights

Shaw's cable systems require access to support structures, such as poles, strand and conduits of telecommunication carriers and electric utilities, in order to deploy cable facilities. Under the Telecommunications Act the CRTC has jurisdiction over support structures of telecommunication carriers, including rates for third party use. The CRTC's jurisdiction does not extend to electrical utility support structures, which are regulated by provincial utility authorities. In December 2010 the CRTC issued Telecom Decision 2010-900, significantly increasing the rates (including a retroactive component dating back to July 2009) for licensees, such as the Corporation, to attach their facilities to support structures of incumbent telecom carriers. In 2011, cable carriers, including the Corporation, applied to the Commission requesting a review and variance of the decision, but the application was denied. In a follow-up proceeding to Telecom Decision 2010-900, the CRTC approved in July 2011 a new charge for the Corporation's attachments to the service poles of telecommunications carriers, which is equal to the normal pole charge set out in Telecom Decision 2010-900.

Under the Telecommunications Act, the Corporation may construct facilities in roadways and other public places with the consent of the municipality. The CRTC recently initiated a proceeding to develop a non-binding model municipal access agreement and the Corporation is a participant in that proceeding along with other industry members and municipalities.

Digital Phone, new media and Internet

Regulation of the incumbent local exchange carriers ("ILECs"), competitors of Shaw's Digital Phone business, is now largely governed by the current Government's deregulatory initiatives. Specifically, in December 2006, the Governor in Council directed the CRTC to "rely on market forces to the maximum extent feasible as the means of achieving the telecommunications policy objectives, and when relying on regulation to use measures that are efficient and proportionate to their purpose and that interfere with the operations of competitive market forces to the minimum extent necessary to meet the policy objectives". Over the past several years this has resulted in numerous forbearance orders being granted to TELUS Corporation ("TELUS"), Manitoba Telecom Services Inc. ("MTS"), BCE Inc. and/or Bell Canada (collectively "Bell"), and SaskTel that cover the majority of Shaw's operating territory.

In May 2011, the CRTC issued its decision on the obligations of carriers to provide service and to subsidize the provision of services to customers living in high cost areas. The CRTC reduced the number of high-cost serving areas that were eligible for subsidy and eliminated the subsidy

granted to competitive phone providers such as Shaw. These changes resulted in a decrease in the percentage of contribution by the Corporation to fund local telephone service in high cost serving areas, and eliminated any subsidy that Shaw was receiving for providing telephone service in rural or remote areas.

In June 2009 the CRTC issued its decision on "new media" by extending its exemption of the provision of digital media broadcasting undertakings for another five years. It also decided against imposing any regulatory measures, including financial contribution requirements on ISPs, to support Canadian new media content.

In August 2009 the CRTC initiated a reference to the Federal Court of Appeal on the legal question of whether the Broadcasting Act applies to ISPs. Shaw participated in the Federal Court of Appeal Reference in June 2010 and submitted that ISPs are not subject to the Broadcasting Act. In July 2010 the Federal Court of Appeal issued a decision finding that the Broadcasting Act does not apply to ISPs. Leave to appeal that decision to the Supreme Court of Canada was obtained by certain cultural groups. In February 2012, the Supreme Court of Canada issued a decision upholding the Federal Court of Appeal's finding that ISPs are not subject to the Broadcasting Act.

Shaw is mandated by the CRTC to provide Third Party Internet Access ("TPIA") service, which enables independent ISPs to provide Internet services at premises served by Shaw's network. In 2011, the CRTC reviewed the billing model for TPIA services, TPIA rates and whether, and how, usage based billing may be applied to TPIA services. In the decision that followed its review (the "Wholesale Internet Access Decision"), the CRTC approved two billing models, a flat-rate model in which the TPIA rate includes access and usage and a capacity-based model in which access and capacity usage are billed separately. Shaw is currently approved to provide TPIA service under the flat-rate model although Shaw may elect to move to a capacity-based model in the future.

In late 2010 Parliament passed anti-spam legislation, which has not yet come into force. Canada's anti-spam legislation ("CASL") sets out a comprehensive regulatory regime regarding on-line commerce, including requirements to obtain consent prior to sending commercial electronic messages and installing computer programs. Compliance with CASL will require Shaw to review and update its current practices with respect to marketing and other communications with customers.

Shaw and other telecommunications providers will also need to review and may be required to upgrade their interception and other systems to comply with anticipated lawful access requirements. In February 2012, the Government introduced Bill C-30, An Act to enact the Investigating and Preventing Criminal Electronic Communications Act and to amend the Criminal Code and other Acts, which has not yet come into force or proceeded beyond introduction and first reading in the House of Commons. The legislation would require telecommunications service providers and ISPs to establish and maintain capabilities to facilitate the lawful interception of information transmitted by telecommunications and to provide information about subscribers to law enforcement agencies.

Digital transition

In July 2009 the CRTC identified the major markets where it expected conventional television broadcasters to convert their full-power OTA analog transmitters to digital transmitters by August 31, 2011. The conversion from analog to digital is expected to free up spectrum for government auction.

The Corporation completed the digital transition in all mandatory markets as of August 31, 2011. During 2012 the Corporation commenced converting transmitters in non-mandatory markets and expects to be complete in 2016.

Vertical integration proceeding

In view of increasing industry consolidation and vertical integration, the CRTC recently initiated a hearing to review the regulatory framework relating to vertical integration. A decision pursuant to this proceeding was issued in September 2011.

The Commission recognizes that vertical integration can be beneficial and that it also has potential to enable preferential treatment. Accordingly, it introduced new safeguards in addition to various regulatory mechanisms that already exist, including a prohibition on the distribution of television programs on an exclusive basis on new media and a reverse onus of proof in cases where undue preference is alleged in connection with the terms of distribution of any programming service. New measures also include a code of conduct governing commercial relations and interactions between and among broadcast distributors, programmers and new media undertakings, and a standstill requirement prohibiting a distribution undertaking from changing the terms of distribution or carriage pending the resolution of a dispute. Uncertainty remains as to the ultimate impact of the CRTC decision introducing the new safeguards. The code of conduct will be applied on a case-by-case basis when disputes arise. The new safeguards could impact efficiencies and innovation that could otherwise be realized by the Corporation.

Limits on non-Canadian ownership and control for broadcasting undertakings

Non-Canadians are permitted to own and control, directly or indirectly, up to 33.3% of the voting shares and 33.3% of the votes of a holding company that has a subsidiary operating company licensed under the Broadcasting Act. In addition, up to 20% of the voting shares and 20% of the votes of the licensee may be owned and controlled, directly or indirectly, by non-Canadians. As well, the chief executive officer (CEO) and not less than 80% of the board of directors of the licensee must be resident Canadians. There are no restrictions on the number of non-voting shares that may be held by non-Canadians at either the holding company or licensee level. Neither the holding company nor the licensee may be controlled in fact by non-Canadians, the determination of which is a question of fact within the jurisdiction of the CRTC.

The same restrictions apply to certain Canadian carriers pursuant to the Telecommunications Act and associated regulations and the Radiocommunication Act and associated regulations, except that there is no requirement that the CEO be a resident Canadian. In March 2012, the government announced its intention to amend the Telecommunications Act to remove Canadian ownership requirements for wire-line and wireless telecommunications carriers with annual revenues from the provision of telecommunications services in Canada that represent less than 10% of the total annual revenues, as determined by the CRTC. These amendments were passed as part of the federal budget bill in June 2012 and may lead to greater levels of competition in the Canadian telecommunications market.

The Corporation's Articles contain measures to ensure the Corporation is able to remain compliant with applicable Canadian ownership requirements and its ability to obtain, amend or renew a license to carry on any business. Shaw must file a compliance report annually with the CRTC confirming that it is eligible to operate in Canada as a telecommunications common carrier.

E. Key performance drivers

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

FINANCIAL MEASURES:

i) Revenue

Revenue is a measurement determined in accordance with International Financial Reporting Standards ("IFRS"). It represents the inflow of cash, receivables or other consideration arising from the sale of products and services. Revenue is net of items such as trade or volume discounts, agency commissions and certain excise and sales taxes. It is the base on which free cash flow, a key performance driver, is determined; therefore, it measures the potential to deliver free cash flow as well as indicating growth in a competitive market place.

The Company's continuous disclosure documents may provide discussion and analysis of non-IFRS financial measures. These financial measures do not have standard definitions prescribed by IFRS and therefore may not be comparable to similar measures disclosed by other companies. The Company's continuous disclosure requirements may also provide discussion and analysis of additional GAAP measures. Additional GAAP measures include line items, headings and sub-totals included in financial statements. The Company utilizes these measures in making operating decisions and assessing its performance. Certain investors, analysts and others utilize these measures in assessing the Company's operational and financial performance and as an indicator of its ability to service debt and return cash to shareholders. These non-IFRS measures and additional GAAP measures have not been presented as an alternative to net income or any other measure of performance or liquidity prescribed by IFRS. The following contains a listing of the Company's use of non-IFRS financial measures and additional GAAP measures and provides a reconciliation to the nearest IFRS measure or provides a reference to such reconciliation.

ii) Operating income before amortization and operating margin

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

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

iii) Free cash flow

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

($millions Cdn)	Year ended August 31, 2012	2011[2]	Change %
Revenue			
Cable	**3,193**	3,096	3.1
Satellite	**844**	827	2.1
Media	**1,053**	891	18.2
	5,090	4,814	5.7
Intersegment eliminations	**(92)**	(73)	26.0
	4,998	4,741	5.4
Operating income before amortization[1]			
Cable	**1,502**	1,510	(0.5)
Satellite	**293**	289	1.4
Media	**332**	252	31.7
	2,127	2,051	3.7
Capital expenditures and equipment costs (net):			
Cable	**810**	709	14.2
Satellite	**94**	107	(12.1)
Media	**31**	27	14.8
Total	**935**	843	10.9
Free cash flow before the following	**1,192**	1,208	(1.3)
Less:			
Interest	**(329)**	(312)	5.4
Cash taxes	**(282)**	(240)	17.5
Other adjustments:			
Non-cash share-based compensation	**6**	10	(40.0)
CRTC benefit obligation funding	**(48)**	(30)	60.0
Non-controlling interests	**(34)**	(20)	70.0
Pension adjustment	**12**	16	(25.0)
Customer equipment financing	**(20)**	(15)	33.3
Preferred share dividends	**(15)**	–	>100.0
Free cash flow	**482**	617	(21.9)
Operating margin[1]			
Cable	**47.0%**	48.8%	(1.8)
Satellite	**34.7%**	34.9%	(0.2)
Media	**31.5%**	28.3%	3.2

(1) See key performance drivers on page 20.

(2) Restated to reflect changes in the calculation related to the pension adjustment and customer equipment financing.

Free cash flow is calculated as operating income before amortization, less interest, cash taxes paid or payable, capital expenditures (on an accrual basis and net of proceeds on capital dispositions) and equipment costs (net), adjusted to exclude share-based compensation expense, less cash amounts associated with funding the new and assumed CRTC benefit obligations related to the acquisition of Shaw Media as well as excluding non-controlling interest amounts that are consolidated in the operating income before amortization, capital expenditure and cash tax amounts. Free cash flow also includes changes in receivable related balances with respect to customer equipment financing transactions as a cash item, and is adjusted for recurring cash funding of pension amounts net of pension expense. Dividends paid on the Company's Cumulative Redeemable Rate Reset Preferred Shares are also deducted.

Free cash flow has not been reported on a segmented basis. Certain components of free cash flow including operating income before amortization, capital expenditures (on an accrual basis net of proceeds on capital dispositions) and equipment costs (net), CRTC benefit obligation funding, and non-controlling interest amounts continue to be reported on a segmented basis. Other items, including interest and cash taxes, are not generally directly attributable to a segment, and are reported on a consolidated basis.

STATISTICAL MEASURES:

Subscriber counts, including penetration and bundled customers

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

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

Shaw Direct measures its count of subscribers in the same manner as Cable counts its Basic customers, except that it also includes seasonal customers who have indicated their intention to reconnect within 180 days of disconnection.

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

Commencing in 2013 the Company will no longer include pending installations in the subscriber counts for Internet and Digital Phone. Opening balances and subscriber growth will be restated for comparable periods commencing in the first quarter reporting for 2013. Also, given the growth in and penetration of Digital customers, the Company will also combine the reporting of Basic cable and Digital as a Video subscriber.

F. Critical accounting policies and estimates

The Company prepared its Consolidated Financial Statements in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). An understanding of the Company's accounting policies is necessary for a complete analysis of results, financial position, liquidity and trends. Refer to Note 2 to the Consolidated Financial Statements for additional information on accounting policies. The following section discusses key estimates and assumptions that management has made under IFRS and how they affect the amounts reported in the Consolidated Financial Statements and notes. Following is a discussion of the Company's critical accounting policies:

i) Revenue and expense recognition

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

The Company has multiple deliverable arrangements comprised of upfront fees (subscriber connection fee revenue and/or customer premise equipment revenue) and related subscription revenue. The Company determined that the upfront fees charged to customers do not constitute separate units of accounting; therefore, these revenue streams are assessed as an integrated package.

With Shaw Media, subscriber revenue is recognized monthly based on subscriber levels. Advertising revenues are recognized in the period in which the advertisements are aired or displayed on the Companys' digital properties and recorded net of agency commissions as these amounts are paid directly to the agency or advertiser. When a sales arrangement includes multiple advertising spots, the proceeds are allocated to individual advertising spots under the arrangement based on relative fair values.

Subscriber connection fee revenue

Connection fees have no stand alone value to the customer separate and independent of the Company providing additional subscription services, therefore the connection fee revenue must be deferred and recognized systematically over the periods that the subscription services are earned. There is no specified term for which the customer will receive the related subscription service, therefore the Company has considered its customer churn rate and other factors, such as competition from new entrants, to determine the deferral period of two years.

Customer premise equipment revenue and costs

Customer premise equipment available for sale, which generally includes DCT and DTH equipment, has no stand alone value to the customer separate and independent of the Company providing additional subscription services. Therefore the equipment revenue must be deferred and recognized systematically over the periods that the subscription services are earned. As the equipment sales and the related subscription revenue are considered one transaction, recognition of the equipment revenue commences once the subscriber service is activated. There is no specified term for which the customer will receive the related subscription service, therefore the Company has considered various factors including customer churn, competition from new entrants, and technology changes to determine the deferral period of two years.

In conjunction with equipment revenue, the Company also incurs incremental direct costs which include equipment and related installation costs. These direct costs cannot be separated from the undelivered subscription service included in the multiple deliverable arrangement. Under IAS 2 "Inventories", these costs represent inventoriable costs and are deferred and amortized over the period of two years, consistent with the recognition of the related equipment revenue. The equipment and installation costs generally exceed the amounts received from customers on the sale of equipment (the equipment is sold to the customer at a subsidized price). The Company defers the entire cost of the equipment, including the subsidy portion, as it has determined that this excess cost will be recovered from future subscription revenues and that the investment by the customer in the equipment creates value through increased retention.

Shaw Tracking equipment revenue and costs
Shaw Tracking equipment revenue is recognized over the period of the related service contract for airtime, which is generally five years.

In conjunction with Shaw Tracking equipment revenue, the Company incurs incremental direct costs which include equipment and related installation costs. These direct costs cannot be separated from the undelivered tracking service included in the multiple deliverable arrangement. Under IAS 2 "Inventories", these costs represent inventoriable costs and are deferred and amortized over the period of five years, consistent with the recognition of the related tracking equipment revenue.

Shaw Business installation revenue and expenses
The Company also receives installation revenues in its Shaw Business operation on contracts with commercial customers which are deferred and recognized as revenue on a straight-line basis over the related service contract, generally spanning two to ten years. Direct and incremental costs associated with the service contract, in an amount not exceeding the upfront installation revenue, are deferred and recognized as an operating expense on a straight-line basis over the same period.

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

Income statement classification
The Company distinguishes amortization of deferred equipment revenue and deferred equipment costs from the revenue and expenses recognized from ongoing service activities on its income statement. Equipment revenue and costs are deferred and recognized over the anticipated term of the related future revenue (i.e., the monthly service revenue) with the period of recognition spanning two to five years. As a result, the amortization of deferred equipment revenue and deferred equipment costs are non-cash items on the income statement, similar to the Company's amortization of deferred IRU revenue, which the Company also segregates from ongoing revenue. Further, within the lifecycle of a customer relationship, the customer generally purchases customer premise equipment at the commencement of the customer relationship, whereas the subscription revenue represents a continuous revenue stream throughout that customer relationship. Therefore, the segregated presentation provides a

clearer distinction within the income statement between cash and non-cash activities and between up-front and continuous revenue streams, which assists financial statement readers to predict future cash flows from operations.

ii) Allowance for doubtful accounts

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

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

As outlined in IAS 16 "Property, plant and equipment", the cost of property, plant and equipment and other intangibles includes direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the construction or development activity. The Company capitalizes direct labour and direct overhead incurred to construct new assets, upgrade existing assets and connect new subscribers. These costs are capitalized as they are directly attributable to the acquisition, construction, development or betterment of the networks or other intangibles. Repairs and maintenance expenditures are charged to operating expenses as incurred.

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

1. Corporate departments such as engineering and information technology ("IT"): Engineering is primarily involved in overall planning and development of the cable/ Internet/Digital Phone infrastructure. Labour and overhead costs directly related to these activities are capitalized as the activities directly relate to the planning and design of the construction of the distribution system. The IT department devotes considerable efforts towards the development of systems to support Digital Phone, WiFi, and projects related to new customer management, billing and operating support systems. Labour costs directly related to these and other projects are capitalized.
2. Cable regional construction departments, which are principally involved in constructing, rebuilding and upgrading the cable/Internet/Digital Phone infrastructure: Labour and overhead costs directly related to the construction activity are capitalized as the activities directly relate to the construction or upgrade of the distribution system. Capital projects include, but are not limited to, projects such as the new subdivision builds, increasing network capacity for Internet, Digital Phone and VOD by reducing the number of homes fed from each node, and upgrades of plant capacity, including the DNU project, and the WiFi build.
3. Subscriber-related activities such as installation of new drops and Internet and Digital Phone services: The labour and overhead directly related to the installation of new services are capitalized as the activity involves the installation of capital assets

(i.e., wiring, filters, software, etc.) which enhance the service potential of the distribution system through the ability to earn future revenues. Costs associated with service calls, collections, disconnects and reconnects that do not involve the installation of a capital asset are expensed.

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

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

iv) Amortization policies and useful lives

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

v) Intangibles

The excess of the cost of acquiring cable and satellite and media 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 amounts allocated to broadcast rights and licenses which represent identifiable assets with indefinite useful lives.

Broadcast rights and licenses in the cable and satellite businesses are comprised of broadcast authorities including licenses and exemptions from licensing that allow access to homes and subscribers in a specific area that are identified on a business combination with respect to the acquisition of shares or assets of a BDU.

Broadcast licenses in the media business are licenses to operate conventional and specialty services that are identified on a business combination with respect to the acquisition of shares or assets of a broadcasting undertaking.

The Company has concluded that the broadcast rights and licenses have indefinite useful lives since there are no legal, regulatory, contractual, economic or other factors that would prevent the Company's license renewals or limit the period over which these assets will contribute to the Company's cash flows. Goodwill and broadcast rights and licenses are not amortized but assessed for impairment on an annual basis in accordance with IAS 36 "Impairment".

The Company also owns AWS licenses that are required to operate a wireless system in Canada. The AWS licenses have indefinite lives and are subject to an annual review for impairment by comparing the estimated fair value to the carrying amount. In late 2011 Shaw decided not to pursue a conventional wireless build. The Company continues to hold its wireless spectrum while it reviews all options.

Program rights represent licensed rights acquired to broadcast television programs on the Company's conventional and specialty television channels and program advances are in respect of payments for programming prior to the window license start date. For licensed rights, the Company records a liability for program rights and corresponding asset when the license period has commenced and all of the following conditions have been met: (i) the cost of the program is known or reasonably determinable, (ii) the program material has been accepted by the Company in accordance with the license agreement and (iii) the material is available to the Company for telecast. Program rights are expensed on a systematic basis generally over the estimated exhibition period as the programs are aired and are included in operating, general and administrative expenses.

Other intangibles include software that is not an integral part of the related hardware as well as a trademark and brands. Software is amortized on a straight line basis over their estimated useful lives ranging from four to ten years.

vi) Asset impairment

The Company tests goodwill and indefinite-life intangibles for impairment annually (as at March 1) and when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of each cash-generating unit ("CGU") is determined based on the higher of the CGU's fair value less costs to sell and its value in use. A CGU is the smallest identifiable group of assets that generate cash flows that are independent of the cash inflows from other assets or groups of assets. The Company's cash generating units are consistent with its reporting segments, Cable, DTH and Satellite Services and Media. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The results of the impairment tests are provided in Note 10 to the Consolidated Financial Statements.

vii) Employee benefit plans

As at August 31, 2012, Shaw had an unfunded defined benefit pension plan for key senior executives and various funded defined benefit plans for certain unionized and non-unionized employees. The amounts reported in the financial statements relating to the defined benefit pension plans are determined using actuarial valuations that are based on several assumptions including the discount rate, rate of compensation increase and the expected return on plan assets (for funded plans). While the Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income statement impact. The Company accounts for differences between actual and

assumed results by immediately recognizing differences in benefit obligations and plan performance in other comprehensive income/loss. The most significant assumption used to calculate the net employee benefit plan expense is the discount rate. The discount rate is the interest rate used to determine the present value of the future cash flows that is expected will be needed to settle employee benefit obligations. It is based on the yield of long-term, high-quality corporate fixed income investments closely matching the term of the estimated future cash flows and is reviewed and adjusted as changes required. The following table illustrates the increase on the accrued benefit obligation and pension expense of a 1% decrease in the discount rate:

	Accrued Benefit Obligation at End of Fiscal 2012	Pension Expense Fiscal 2012
Discount Rate – Unfunded Plan	4.50%	5.50%
Weighted Average Discount Rate – Funded Plans	4.67%	5.75%
Impact of: 1% decrease *($ millions Cdn)* – Unfunded Plan	65	1
Impact of: 1% decrease *($ millions Cdn)* – Funded Plans	26	1

viii) Deferred income taxes

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

ix) Commitments and contingencies

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

G. Related party transactions

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

Corus Entertainment Inc. ("Corus")

The Company and Corus are subject to common voting control. During the year, network, advertising and programming fees were paid to various Corus subsidiaries. The Company provided cable system distribution access, administrative services, uplinking of television signals and Internet services and lease of circuits to various Corus subsidiaries. In addition, the Company provided Corus with television advertising spots in return for radio and television advertising.

Burrard Landing Lot 2 Holdings Partnership

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

Specialty Channels

The Company has interests in a number of specialty television channels which are either subject to joint control or significant influence, including Historia, Series+ and ABC Spark. During the current year the Company paid network fees and provided uplink of television signals to these channels.

Key management personnel

Key management personnel consist of the Board of Directors and the most senior executive team that have the authority and responsibility for directing and controlling the activities of the Company. In addition to compensation provided to key management personnel for services rendered, the Company transacts with companies related to certain board members primarily for the purchase of remote control units and agency services for direct sales and related installation of equipment.

H. New accounting standards

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

The following policies were adopted in fiscal 2012:

International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board confirmed that Canadian publicly accountable enterprises are required to adopt IFRS as issued by the IASB for fiscal periods beginning on or after January 1, 2011. The Company's date of transition to IFRS is September 1, 2010 and its date of adoption is September 1, 2011.

Exemption elections

The Company's adoption of IFRS requires application of IFRS 1 which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS effective at the end of its first IFRS annual reporting period retrospectively. However, IFRS 1 does include certain mandatory exceptions and limited optional exemptions in specified areas of certain standards from this general requirement. The Company has elected the following exemptions from the general requirement of retrospective application as follows:

(a) Business combinations

IFRS 1 provides the option to apply IFRS 3 *Business Combinations* retrospectively or prospectively from the date of transition. Retrospective application would require restatement of all business combinations that occurred prior to the date of transition. The Company has elected to not restate any business combinations that occurred prior to September 1, 2010. Under Canadian GAAP, the Company had early adopted the new accounting standards for business combinations, consolidation and non-controlling interests effective September 1, 2010, which are aligned with IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements*.

(b) Employee benefits

IFRS 1 provides the option to recognize all cumulative actuarial gains and losses on defined benefit plans deferred under Canadian GAAP in opening retained earnings. The Company elected to recognize the cumulative unamortized actuarial loss in opening retained earnings as at September 1, 2010.

(c) Borrowing costs

IFRS 1 allows IAS 23 *Borrowing Costs* to be applied prospectively from the date of transition. The Company has elected to apply IAS 23 prospectively for projects commenced on or after September 1, 2010.

The significant differences between Canadian GAAP and IFRS are explained below.

(i) Share-based compensation

Under IFRS, the fair value of stock options with service conditions is required to be expensed over a vesting period ("graded vesting") based on when options vest. Under Canadian GAAP, share-based compensation was recognized using a straight-line method.

Under IFRS, cash settled share-based payments are measured initially and remeasured at the end of each reporting period at fair value as determined by an option pricing model. Under Canadian GAAP, the liability was measured and remeasured at intrinsic values.

(ii) Employee benefits

As stated in exemption elections above, the Company elected to recognize cumulative unamortized actuarial losses under IFRS in opening retained earnings. Subsequent to the date of transition, actuarial gains and losses are recorded in other comprehensive income at the end of each reporting period. Under Canadian GAAP, actuarial gains and losses were amortized into income on a straight-line basis over the estimated average remaining service life of employees.

Under IFRS, past service costs of defined benefit plans are expensed on a straight-line basis over the vesting period. Under Canadian GAAP, past service costs were amortized on

a straight-line basis over the estimated average remaining service life of employees. As part of the retrospective application of IAS 19, all vested past service costs have been recognized in opening retained earnings at the transition date.

(iii) Income taxes

The expected manner of recovery of intangible assets with indefinite useful lives for the purpose of calculating deferred income taxes is different under IFRS than Canadian GAAP. This difference in inclusion rate results in a reduction in the deferred income tax liability related to these assets at transition and also results in a decrease to goodwill and deferred income tax liability and increase to non-controlling interests in respect of the Media business acquisition in fiscal 2011.

Under IFRS, the Company applies a probable weighted average methodology in respect to its determination of measurement of its tax uncertainties.

Income taxes reflect the tax effect of other IFRS transition adjustments.

Also, under IFRS, deferred income tax assets and liabilities are only classified as long term.

(iv) Intangibles

Under IFRS, amortization of indefinite-life intangibles is prohibited. Upon transition, amortization of broadcast rights and licenses that had been previously recorded under Canadian GAAP has been reversed and recognized in opening retained earnings at the date of transition.

Under Canadian GAAP, program rights were segregated between current and noncurrent in the statement of financial position based on estimated time of usage. Under IFRS, program rights are segregated between current and noncurrent based on expected life at time of acquisition.

(v) Constructive obligation

Under IFRS, constructive obligations must be recognized when certain criteria are met. These have been accrued at the transition date.

(vi) Provisions

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* requires separate disclosure on the face of the statement of financial position. Under Canadian GAAP, separate disclosure was not required, therefore on transition all provisions were reclassified from accounts payable and accrued liabilities or other long-term liabilities.

Standards, interpretations and amendments to standards issued but not yet effective

The Company has not yet adopted certain standards, interpretations and amendments that have been issued but are not yet effective. The following pronouncements are being assessed to determine their impact on the Company's results and financial position.

- IFRS 9, *Financial Instruments: Classification and Measurement*, is the first part of the replacement of IAS 39 *Financial Instruments* and applies to the classification and measurement of financial assets and financial liabilities as defined by IAS 39. It is required to be applied retrospectively for the annual period commencing September 1, 2015.

- The following standards and amended standards are required to be applied retrospectively for the annual period commencing September 1, 2013 and other than the disclosure requirements therein, they must be initially applied concurrently:
  - IFRS 10, *Consolidated Financial Statements*, replaces previous consolidation guidance and outlines a single consolidation model that identifies control as the basis for consolidation of all types of entities.
  - IFRS 11, *Joint Arrangements,* replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. The new standard classifies joint arrangements as either joint operations or joint ventures.
  - IFRS 12, *Disclosure of Interests in Other Entities,* sets out required disclosures on application of IFRS 10, IFRS 11, and IAS 28 (amended 2011).
  - IAS 27, *Separate Financial Statements* was amended in 2011 for the issuance of IFRS 10 and retains the current guidance for separate financial statements.
  - IAS 28, *Investments in Associates* was amended in 2011 for changes based on issuance of IFRS 10 and IFRS 11 and provides guidance on accounting for joint ventures, as defined by IFRS 11, using the equity method.
- IFRS 13, *Fair Value Measurement*, defines fair value, provides guidance on its determination and introduces consistent requirements for disclosure of fair value measurements and is required to be applied prospectively for the annual period commencing September 1, 2013.
- IAS 12, *Income Taxes* (amended 2011), introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. It is required to be applied retrospectively for the annual period commencing September 1, 2012.
- IAS 19, *Employee Benefits* (amended 2011), eliminates the existing option to defer actuarial gains and losses and requires changes from the remeasurement of defined benefit plan assets and liabilities to be presented in the statement of other comprehensive income and is required to be applied retrospectively (with certain exemptions) for the annual period commencing September 1, 2013.
- IAS 1, *Presentation of Financial Statements*, was amended to require presentation of items of other comprehensive income based on whether they may be reclassified to the statement of income and is required to be applied retrospectively for the annual period commencing September 1, 2012.

I. Known events, trends, risks and uncertainties

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

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

- Competition and technological change, including change in regulatory regime
- Economic conditions
- Interest rates, foreign exchange rates, and capital markets
- Litigation
- Uninsured risks of loss

- Reliance on suppliers
- Programming expenses
- Unionized labour
- Holding company structure
- Control of the Company by the Shaw family
- Information systems and internal business processes
- Dividend payments
- Acquisitions and other strategic transactions

i) Competition and technological change

Cable and satellite providers and television broadcasters operate in an open and competitive marketplace. Shaw's businesses face competition from regulated and unregulated entities utilizing existing or new communications technologies and from illegal services. In addition, the rapid deployment of new technologies, services and products has reduced the traditional lines between telecommunications, Internet and broadcasting services and expands further the competitive landscape. Shaw may face competition in the future from other technologies being developed or yet to be developed. While Shaw continually seeks to enhance its competitive position through investments in infrastructure, technology, programming and customer service, there can be no assurance that these investments will be sufficient to maintain Shaw's market share or performance in the future.

CABLE TELEVISION AND DTH

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

Almost all of Shaw's cable television systems are concentrated in major urban markets, having favourable demographics and growth potential, with most of the remainder in smaller clusters, linked by fibre optic distribution systems to each other or to larger markets. Through this clustering strategy, Shaw maximizes the benefits of operating efficiencies to strengthen its competitive position in smaller markets. In addition, Shaw continues to invest in technologies to increase channel capacity, to expand the range and quality of its services, and to enhance its programming and communication service offerings. Shaw's ability to offer its cable, internet and telecommunications services in bundles allows for strong competitive offerings. The Company expects that competition will continue to increase and there can be no assurance that such increased competition will not have a material adverse effect on Shaw's results of operations. The Company also expects increased IPTV competition across Canada with respect to its DTH Satellite services.

INTERNET

There are a number of different types of ISPs offering residential and business Internet services that compete or may compete in the future with Shaw's Internet services. These include independent service providers, ILECs, wireless providers and electricity transmission and distribution companies.

High-speed Internet access services are principally provided through cable modem and digital subscriber line ("DSL") technology. Internet services through cable modem technology are primarily provided by cable companies, although the CRTC has also authorized third-party ISPs to access cable companies' facilities, such as Shaw's, to deliver high-speed Internet services.

Although operating in a competitive environment, Shaw expects that consumer demand for Internet access services and for bandwidth-intensive applications on the Internet (including streaming video, digital downloading and interactive gaming) will lead to continued demand for high-speed Internet services. Shaw continues to expand the capacity of its network to handle the anticipated increases in demand, however there can be no assurance that network capacity will continue to meet the increasing demand of its customers.

DIGITAL PHONE

The competitors of Shaw Digital Phone include ILECs, Competitive Local Exchange Carriers ("CLECs"), non-facilities-based Voice over Internet Protocol ("VoIP") providers and wireless providers. ILECs currently control the majority of the local telephone services market in Canada. Several of such competitors have larger operational and financial resources than the Corporation and are well established with residential customers in their respective markets. In addition, there is an emerging trend toward households opting to rely on wireless voice services in place of landline services such as Digital Phone. These developments may negatively affect the business and prospects of Shaw's Digital Phone.

INTERNET INFRASTRUCTURE

Through Shaw Business, Shaw competes with other telecommunications carriers in providing high-speed broadband communications services (data and video transport and Internet connectivity services) to businesses, ISPs and other telecommunications providers. The telecommunications services industry in Canada is highly competitive, rapidly evolving and subject to constant change. Competitors of Shaw Business include ILECs, competitive access providers, CLECs, 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 competition.

SATELLITE SERVICES

In its Canadian SRDU business, Satellite Services faces competition principally from one other operating SRDU operator in Canada. In February 2010, another company was licensed by the CRTC to provide both DTH and SRDU services in Canada, but has not yet commenced service. Satellite Services also faces competition from the expansion of fibre distribution systems delivering distant US and Canadian conventional television signals into territories previously served only by SRDU operators.

MEDIA

The OTA and Specialty television business and the advertising markets in which they operate are highly competitive. Numerous broadcast and specialty television networks compete for advertising revenues. The CRTC continues to grant new Specialty television licenses which further increases competition. The Company's ability to compete successfully depends on a number of factors, including its ability to secure popular television programming and achieve high distribution levels. The Company expects that competition will continue to increase and there can be no assurance that increased competition will not have a material adverse effect on Shaw's results of operations.

IMPACT OF REGULATION

As more fully discussed under Government regulations and regulatory developments, substantially all of the Corporation's business activities are subject to regulations and policies administered by Industry Canada and/or the CRTC. The Corporation's operations and results are affected by changes in regulations, policies and decisions, including changes in interpretation of existing regulations by courts, the regulator (the CRTC) or the government. This regulation relates to, among other things, licensing, competition, programming carriage and the potential for new or increased fees. Changes in the regulatory regime may adversely affect the operations and performance of the Company.

ii) Economic conditions

Canada's economy is affected by uncertainty in global financial and equity markets and slowdowns in global economic growth. Advertising revenues are affected by prevailing economic conditions. Changes in economic conditions may affect discretionary consumer spending, resulting in increased or decreased demand for Shaw's product offerings as well as advertising airtime and rates. There can be no assurance that current or future events caused by volatility in domestic or international economic conditions or a decline in economic growth will not have an adverse effect on the Company's business and operating results.

iii) Interest rates, foreign exchange rates and capital markets

As at August 31, 2012 Shaw has the following financial exposures at risk in its day-to-day operations:

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

1. Banking facilities as more fully described in Note 13 to the Consolidated Financial Statements.
2. Various Canadian denominated senior notes and debentures with varying maturities issued in the public markets as more fully described in Note 13 to the Consolidated Financial Statements.

Interest on bank indebtedness is based on floating rates while the senior notes are fixed-rate obligations. If required, Shaw utilizes its credit facility to finance day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed-rate instruments through public market debt issues. Increases in interest rates could have a material adverse effect on the Company's cash flows.

As at August 31, 2012, 100% of Shaw's consolidated long-term debt was fixed with respect to interest rates.

(b) Foreign exchange: Some of the Company's capital expenditures are incurred in US dollars. Decreases in the value of the Canadian dollar relative to the US dollar could have a material adverse effect on the Company's cash flows.

(c) Capital markets: The Company requires ongoing access to capital markets to support its operations. Changes in capital market conditions, including significant changes in market interest rates or lending practices, or changes in Shaw's credit ratings, may have a material adverse effect on the Company's ability to raise or refinance short-term or long-term debt, and thus on its financial position and ability to operate.

Shaw manages its exposure to floating interest rates through maintaining a balance of fixed and floating rate debt. To mitigate some of the foreign exchange uncertainty with respect to capital expenditures, the Company regularly enters into forward contracts in respect of US dollar commitments. In order to minimize the risk of counterparty default under its swap agreements, Shaw assesses the creditworthiness of its swap counterparties. Currently 100% of the total swap portfolio is held by a financial institution with Standard & Poor's ratings ranging from A+ to A-1. Further information concerning the policy and use of derivative financial instruments is contained in Notes 2 and 28 to the Consolidated Financial Statements.

iv) Litigation

The Company and its subsidiaries are involved in litigation matters arising in the ordinary course and conduct of its business. Although management does not expect that the outcome of these matters will have a material adverse effect on the Corporation, there can be no assurance that these matters, or other matters that arise in the future, will not have an adverse effect on the Corporation's business and operating results.

v) Uninsured risks of loss

The Company presently relies on two satellites (Anik F2 and Anik F1R) owned by Telesat Canada ("Telesat") to conduct its DTH and Satellite Services business. The Company has also secured a dedicated payload (16 transponders plus 5 spares) on Telesat's soon to be launched Anik G1 satellite (projected in service date in early calendar 2013). The Company owns certain transponders on Anik F2 and has long-term capacity service agreements in place in respect of transponders on Anik F1R, Anik F2 and Anik G1. As the satellite owner, Telesat maintains insurance policies on each of these satellites. In the case of Anik F1R and Anik F2, Shaw funds a portion of the insurance cost such that in the event Telesat recovers insurance proceeds in connection with an insured loss, Shaw will be entitled to receive certain compensation payments from Telesat. The Company expects that Telesat will renew the insurance policies in respect of Anik F1R and Anik F2 and that Shaw will continue to contribute to the cost of these policies while they are in effect. In the case of Anik G1, Telesat will maintain insurance, at minimum, for the launch and first five years of in orbit operation. Shaw maintains a security interest in the transponder capacity and any insurance proceeds related thereto. The Company does not maintain business interruption insurance covering damage or loss to one or more of the satellites used in its DTH and Satellite Services business as it believes the premium costs are uneconomic relative to the risk of satellite failure. Transponder capacity is available to the Company on an unprotected, non-preemptible service level basis, in both the case of the Anik F2 transponders that are owned by Shaw and the Anik F1R and Anik F2 transponders that are secured through service capacity agreements. The Company has priority access to spare transponders on Anik F1R and Anik F2 in the case of interruption, although there is no assurance that such transponders would be available. In the event of satellite failure, service will only be restored as additional capacity becomes available. Restoration of satellite service on another satellite may require repositioning or re-pointing of customers' receiving dishes. As a result, the customers' level of service may be diminished or they may require a larger dish. The Anik G1 satellite has a switch feature that allows the whole channel services (transponders and available spares) to be switched from extended Ku-band to Ku-band, which does provide the Company with limited back-up to restore failed whole channel services on Anik F1R. Satellite failure could cause customers to deactivate their DTH subscriptions or otherwise have a material adverse effect on business and results of operations.

Network failures caused by damage by fire, natural disaster, power loss, hacking, computer viruses, disabling devices, acts of war or terrorism and other events could have a material adverse affect on the business, including customer relationships and operating results. The Company protects its network through a number of measures including physical security, ongoing maintenance and placement of insurance on its network equipment and data centers. The Company self-insures the plant in the cable and Internet distribution system as the cost of insurance is generally prohibitive. The risk of loss is mitigated as most of the cable plant is located underground. In addition, it is likely that damages caused by any one incident would be limited to a localized geographic area and therefore resulting business interruption and financial damages would be limited. Further, the Company has back-up disaster recovery plans in the event of plant failure and redundant capacity with respect to certain portions of the system. In the past, it has successfully recovered from damages caused by natural disasters without significant cost or disruption of service. Although the Company has taken steps to reduce this risk, there can be no assurance that major disruptions will not occur.

vi) Reliance on suppliers

Shaw's distribution and call center network is connected to or relies on other telecommunication carriers and certain other utilities. Any of the events described in the preceding paragraph, as well as labour strikes and other work disruptions, bankruptcies, technical difficulties or other events affecting the business operations of these carriers or utilities may have an adverse effect on the Company's business and operating results.

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

vii) Programming expenses

Shaw's programming expenses for cable and DTH continue to be one of the most significant single expense items. Costs continue to increase, particularly for sports programming. In addition, as the Company adds programming or distributes existing programming to more of the subscriber base, programming expenses increase. Although the Company has been successful at reducing the impact of these increases through sale of additional services or increasing subscriber rates, there can be no assurance that the Company will continue to be able to do so and operating results may be impacted.

In Media one of the most significant expenses is also programming costs. Increased competition in the television broadcasting industry, developments affecting producers and distributors of programming content, changes in viewer preferences and other developments could impact both the availability and cost of programming content. Although the Corporation has processes to effectively manage these costs, programming content may be purchased for broadcasting one to two years in advance, making it more difficult to predict how such content will perform.

viii) Unionized labour

Approximately 50% of the Media division employees are employed under one of five collective agreements represented by three bargaining units. If labour disruptions occur, it is possible large numbers of employees may be involved and that the Media business may be disrupted. Currently all collective agreements have been renewed and are in effect for the next one to three years.

ix) Holding company structure

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

x) Control of the Company by the Shaw family

As at October 31, 2012, JR Shaw and members of his family and the corporations owned and/or controlled by JR Shaw and members of his family (the "Shaw Family Group") own approximately 79% of the outstanding Class A Shares of the Company. The Class A Shares are the only shares entitled to vote in all shareholder matters. All of the Class A Shares held by the Shaw Family Group are subject to a voting trust agreement entered into by such persons. The voting rights with respect to such Class A Shares are exercised by the representative of a committee of five trustees. Accordingly, the Shaw Family Group is, and as long as it owns a majority of the Class A Shares will continue to be, able to elect a majority of the Board of Directors of the Company and to control the vote on matters submitted to a vote of the Company's Class A shareholders.

xi) Information systems and internal business processes

Many aspects of the Company's business depend to a large extent on various IT systems and software and internal business processes. Shaw also undertakes ongoing initiatives to update and improve these systems and processes. Although the Company has taken steps to reduce these risks, there can be no assurance that potential failures of, or deficiencies in, these systems, processes or change initiatives will not have an adverse effect on the Corporation's business and operating results.

xii) Dividend payments

The Company currently pays monthly common share dividends in amounts approved on a quarterly basis by the Board of Directors. At the current approved dividend amount, the Company would pay approximately $430 million in common share dividends during 2013 (before taking into account the Company's dividend reinvestment plan ("DRIP"), see further details on page 53). While the Company expects to generate sufficient free cash flow in 2013 to fund these dividend payments, if actual results are different from expectations there can be no assurance that the Company will continue common share dividend payments at the current level.

xiii) Acquisitions and other strategic transactions

The Company may from time to time make acquisitions and enter into other strategic transactions. In connection with these acquisitions and strategic transactions, Shaw may fail to realize the anticipated benefits, incur unanticipated expenses and/or have difficulty incorporating or integrating the acquired business, the occurrence of which could have a material adverse effect on the Company.

II. SUMMARY OF QUARTERLY RESULTS

Quarter	Revenue	Operating income before amortization[1]	Net income from continuing operations attributable to equity shareholders	Net income attributable to equity shareholders	Net income[2]	Basic earnings per share from continuing operations[3]	Basic earnings per share[3]
($millions Cdn except per share amounts)							
2012							
Fourth	1,210	501	129	129	133	0.28	0.28
Third	1,278	567	238	238	248	0.53	0.53
Second	1,231	493	169	169	178	0.38	0.38
First	1,279	566	192	192	202	0.43	0.43
Total	4,998	2,127	728	728	761	1.62	1.62
2011							
Fourth	1,181	481	164	81	84	0.37	0.18
Third	1,285	586	197	195	201	0.45	0.45
Second	1,196	505	166	163	169	0.38	0.37
First	1,079	479	13	12	16	0.03	0.03
Total	4,741	2,051	540	451	470	1.23	1.02

(1) See key performance drivers on page 20.
(2) Net income attributable to both equity shareholders and non-controlling interests.
(3) Diluted earnings per share from continuing operations and diluted earnings per share is $1.61 for 2012. Diluted earnings per share from continuing operations and diluted earnings per share for 2011 is $1.23 and $1.02, respectively.

Generally, revenue and operating income before amortization have grown quarter-over-quarter mainly due to customer growth and rate increases with the exception of the fourth quarters of 2012 and 2011 and second quarter of 2012. In the second quarter of 2012, revenue and operating income before amortization decreased by $48 million and $73 million, respectively, due to the seasonality of the Media business with higher revenues in the first quarter driven by the fall launch of season premieres and high demand as well as lower operating income before amortization in the Cable division. Operating expenses increased in the second quarter which included employee related costs, mainly related to bringing the new customer service centres on line, as well as higher marketing, sales and programming costs. The fourth quarters of 2011 and 2012 were both impacted by the cyclical nature of the Media business with lower advertising revenues in the summer months. Accordingly, in the fourth quarter of 2011, revenue and operating income before amortization declined $104 million and $105 million, respectively, while in the fourth quarter of 2012, revenue and operating income before amortization declined $68 million and $66 million, respectively. The impact of the Media business in the fourth quarter of 2012 was partially offset by improved operating income before amortization in the Cable division.

Net income has fluctuated quarter-over-quarter primarily as a result of the growth in operating income before amortization described above and the impact of the net change in non-operating items. In the fourth quarter of 2012, net income decreased by $115 million, primarily due to

lower operating income before amortization of $66 million and increased income tax expense of $31 million. The fourth quarter also included a loss of $26 million in respect of the electrical fire at the Company's head office offset by a pension curtailment gain of $25 million. In the third quarter of 2012, net income increased by $70 million due to higher operating income before amortization of $74 million and lower amortization of $9 million partially offset by increased income tax expense of $17 million. In the second quarter of 2012, net income decreased by $24 million due to a decline in operating income before amortization of $73 million partially offset by lower income tax expense of $53 million. Net income increased by $118 million in the first quarter of 2012 due to the combined impact of higher operating income before amortization of $85 million and income tax expense of $18 million in the first quarter and the loss from discontinued operations of $84 million and gain on redemption of debt of $23 million recorded in the preceding quarter. The first and second quarters of 2011 were impacted by the Media acquisition. As a result, net income increased $153 million in the second quarter of 2011 due to the impact of the CRTC benefit obligation of $139 million and acquisition, integration and restructuring costs of $58 million recorded in the first quarter and higher operating income before amortization and foreign exchange gain on unhedged long-term debt in the second quarter, the total of which was partially offset by increases in interest expense, loss on derivative instruments and income tax expense. During the third quarter of 2011 net income increased by $32 million due to higher operating income before amortization and a lower loss on derivative instruments partially offset by increased income taxes, a lower foreign exchange gain on unhedged long-term debt and the impact of the restructuring activities undertaken by the Company. In the fourth quarter of 2011 net income declined $117 million due to lower operating income before amortization of $105 million and the loss of $83 million in respect of the wireless discontinued operations partially offset by the gain on redemption of debt and the aforementioned restructuring activities in the previous quarter. As a result of the aforementioned changes in net income, basic and diluted earnings per share have trended accordingly.

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

Growth in subscriber statistics as follows:

	2012				2011			
Subscriber Statistics	**First**	**Second**	**Third**	**Fourth**	**First**	**Second**	**Third**	**Fourth**
Basic cable customers	**(22,768)**	**(9,946)**	**(21,515)**	**(16,474)**	(7,542)	(13,662)	(13,577)	(16,207)
Digital customers	**59,566**	**46,564**	**246**	**(7,907)**	62,216	35,403	19,202	49,548
Internet customers	**10,685**	**18,681**	**(429)**	**6,062**	18,752	10,772	11,165	13,528
Digital Phone lines	**22,969**	**54,407**	**29,142**	**24,185**	49,842	32,512	31,404	22,776
DTH customers	**531**	**1,274**	**(1,820)**	**1,155**	(1,539)	2,176	1,644	806

III. RESULTS OF OPERATIONS

OVERVIEW OF FISCAL 2012 CONSOLIDATED RESULTS

(In $millions Cdn except per share amounts)	2012	2011	2010[3]	Change 2012 %	Change 2011 %
Operations:					
Revenue	**4,998**	4,741	3,718	**5.4**	27.5
Operating income before amortization[1]	**2,127**	2,051	1,760	**3.7**	16.5
Operating margin[1]	**42.6%**	43.3%	47.3%		
Funds flow from continuing operations[2]	**1,299**	1,433	1,377	**(9.4)**	4.1
Net income from continuing operations	**761**	559	534	**36.1**	4.7
Free cash flow[1]	**482**	617	515	**(21.9)**	19.8
Balance sheet:					
Total assets	**12,722**	12,588	10,154		
Long-term financial liabilities (including current portion)					
Long-term debt	**5,263**	5,257	3,983		
Derivative instruments	**1**	8	87		
Other financial liabilities	**7**	171	159		
Per share data:					
Earnings per share from continuing operations					
Basic	**1.62**	1.23	1.23		
Diluted	**1.61**	1.23	1.23		
Weighted average number of participating shares outstanding during period (millions)	**441**	435	433		
Cash dividends declared per share					
Class A	**0.9550**	0.9075	0.8675		
Class B	**0.9575**	0.9100	0.8700		

(1) See key performance drivers on page 20.
(2) Funds flow from continuing operations is presented before changes in non-cash working capital as presented in the Consolidated Statements of Cash Flows.
(3) 2010 comparative figures have not been restated for adoption of IFRS on September 1, 2010.

Highlights

- Net income from continuing operations was $761 million for the year compared to $559 million in 2011.
- Earnings per share from continuing operations were $1.62 compared to $1.23 in 2011.
- Revenue for the year improved 5.4% to $5.00 billion from $4.74 billion last year.
- Operating income before amortization of $2.13 billion was up 3.7% over last year's amount of $2.05 billion.
- Consolidated free cash flow was $482 million compared to $617 million in 2011.

- During 2012 the Company increased the dividend rate on Shaw's Class A Participating Shares and Class B Non-Voting Participating Shares to an equivalent dividend rate of $0.9675 and $0.97 respectively. Dividends paid in 2012 increased approximately 6% over 2011 to $416 million.
- During the year the Company opened retail stores in Calgary, Vancouver and Richmond offering a new retail experience as part of its continued investment in defining the customer experience. The new stores showcase all of Shaw's products and services through a unique technology experience of interactive displays along with hands on training and technical support.
- In October 2010 Shaw completed its acquisition of the broadcasting business of Canwest including CW Media, the company that owned the specialty channels acquired from Alliance Atlantis Communications Inc. in 2007. The total consideration, including debt assumed, was approximately $2.0 billion.
- On December 7, 2010 the Company issued $500 million senior notes at a rate of 5.5% due December 7, 2020 and issued an additional $400 million under the reopened 6.75% senior notes due November 9, 2039. The net proceeds from the notes issuances were used to repay borrowings under the Company's $1 billion revolving credit facility.
- On February 17, 2011 the Company issued an additional $400 million under the reopened 6.75% senior notes due November 9, 2039. The net proceeds were used for working capital and general corporate purposes as well as to partially repay borrowings under the revolving credit facility while excess funds are held in cash and cash equivalents.
- In March 2011 Shaw implemented various cost saving initiatives including staff reductions and a review of overhead expenses to drive efficiencies and enhance competitiveness.
- On May 31, 2011 the Company issued 12,000,000 Cumulative Redeemable Rate Reset Preferred Shares, Series A ("Preferred Shares") at a price of $25.00 per Preferred Share for aggregate gross proceeds of $300 million. The net proceeds were used for working capital and general corporate purposes while excess funds are held in cash and cash equivalents.

Revenue and operating expenses

Consolidated revenue of $5.00 billion for the twelve month period improved 5.4% over the prior year. The improvement was primarily due to twelve months of revenue from Shaw Media, as well as rate increases and growth in the Cable and Satellite divisions. Consolidated operating income before amortization of $2.13 billion increased 3.7% over last year. The improvement was primarily due to the current period including twelve months of Shaw Media.

Amortization

(In $millions Cdn)	2012	2011	Change %
Amortization revenue (expense) –			
Deferred equipment revenue	**115**	107	7.5
Deferred equipment costs	**(231)**	(205)	12.7
Property, plant and equipment, intangibles and other	**(692)**	(637)	8.6

Amortization of deferred equipment revenue and deferred equipment costs increased in 2012 due to the sales mix of equipment and changes in customer pricing on certain equipment.

Amortization of property, plant and equipment, intangibles and other increased over the comparable period as the amortization of new expenditures and inclusion of the Media division for the full twelve months in the current year exceeded the impact of assets that became fully depreciated.

Amortization of financing costs and Interest expense

(In $millions Cdn)	2012	2011	Change %
Amortization of financing costs – long-term debt	**5**	4	25.0
Interest expense	**330**	332	(0.6)

Other income and expenses

(In $millions Cdn)	2012	2011	Increase (decrease) in income
Gain on redemption of debt	**–**	33	(33)
CRTC benefit obligations	**(2)**	(139)	137
Business acquisition, integration and restructuring costs	**–**	(91)	91
Gain on remeasurement of interests in equity investments	**6**	–	6
Gain (loss) on derivative instruments	**1**	(22)	23
Accretion of long-term liabilities and provisions	**(14)**	(15)	1
Foreign exchange gain on unhedged long-term debt	**–**	17	(17)
Equity income from associates	**–**	14	(14)
Other gains	**–**	11	(11)

The gain on redemption of debt is in respect of the Media 13.5% senior unsecured notes. As a result of a change of control triggered on the acquisition of the Media business an offer to purchase all of the US $338 million 13.5% senior unsecured notes at a cash price equal to 101% was required. An aggregate US $52 million face amount, having an aggregate accrued value of US $56 million, was tendered under the offer and purchased by the Company for cancellation. Also during 2011, the Company redeemed the remaining outstanding US $260 million face amount, having an aggregate accrued valued of US $282 million, at 106.75% as set out under the terms of the indenture. As a result, the Company recorded a gain of $33 million which resulted from recognizing the remaining unamortized acquisition date fair value adjustment of $57 million partially offset by the 1% repurchase and 6.75% redemption premiums totaling $19 million and $5 million in respect of the write-off of the embedded derivative instrument associated with the early prepayment option.

As part of the CRTC decisions approving the acquisition of Mystery and The Cave during the current year and the Media acquisition in the prior year, the Company is required to contribute approximately $2 million and $180 million in new benefits to the Canadian broadcasting system over seven years. Most of this contribution will be used to create new programming on Shaw Media services, construct digital transmission towers and provide a satellite solution for OTA viewers whose local television stations do not convert to digital. The fair value of the obligations of $2 million and $139 million was determined by discounting future net cash flows using appropriate discount rates and have been recorded in the income statement.

During 2011, the Company incurred costs in respect of the acquisition of the broadcasting business and organizational restructuring which amounted to $91 million. Amounts include acquisition related costs to effect the acquisition, such as professional fees paid to lawyers and consultants. The integration and restructuring costs relate to integrating the new business and increasing organizational effectiveness for future growth as well as package costs for the former CEO. In March 2011 Shaw implemented various cost saving initiatives including staff reductions and a review of overhead expenses to drive efficiencies and enhance competitiveness. Approximately 550 employee positions were eliminated, including 150 at the management level.

The Company recorded a $6 million gain in respect of a remeasurement to fair value of the Company's 50% interest in Mystery and 49% interest in The Cave which were held prior to the acquisition on May 31, 2012. The fair value of the Company's equity interest in these specialty channels held prior to the acquisition was $19 million compared to a carrying value of $13 million.

For derivative instruments where hedge accounting is not permissible or derivatives are not designated in a hedging relationship, the Company records changes in the fair value of derivative instruments in the income statement. In addition, the Media senior unsecured notes had a variable prepayment option which represented an embedded derivative that was accounted for separately at fair value until the Company gave notice of redemption during the fourth quarter of 2011. The fluctuation in amounts recorded in 2012 compared to 2011 is due to a reduction in the number of outstanding contracts as well as the amounts recorded in respect of the embedded derivative in the prior year.

The Company records accretion expense in respect of the discounting of certain long-term liabilities and provisions which are accreted to their estimated value over their respective terms. The expense is primarily in respect of CRTC benefit obligations as well as the liability which arose in 2010 when the Company entered into amended agreements with the counterparties to certain cross-currency agreements which fixed the settlement of the principal portion of the swaps in December 2011.

In conjunction with the acquisition of the broadcasting business, the Company assumed a US $390 million term loan and US $338 million senior unsecured notes. Shortly after closing the acquisition, the Company repaid the term loan including breakage of the related cross currency interest rate swaps. A portion of the senior unsecured notes were repurchased during the second quarter of 2011 and the Company redeemed the remaining notes in the fourth quarter of 2011. As a result of fluctuations of the Canadian dollar relative to the US dollar, a foreign exchange gain was recorded.

The Company recorded income of $14 million primarily in respect of its 49.9% equity interest in CW Media for the period September 1 to October 26, 2010. On October 27, 2010, the Company acquired the remaining equity interest in CW Media as part of its purchase of all the broadcasting assets of Canwest. Results of operations are consolidated effective October 27, 2010. The equity income was comprised of approximately $20 million of operating income before amortization partially offset by interest expense of $5 million and other net costs of $2 million. The Company also records equity income (loss) in respect of interests in several specialty channels.

Other gains generally includes realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities, gains and losses on disposal of property, plant and equipment and minor investments, and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership. In the current year, the category also includes a loss of

$26 million related to an electrical fire and resulting water damage to Shaw Court as well as a pension curtailment gain of $25 million. The loss of $26 million includes $6 million of costs in respect of restoration and recovery activities, including amounts incurred in the relocation of employees, and an asset write-down of $20 million related to the damages sustained to the building and its contents. Insurance recoveries are expected and amounts will be included in Other gains as claims are approved. No insurance recoveries were recorded in 2012. The pension curtailment gain arose due to a plan amendment to freeze base salary levels.

Income tax expense

The income tax expense was calculated using current statutory income tax rates of 26.3% for 2012 and 27.9% for 2011 and was adjusted for the reconciling items identified in Note 23 to the Consolidated Financial Statements.

Loss from discontinued operations

In 2011, the Company discontinued further construction of its traditional wireless network and accordingly, all traditional wireless activities have been classified as discontinued operations.

The Company recorded an after tax loss of $89 million comprised of a write-down of assets of $112 million, operating expenditures and amortization of $8 million and an income tax recovery of $31 million.

Earnings per share from continuing operations

(In $millions Cdn except per share amounts)	2012	2011	Change %
Net income from continuing operations	**761**	559	36.1
Weighted average number of participating shares outstanding during period (millions)	**441**	435	1.4
Earnings per share from continuing operations –			
Basic	**1.62**	1.23	31.7
Diluted	**1.61**	1.23	30.9

Net income from continuing operations

Net income from continuing operations was $761 million in 2012 compared to $559 million in 2011. The year-over-year changes are summarized in the table below.

Net income from continuing operations increased $202 million over the prior year. The current year benefitted from a reduction in net other costs of $183 million, improved operating income before amortization of $76 million and decreased income taxes of $15 million partially offset by higher amortization of $74 million. The change in net other costs and revenue of $183 million was due to amounts recorded in the prior year and were primarily in respect of the Media business acquisition. These amounts included the CRTC benefit obligation, various acquisition, integration and restructuring costs and the loss on derivative instruments partially offset by the gain on redemption of debt, foreign exchange gain on unhedged long-term debt and equity income from associates.

(In $millions Cdn)	
Increased operating income before amortization	**76**
Increased amortization	**(74)**
Decreased interest expense	**2**
Change in other net costs and revenue[1]	**183**
Decreased income taxes	**15**
	202

(1) Other net costs and revenue include gain on redemption of debt, CRTC benefit obligations, business acquisition, integration and restructuring expenses, gain on remeasurement of interests in equity investments, gain (loss) on derivative instruments, accretion of long-term liabilities and provisions, foreign exchange gain on unhedged long-term debt, equity income from associates and other gains as detailed in the Consolidated Statements of Income.

SEGMENTED OPERATIONS REVIEW

CABLE

FINANCIAL HIGHLIGHTS

($millions Cdn)	2012	2011	Change %
Revenue	**3,193**	3,096	3.1
Operating income before amortization[1]	**1,502**	1,510	(0.5)
Capital expenditures and equipment costs (net):			
New housing development[2]	**100**	88	13.6
Success-based[3]	**250**	207	20.8
Upgrades and enhancement[4]	**322**	278	15.8
Replacement[5]	**41**	47	(12.8)
Buildings and other	**97**	89	9.0
	810	709	14.2
Operating margin[1]	**47.0%**	48.8%	(1.8)

(1) See key performance drivers on page 20.
(2) Build out of mainline cable and the addition of drops in new subdivisions.
(3) Capital and equipment costs (net) related to the acquisition of new customers, including installation of internet and digital phone modems, DCTs, filters and commercial drops for Shaw Business customers.
(4) Upgrades to the plant and build out of fibre backbone to reduce use of leased circuits and costs to decrease node size and Digital Phone capital.
(5) Normal replacement of aged assets such as drops, vehicles and other equipment.

OPERATING HIGHLIGHTS

- Cable revenue of $3.19 billion improved 3.1% over last year. Cable operating income before amortization of $1.50 billion declined modestly over last year.

- Digital customers increased 98,469 during the year to 1,917,857 and penetration of Basic is now 86.4%, up from 79.5% at August 31, 2011.
- Digital Phone lines increased 130,703 to 1,363,744 lines and Internet was up 34,999 to total 1,912,230 as at August 31, 2012. During the year Basic cable subscribers decreased 70,703.

Cable revenue for 2012 of $3.19 billion improved 3.1% over the prior year. Rate increases and customer growth in Internet and Digital Phone, including Business growth, partially offset by lower Basic cable subscribers, accounted for the improvement.

Operating income before amortization of $1.50 billion declined modestly over the prior year. The revenue related improvement was offset by higher employee related amounts, programming costs, and various other expenses.

As at August 31, 2012 Shaw had 1,912,230 Internet customers which represents an 86% penetration of Basic.

In pursuit of Shaw's continued improvement for its approximately 1.9 million Internet customers, the Company announced as part of its WiFi strategy a technical trial of HotSpot 2.0 in conjunction with Cisco Systems ("Cisco"), Shaw's WiFi technology partner. HotSpot 2.0 provides a significant improvement in WiFi accessibility and security, and allows Shaw's broadband WiFi enabled customers to automatically connect and authenticate to the WiFi network. The Company is now offering WiFi at over 1,500 sites in Calgary, Edmonton, Vancouver, Victoria and Winnipeg.

Shaw recently introduced content offerings for its TV Everywhere applications with the introduction of Shaw Go. The Shaw Go Movie Central app for Apple devices provides access to current and library content for Shaw customers who subscribe to Movie Central programming, including HBO Canada titles. The app provides several features that enhance the user experience, including intelligent streaming, which provides the most optimal video quality based on Internet connection speed, and video bookmarking, which allows customers to stop and resume video playback at their convenience. The Shaw Go NFL Sunday Ticket app provides Shaw NFL Sunday Ticket subscribers with live broadcasts of up to 14 NFL regular season games along with interactive features, such as instant replay and play-by-play summaries. Shaw customers have the added benefit of being able to access content on Shaw's WiFi network.

Total capital investment of $810 million increased $101 million compared to 2011. Success based capital increased $43 million mainly due to higher subsidies on sales of HDPVRs resulting from increased volumes and lower customer pricing, and investment in DOCSIS 3.0 WiFi internet modems, partially offset by lower HDPVR rentals and phone modem purchases.

Investment in Upgrades and enhancement and Replacement categories combined increased $38 million compared to last year. The current period included higher spending on hub upgrades, network electronics related to the DNU, Digital Phone infrastructure to support Business growth, as well as investment related to the strategic WiFi build.

Buildings and other increased $8 million compared to the prior year. The current year increase was mainly due to facility investment related to the Calgary data centre, customer service centres and new retail locations. The prior year also benefitted from proceeds from the sale of redundant real estate assets.

Spending in new housing development increased $12 million over the comparable period mainly due to higher activity.

SUBSCRIBER STATISTICS

	2012	2011	Growth	Change %
CABLE:				
Basic subscribers	**2,219,072**	2,289,775	**(70,703)**	**(3.1)**
Penetration as a % of homes passed	**56.0%**	59.0%		
Digital customers	**1,917,857**	1,819,388	**98,469**	**5.4**
INTERNET:				
Connected and scheduled installations	**1,912,230**	1,877,231	**34,999**	**1.9**
Penetration as % of basic	**86.2%**	82.0%		
Stand-alone Internet not included in basic cable	**225,639**	217,068	**8,571**	**3.9**
DIGITAL PHONE:				
Number of lines[1]	**1,363,744**	1,233,041	**130,703**	**10.6**

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

SATELLITE (DTH and Satellite Services)

FINANCIAL HIGHLIGHTS

($millions Cdn)	2012	2011	Change %
Revenue			
DTH (Shaw Direct)	**763**	745	2.4
Satellite Services	**81**	82	(1.2)
	844	827	2.1
Operating income before amortization[1]			
DTH (Shaw Direct)	**254**	246	3.3
Satellite Services	**39**	43	(9.3)
	293	289	1.4
Capital expenditures and equipment costs (net):			
Success-based	**81**	76	6.6
Transponders	**2**	25	(92.0)
Buildings and other	**11**	6	83.3
	94	107	(12.1)
Operating margin[1]	**34.7%**	34.9%	(0.2)

(1) See key performance drivers on page 20.

SUBSCRIBER STATISTICS

	2012	2011	Growth
Shaw Direct customers[1]	**910,023**	908,883	1,140

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

OPERATING HIGHLIGHTS

- Satellite revenue of $844 million improved 2.1% over the comparable period
- Operating income before amortization of $293 million improved 1.4%

Revenue of $844 million for 2012 was up 2.1% over last year. The improvement was primarily due to customer rate increases. Operating income before amortization improved 1.4%.

Total capital investment of $94 million decreased over last year primarily due to the deposit for the Anik G1 satellite included in the prior year partially offset by higher investment in the current period on satellite related ground equipment. The launch of the satellite, originally expected to occur this fall, has been delayed as a result of issues experienced on an unrelated satellite launch, and Anik G1 is now expected to launch early in calendar 2013.

During 2012, Shaw Direct started offering a video on demand service using adaptive streaming technology through the satellite receiver. This new internet based service currently has over 3,000 movie and TV titles available. In addition, with their television subscription package, Shaw Direct customers now have access to the Shaw Go apps, including the recently launched Shaw Go Movie Central and Shaw Go NFL Sunday Ticket.

MEDIA

FINANCIAL HIGHLIGHTS

($millions Cdn)	Year ended 2012	Period from October 27, 2010 to August 31, 2011	Change %
Revenue	**1,053**	891	18.2
Operating income before amortization[1]	**332**	252	31.7
Capital expenditures:			
Broadcast and transmission	**12**	15	(20.0)
Buildings/other	**19**	12	58.3
	31	27	14.8
Other adjustments:			
CRTC benefit obligation funding	**(48)**	(30)	60.0
Non-controlling interests	**(34)**	(20)	70.0
Operating margin[1]	**31.5%**	28.3%	3.2

(1) See key performance drivers on page 20.

OPERATING HIGHLIGHTS

Revenue and operating income before amortization for the year were $1.05 billion and $332 million, respectively, compared to $891 million and $252 million for the prior year period from October 27, 2010 to August 31, 2011. For informational purposes, on a comparative basis to the full twelve months ended August 31, 2011, Media revenues were down 2% reflecting softness in the advertising market as a result of continued economic uncertainty. Operating income before amortization increased 2%, as lower programming costs in 2012 more than offset the reduced advertising revenues.

During the year, Global delivered solid programming results led by the strength of Big Brother, Hotel Hell and Rookie Blue. The Media specialty portfolio also led in the channel rankings in the adult 25-54 category, with 4 of the Top 10 analog services, including History as the top entertainment network in Canada, and 5 of the Top 10 digital services, with National Geographic as the leading digital channel. During late 2012 Shaw Media launched Lifetime, H2 and National Geographic Wild.

In News, Global is in the number one position in all three major western markets with ratings up for the majority of all news programs. Global Toronto News Hour moved into the number two position and the station also delivered solid audience growth in the News Hour Final. The West Block with Tom Clark continued to perform well, beginning its second season as Canada's most watched political talk show.

The conventional fall programming premiered throughout the month of September with a solid returning line-up and new drama programming including Vegas, Chicago Fire, Last Resort and Elementary. Shaw Media also added several new comedies to the fall schedule including Go On and Guys With Kids.

Capital investment continued on various projects and included upgrading production equipment, infrastructure and facility investments.

IV. FINANCIAL POSITION

Total assets at August 31, 2012 were $12.7 billion compared to $12.6 billion at August 31, 2011. Following is a discussion of significant changes in the consolidated statement of financial position since August 31, 2011.

Current assets declined $31 million primarily due to decreases in cash of $16 million, assets held for sale of $15 million, and accounts receivable of $10 million, the total of which was partially offset by increased inventories of $5 million and other current assets of $7 million. Cash decreased as the cash outlay for investing and financing activities exceeded the funds provided by operations. Assets held for sale decreased as the sale of the wireless assets was completed during the first quarter and accounts receivable declined due to timing of collection of miscellaneous receivables. Inventories were higher due to timing of equipment purchases while other current assets were up primarily as a result of increases in program rights.

Property, plant and equipment increased $42 million as current year capital investment exceeded amortization and the asset write-down related to the electrical fire and resulting water damage at Shaw Court.

Other long-term assets were up $73 million primarily due to an increase in deferred equipment costs and related customer equipment financing receivables.

Intangibles increased $63 million due to higher program rights and advances and the broadcast licenses recorded on the acquisition of Mystery and The Cave. Program rights and advances (current and noncurrent) increased as advances and additional investment in acquired rights exceeded the amortization for the current year. The increase in goodwill of $3 million is due to the aforementioned acquisition of Mystery and The Cave.

Current liabilities were up $250 million due to increases in income taxes payable of $32 million and current portion of long-term debt of $450 million partially offset by decreases in accounts payable and accrued liabilities of $67 million, other current liability of $161 million and derivative instruments of $7 million. Income taxes payable increased due to the current year provision partially offset by tax installment payments. The current portion of long-term debt increased and long-term debt decreased due to the reclassification of the 6.1% $450 million senior notes which were repaid at maturity on November 16, 2012. Accounts payable and accrued liabilities decreased due to lower trade and other payables primarily in respect of timing of payment of capital expenditures and inventory and a reduction in the current portion of the CRTC benefit obligations. The other liability decreased due to settlement of previously amended cross-currency interest rate agreements and derivative instruments decreased due to settlement of contracts.

Other long-term liabilities were up $45 million due to an increase in employee benefit plans of $71 million, primarily as a result of actuarial losses recorded in the current year, partially reduced by a decrease in CRTC benefit obligations of $22 million.

Deferred credits were up $5 million due to an increase in deferred equipment revenue partially offset by amortization of deferred IRU revenue.

Deferred income tax liabilities, net of deferred income tax assets, decreased $63 million due to the current year recovery.

Shareholders' equity increased $357 million primarily due to increases in share capital of $117 million, retained earnings of $291 million and non-controlling interests of $9 million partially offset by an increase in accumulated other comprehensive loss of $64 million. Share capital increased due to the issuance of 5,972,349 Class B Non-Voting Shares under the Company's option plan and DRIP. As of November 15, 2012, share capital is as reported at August 31, 2012 with the exception of the issuance of a total of 1,274,017 Class B Non-Voting Shares under the DRIP and upon exercise of options under the Company's option plan subsequent to the year end. Retained earnings increased due to current year earnings of $728 million partially offset by dividends of $437 million while non-controlling interests increased as their share of earnings exceeded the distributions declared during the year. Accumulated other comprehensive loss increased due to the actuarial losses recorded on employee benefit plans.

V. CONSOLIDATED CASH FLOW ANALYSIS

Operating activities

(In $millions Cdn)	2012	2011	Change %
Funds flow from continuing operations	**1,299**	1,433	(9.4)
Net decrease (increase) in non-cash working capital balances related to continuing operations	**18**	(192)	>100.0
	1,317	1,241	6.1

Funds flow from continuing operations decreased over the comparative year as higher operating income before amortization adjusted for non-cash program rights expenses in the current year and charges in the prior year for termination of swap contracts and business acquisition, integration and restructuring expenses were more than offset by the combined impact of the settlement of the amended cross-currency interest rate agreements as well as increased current income taxes, program rights purchases and CRTC benefit obligation funding in the current year. The net change in non-cash working capital balances related to continuing operations fluctuated over the comparative period due to fluctuations in accounts receivable and the timing of payment of current income taxes payable and accounts payable and accrued liabilities.

Investing activities

(In $millions Cdn)	2012	2011	Decrease
Cash flow used in investing activities	**(983)**	(1,350)	367

Cash requirements for investing activities decreased over the comparable year due to amounts paid to complete the Media business acquisition in 2011 and fluctuations in inventory levels partially offset by the higher capital expenditures in the current year.

Financing activities

The changes in financing activities during 2012 and 2011 were as follows:

(In $millions Cdn)	2012	2011
Bank credit facility arrangement costs	**(4)**	–
Issuance of Cdn $500 million 5.50% senior notes	**–**	498
Issuance of Cdn $800 million 6.75% senior notes	**–**	779
Issuance of Preferred Shares	**–**	300
Senior notes and Preferred Shares issuance costs		(17)
Repayment of CW Media US $390 million term loan		(395)
Redemption of CW Media US $338 million 13.5% senior notes		(334)
Dividends	**(333)**	(352)
Distributions paid to non-controlling interests	**(26)**	(22)
Senior notes prepayment premium	**–**	(19)
Issuance of Class B Non-Voting Shares	**17**	46
Repayment of Partnership debt	**(1)**	(1)
Cash flow provided by financing activities	**(347)**	483

VI. LIQUIDITY AND CAPITAL RESOURCES

In the current year, the Company generated $482 million of free cash flow. Shaw used its free cash flow along with cash of $16 million, proceeds on issuance of Class B Non-Voting Shares of $17 million and other net items of $25 million to pay common share dividends of $318 million, fund the $162 million on settlement of amended cross-currency interest rate agreements, invest an additional net $42 million in program rights and purchase the remaining interests in two specialty channels for $18 million.

To allow for timely access to capital markets, the Company filed a short form base shelf prospectus with securities regulators in Canada and the U.S. on November 18, 2010. The shelf prospectus allows for the issue of up to an aggregate $4 billion of debt and equity securities over a 25 month period. Pursuant to this shelf prospectus, the Company issued $300 million of Preferred Shares and completed three senior notes offerings totalling $1.3 billion in 2011.

During the current year, the Company entered into a five-year $1 billion bank credit facility which includes a revolving term facility to a maximum of $50 million and matures in January 2017. The credit facility has a feature whereby the Company may request an additional $500 million of borrowing capacity so long as no event of default or pending event of default has occurred and is continuing or would occur as a result of the increased borrowings. No lender has any obligation to participate in the requested increase unless it agrees to do so at its sole discretion. This facility replaced the prior credit and operating loan facilities which were scheduled to mature in May 2012. The new facility will be used for general corporate purposes.

On November 16, 2012, the Company repaid the 6.1% $450 million senior unsecured notes.

The Company's DRIP allows holders of Class A Shares and Class B Non-Voting Shares who are residents of Canada to automatically reinvest monthly cash dividends to acquire additional Class B Non-Voting Shares. Effective for the May 31, 2011 dividend payment, Class B Non-Voting Shares distributed under the Company's DRIP are new shares issued from treasury at a 2% discount from the 5 day weighted average market price immediately preceding the applicable dividend payment date. Previously, the Class B Non-Voting Shares were acquired on the open market at prevailing market prices. The DRIP has resulted in cash savings and incremental Class B Non-Voting Shares of $98 million in 2012.

On November 29, 2011 Shaw received the approval of the TSX to renew its normal course issuer bid to purchase its Class B Non-Voting Shares for a further one year period. The Company is authorized to acquire up to 20,000,000 Class B Non-Voting Shares during the period December 1, 2011 to November 30, 2012. No shares were repurchased by the Company.

At August 31, 2012, the Company held $427 million in cash and had access to $1 billion under its credit facility. Based on the available credit facility and forecasted free cash flow, the Company expects to have sufficient liquidity to fund operations and obligations during the upcoming fiscal year. On a longer-term basis, Shaw expects to generate free cash flow and have borrowing capacity sufficient to finance foreseeable future business plans and refinance maturing debt.

Debt structure and financial policy

Shaw structures its borrowings generally on a stand-alone basis. The borrowings of Shaw are unsecured. While certain non-wholly owned subsidiaries are subject to contractual restrictions which may prevent the transfer of funds to Shaw, there are no similar restrictions with respect to wholly-owned subsidiaries of the Company.

Shaw's borrowings are subject to covenants which include maintaining minimum or maximum financial ratios. At August 31, 2012, Shaw is in compliance with these covenants and based on current business plans, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants over the life of the borrowings. As at August 31, 2012, the ratio of debt to operating income before amortization for the Corporation is 2.4 times.

Having regard to prevailing competitive, operational and capital market conditions, the Board of Directors has determined that having this ratio in the range of 2.0 to 2.5 times would be

optimal leverage for the Corporation in the current environment. Should the ratio fall below this the Board may choose to recapitalize back into this optimal range. The Board may also determine to increase the Corporation's debt above these levels to finance specific strategic opportunities such as a significant acquisition or repurchase of Class B Non-Voting Participating Shares in the event that pricing levels were to drop precipitously.

Off-balance sheet arrangement and guarantees

Guarantees

Generally it is not the Company's policy to issue guarantees to non-controlled affiliates or third parties; however, it has entered into certain agreements as more fully described in Note 25 to the Consolidated Financial Statements. As disclosed thereto, Shaw believes it is remote that these agreements would require any cash payment.

Contractual obligations

The amounts of estimated future payments under the Company's contractual obligations at August 31, 2012 are detailed in the following table.

CONTRACTUAL OBLIGATIONS

	Payments due by period				
(In $millions Cdn)	Total	Within 1 year	2 – 3 years	4 – 5 years	More than 5 years
Long-term debt[1]	9,096	768	1,497	1,156	5,675
Operating obligations[2]	2,017	683	617	275	442
Purchase obligations[3]	88	88	–	–	–
Other long-term obligations[4]	7	7	–	–	–
	11,208	1,546	2,114	1,431	6,117

(1) Includes principal repayments and interest payments.
(2) Includes maintenance and lease of satellite transponders, program related agreements, lease of transmission facilities and lease of premises.
(3) Includes capital expenditure and inventory purchase commitments.
(4) Includes other financial liabilities and are primarily in respect of program rights.

VII. ADDITIONAL INFORMATION

Additional information relating to Shaw, including the Company's Annual Information Form dated November 29, 2012, can be found on SEDAR at www.sedar.com.

VIII. COMPLIANCE WITH NYSE CORPORATE GOVERNANCE LISTING STANDARDS

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

IX. CERTIFICATION

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

As at August 31, 2012, the Company's management, together with its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of each of the Company's disclosure controls and procedures and internal control over financial reporting. Based on these evaluations, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures and the Company's internal control over financial reporting are effective.

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

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

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

November 29, 2012

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

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

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

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

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

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any of the effectiveness of internal

control are subject to the risk that the controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's system of internal control over financial reporting was effective as at August 31, 2012.

[Signed]

Brad Shaw
Chief Executive Officer

[Signed]

Steve Wilson
Senior Vice President and
Chief Financial Officer

Shaw Communications Inc.
INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of
Shaw Communications Inc.

We have audited the accompanying consolidated financial statements of Shaw Communications Inc., which comprise the consolidated statements of financial position as at August 31, 2012 and 2011, and September 1, 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended August 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

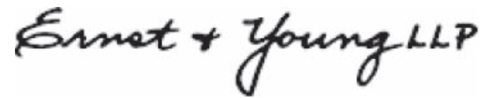
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Shaw Communications Inc. as at August 31, 2012 and 2011, and September 1, 2010, and its financial performance and its cash flows for the years ended August 31, 2012 and 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Shaw Communication Inc.'s internal control over financial reporting as of August 31, 2012, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 29, 2012 expressed an unqualified opinion on Shaw Communications Inc's internal control over financial reporting.

Calgary, Canada
November 29, 2012



Chartered Accountants

Shaw Communications Inc.
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS
UNDER STANDARDS OF THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (UNITED STATES)

To the Shareholders of
Shaw Communications Inc.

We have audited Shaw Communications Inc.'s internal control over financial reporting as at August 31, 2012, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Shaw Communications Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

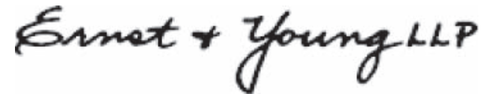
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal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

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

In our opinion, Shaw Communications Inc. maintained, in all material respects, effective internal control over financial reporting as at August 31, 2012, based on the COSO criteria.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Accounting Oversight Board (United States), the consolidated statements of financial position of Shaw Communications Inc. as at August 31, 2012 and 2011, and September 1, 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended August 31, 2012 and 2011, and our report dated November 29, 2012 expressed an unqualified opinion thereon.

Calgary, Canada
November 29, 2012



Chartered Accountants

Shaw Communications Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[millions of Canadian dollars]	August 31, 2012 $	August 31, 2011 $	September 1, 2010 $
		[note 31]	*[note 31]*
ASSETS			
Current			
Cash	**427**	443	217
Accounts receivable *[note 4]*	**433**	443	196
Inventories *[note 5]*	**102**	97	54
Other current assets *[note 6]*	**89**	82	34
Derivative instruments *[note 28]*	**–**	2	67
Assets held for sale *[note 3]*	**–**	15	–
	1,051	1,082	568
Investments and other assets *[note 7]*	**13**	13	743
Property, plant and equipment *[note 8]*	**3,242**	3,200	3,005
Assets held for sale *[note 3]*	**1**	1	–
Other long-term assets *[note 9]*	**331**	258	233
Deferred income tax assets *[note 23]*	**14**	30	–
Intangibles *[note 10]*	**7,355**	7,292	5,596
Goodwill *[note 10]*	**715**	712	169
	12,722	12,588	10,314
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities *[notes 11 and 26]*	**811**	878	700
Provisions *[note 12]*	**19**	18	19
Income taxes payable	**156**	124	249
Unearned revenue	**157**	155	145
Current portion of long-term debt *[notes 13 and 28]*	**451**	1	1
Current portion of derivative instruments *[note 28]*	**1**	8	80
Other liability *[note 28]*	**–**	161	–
	1,595	1,345	1,194
Long-term debt *[notes 13 and 28]*	**4,812**	5,256	3,982
Other long-term liabilities *[note 14]*	**552**	507	429
Provisions *[note 12]*	**8**	8	–
Derivative instruments *[note 28]*	**–**	–	7
Deferred credits *[note 15]*	**635**	630	632
Deferred income tax liabilities *[note 23]*	**1,085**	1,164	1,065
	8,687	8,910	7,309
Commitments and contingencies *[notes 13, 25 and 26]*			
Shareholders' equity			
Common and preferred shareholders	**3,754**	3,406	3,005
Non-controlling interests in subsidiaries	**281**	272	–
	4,035	3,678	3,005
	12,722	12,588	10,314

See accompanying notes

On behalf of the Board:

[Signed]
JR Shaw
Director

[Signed]
Michael O'Brien
Director

Shaw Communications Inc.
CONSOLIDATED STATEMENTS OF INCOME

Years ended August 31 [millions of Canadian dollars except per share amounts]	2012 $	2011 $
		[note 31]
Revenue *[note 24]*	**4,998**	4,741
Operating, general and administrative expenses *[note 21]*	**2,871**	2,690
Operating income before amortization *[note 24]*	**2,127**	2,051
Amortization –		
Deferred equipment revenue *[note 15]*	**115**	107
Deferred equipment costs *[note 9]*	**(231)**	(205)
Property, plant and equipment, intangibles and other *[notes 8, 9, 10 and 15]*	**(692)**	(637)
Operating income	**1,319**	1,316
Amortization of financing costs – long-term debt *[note 13]*	**(5)**	(4)
Interest expense *[notes 13 and 24]*	**(330)**	(332)
Gain on redemption of debt *[note 13]*	**–**	33
CRTC benefit obligations *[note 3]*	**(2)**	(139)
Business acquisition, integration and restructuring expenses *[notes 3 and 11]*	**–**	(91)
Gain on remeasurement of interests in equity investments *[note 3]*	**6**	–
Gain (loss) on derivative instruments *[note 28]*	**1**	(22)
Accretion of long-term liabilities and provisions	**(14)**	(15)
Foreign exchange gain on unhedged long-term debt	**–**	17
Equity income from associates *[note 7]*	**–**	14
Other gains *[note 22]*	**–**	11
Income before income taxes	**975**	788
Current income tax expense *[note 23]*	**257**	220
Deferred income tax expense (recovery)	**(43)**	9
Net income from continuing operations	**761**	559
Loss from discontinued operations *[note 3]*	**–**	(89)
Net income	**761**	470
Net income attributable to:		
Equity shareholders	**728**	451
Non-controlling interests in subsidiaries	**33**	19
	761	470
Earnings per share – basic *[note 18]*		
Earnings per share from continuing operations	**1.62**	1.23
Loss per share from discontinued operations	**–**	(0.21)
Earnings per share	**1.62**	1.02
Earnings per share – diluted *[note 18]*		
Earnings per share from continuing operations	**1.61**	1.23
Loss per share from discontinued operations	**–**	(0.21)
Earnings per share	**1.61**	1.02

See accompanying notes

Shaw Communications Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended August 31 [millions of Canadian dollars]	2012 $	2011 $ [note 31]
Net income	**761**	470
Other comprehensive income (loss) *[note 20]*		
Change in unrealized fair value of derivatives designated as cash flow hedges	**–**	(12)
Adjustment for hedged items recognized in the period	**(2)**	4
Actuarial losses on employee benefit plans	**(62)**	(30)
	(64)	(38)
Comprehensive income	**697**	432
Comprehensive income attributable to:		
Equity shareholders	**664**	413
Non-controlling interests in subsidiaries	**33**	19
	697	432

See accompanying notes

Shaw Communications Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended August 31, 2012

[millions of Canadian dollars]	Attributable to equity shareholders						
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
Balance as at September 1, 2011	**2,633**	**73**	**729**	**(29)**	**3,406**	**272**	**3,678**
Net income	–	–	**728**	–	**728**	**33**	**761**
Other comprehensive loss	–	–	–	**(64)**	**(64)**	–	**(64)**
Comprehensive income (loss)	–	–	**728**	**(64)**	**664**	**33**	**697**
Dividends	–	–	**(339)**	–	**(339)**	–	**(339)**
Dividend reinvestment plan	**98**	–	**(98)**	–	–	–	–
Shares issued under stock option plan	**19**	**(2)**	–	–	**17**	–	**17**
Share-based compensation	–	**6**	–	–	**6**	–	**6**
Distributions declared by subsidiaries to non-controlling interests	–	–	–	–	–	**(24)**	**(24)**
Balance as at August 31, 2012	**2,750**	**77**	**1,020**	**(93)**	**3,754**	**281**	**4,035**

Year ended August 31, 2011

[millions of Canadian dollars]	Attributable to equity shareholders						
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total	Equity attributable to non-controlling interests	Total equity
Balance as at September 1, 2010	2,250	67	679	9	3,005	–	3,005
Business acquisition	–	–	–	–	–	277	277
Net income	–	–	451	–	451	19	470
Other comprehensive loss	–	–	–	(38)	(38)	–	(38)
Comprehensive income (loss)	–	–	451	(38)	413	19	432
Dividends	–	–	(362)	–	(362)	–	(362)
Dividend reinvestment plan	39	–	(39)	–	–	–	–
Issue of preferred shares	300	–	–	–	300	–	300
Share issue costs (net of taxes)	(7)	–	–	–	(7)	–	(7)
Shares issued under stock option plan	51	(5)	–	–	46	–	46
Share-based compensation	–	11	–	–	11	–	11
Distributions declared by subsidiaries to non-controlling interests	–	–	–	–	–	(24)	(24)
Balance as at August 31, 2011	2,633	73	729	(29)	3,406	272	3,678

See accompanying notes

Shaw Communications Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31 [millions of Canadian dollars]	2012 $	2011 $
OPERATING ACTIVITIES *[note 29]*		
Funds flow from continuing operations	**1,299**	1,433
Net decrease (increase) in non-cash working capital balances related to continuing operations	**18**	(192)
	1,317	1,241
INVESTING ACTIVITIES		
Additions to property, plant and equipment *[note 24]*	**(730)**	(705)
Additions to equipment costs (net) *[note 24]*	**(178)**	(120)
Additions to other intangibles *[note 24]*	**(65)**	(65)
Net increase to inventories	**(5)**	(43)
Business acquisitions, net of cash acquired *[note 3]*	**(18)**	(453)
Proceeds on disposal of property, plant and equipment *[note 24]*	**9**	27
Proceeds from investments and other assets	**4**	9
	(983)	(1,350)
FINANCING ACTIVITIES		
Increase in long-term debt, net of discounts	**–**	2,352
Senior notes and Series A Preferred Shares issuance costs	**–**	(17)
Debt repayments	**(1)**	(1,805)
Issuance of Series A Preferred Shares	**–**	300
Debt retirement costs *[note 13]*	**–**	(19)
Bank credit facility arrangement costs	**(4)**	–
Issue of Class B Non-Voting Shares, net of after-tax expenses	**17**	46
Dividends paid on Class A Shares and Class B Non-Voting Shares	**(318)**	(352)
Dividends paid on Series A Preferred Shares	**(15)**	–
Distributions paid to non-controlling interests in subsidiaries	**(26)**	(22)
	(347)	483
Increase (decrease) in cash from continuing operations	**(13)**	374
Decrease in cash from discontinued operations *[note 3]*	**(3)**	(148)
Increase (decrease) in cash	**(16)**	226
Cash, beginning of year	**443**	217
Cash, end of year	**427**	443

Cash includes cash and cash equivalents

See accompanying notes

August 31, 2012 and 2011
[all amounts in millions of Canadian dollars except share and per share amounts]

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian communications company whose core operating business is providing broadband cable television services, Internet, Digital Phone and telecommunications services ("Cable"); Direct-to-home ("DTH") satellite services (Shaw Direct) and satellite distribution services ("Satellite Services"); and programming content (through Shaw Media).

The Company was incorporated under the laws of the Province of Alberta on December 9, 1966 under the name Capital Cable Television Co. Ltd. and was subsequently continued under the Business Corporations Act (Alberta) on March 1, 1984 under the name Shaw Cablesystems Ltd. Its name was changed to Shaw Communications Inc. on May 12, 1993. The Company's shares are listed on the Toronto and New York Stock Exchanges. The registered office of the Company is located at Suite 900, 630 – 3rd Avenue S.W., Calgary, Alberta, Canada T2P 4L4.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These are the first annual financial statements prepared under IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") has been applied. An explanation of how the transition to IFRS has affected the Company's consolidated financial statements is provided in note 31.

The consolidated financial statements of the Company for the years ended August 31, 2012 and 2011 and as at September 1, 2010, were approved by the Board of Directors and authorized for issue on November 29, 2012.

Basis of presentation

These consolidated financial statements have been prepared primarily under the historical cost convention and are expressed in millions of Canadian dollars unless otherwise indicated. Other measurement bases used are outlined in the applicable notes below. The consolidated statements of income are presented using the nature classification for expenses.

Basis of consolidation

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

The accounts also include the Company's proportionate share of the assets, liabilities, revenues, and expenses of its interests in joint ventures which includes a 33.33% interest in the Burrard Landing Lot 2 Holdings Partnership and 50% interest in several specialty television channels.

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

	2012 $	2011 $
Current assets	**8**	12
Program rights	**–**	1
Property, plant and equipment	**16**	16
	24	29
Current liabilities	**1**	1
Long-term debt	**20**	21
Proportionate share of net assets	**3**	7

	2012 $	2011 $
Revenue	**31**	27
Operating, general and administrative expenses	**(14)**	(12)
Amortization	**(1)**	(1)
Interest	**(1)**	(1)
Other gains	**1**	1
Proportionate share of income before income taxes	**16**	14
Cash flow provided by operating activities	**14**	14
Cash flow used in financing activities	**(1)**	(1)
Proportionate share of cash distributions	**13**	13

Non-controlling interests arise from business combinations in which the Company acquires less than 100% interest. At the time of acquisition, non-controlling interests are measured at either fair value or their proportionate share of the fair value of acquiree's identifiable assets. The Company determines the measurement basis on a transaction by transaction basis. Subsequent to acquisition, the carrying amount of non-controlling interests is increased or decreased for their share of changes in equity.

Investments and other assets

Investments in associates are accounted for using the equity method based on the Company's ability to exercise significant influence over the operating and financial policies of the investee. Investments of this nature are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the associate's net income or losses after the date of investment, additional contributions made and dividends received. Investments are written down when there has been a significant or prolonged decline in fair value.

Revenue and expenses

The Company has multiple deliverable arrangements comprised of upfront fees (subscriber connection and installation fee revenue and/or customer premise equipment revenue) and

related subscription revenue. Upfront fees charged to customers do not constitute separate units of accounting, therefore these revenue streams are assessed as an integrated package.

(i) Revenue

Revenue from cable, Internet, Digital Phone and DTH customers includes subscriber revenue earned as services are provided. Satellite distribution services and telecommunications service revenue is recognized in the period in which the services are rendered to customers. Affiliate subscriber revenue is recognized monthly based on subscriber levels. Advertising revenues are recognized in the period in which the advertisements are broadcast and recorded net of agency commissions as these amounts are paid directly to the agency or advertiser. When a sales arrangement includes multiple advertising spots, the proceeds are allocated to individual advertising spots under the arrangement based on relative fair values.

Subscriber connection fees received from customers are deferred and recognized as revenue on a straight-line basis over two years. Direct and incremental initial selling, administrative and connection costs related to subscriber acquisitions are recognized as an operating expense as incurred. The costs of physically connecting a new home are capitalized as part of the distribution system and costs of disconnections are expensed as incurred.

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

(ii) Deferred equipment revenue and deferred equipment costs

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

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

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

(iii) Deferred IRU revenue

Prepayments received under indefeasible right to use (“IRU”) agreements are amortized on a straight-line basis into income over the term of the agreement and included in amortization of property, plant and equipment, intangibles and other in the consolidated statements of income.

Cash

Cash is presented net of outstanding cheques. When the amount of outstanding cheques and the amount drawn under the Company's revolving term facility are greater than the amount of cash, the net amount is presented as bank indebtedness.

Allowance for doubtful accounts

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

Inventories

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

Property, plant and equipment

Property, plant and equipment are recorded at purchase cost. Direct labour and other directly attributable costs incurred to construct new assets, upgrade existing assets and connect new subscribers are capitalized and borrowing costs on qualifying assets for which the commencement date is on or after September 1, 2010 are also capitalized. As well, any asset removal and site restoration costs in connection with the retirement of assets are capitalized. Repairs and maintenance expenditures are charged to operating expense as incurred. Amortization is recorded on a straight-line basis over the estimated useful lives of assets as follows:

Asset	Estimated useful life
Cable and telecommunications distribution system	5-15 years
Digital cable terminals and modems	2-7 years
Satellite audio, video and data network equipment and DTH receiving equipment	2-10 years
Transmitters, broadcasting and communication equipment	5-15 years
Buildings	15-40 years
Data processing	3-4 years
Other	3-20 years

The Company reviews the estimates of lives and useful lives on a regular basis.

Assets held for sale and discontinued operations

Assets are classified as held for sale when specific criteria are met and are measured at the lower of carrying amount and estimated fair value less costs to sell. Assets held for sale are not

amortized and are reported separately on the statement of financial position. The operating results of a component that has been disposed of or is classified as held for sale are reported as discontinued operations if the operations and cash flows of the component have been, or will be, eliminated from the company's ongoing operations and if the company does not have significant continuing involvement in the operations of the component after the disposal transaction. A component of a company includes operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of a company's operations and cash flows. The Company does not allocate interest to discontinued operations.

Other long-term assets

Other long-term assets primarily include (i) equipment costs, as described in the revenue and expenses accounting policy, deferred and amortized on a straight-line basis over two to five years; (ii) credit facility arrangement fees amortized on a straight-line basis over the term of the facility; (iii) long-term receivables; and (iv) the non-current portion of prepaid maintenance and support contracts.

Intangibles

The excess of the cost of acquiring cable, satellite and media businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist of amounts allocated to broadcast rights and licenses, trademarks, brands, program rights and software assets. Broadcast rights and licenses, trademarks and brands represent identifiable assets with indefinite useful lives. Spectrum licenses were acquired in Industry Canada's auction of licenses for advanced wireless services and have an indefinite life.

Program rights represent licensed rights acquired to broadcast television programs on the Company's conventional and specialty television channels and program advances are in respect of payments for programming prior to the window license start date. For licensed rights, the Company records a liability for program rights and corresponding asset when the license period has commenced and all of the following conditions have been met: (i) the cost of the program is known or reasonably determinable, (ii) the program material has been accepted by the Company in accordance with the license agreement and (iii) the material is available to the Company for telecast. Program rights are expensed on a systematic basis generally over the estimated exhibition period as the programs are aired and are included in operating, general and administrative expenses. Program rights are segregated on the statement of financial position between current and noncurrent based on expected life at time of acquisition.

Software that is not an integral part of the related hardware is classified as an intangible asset. Internally developed software assets are recorded at historical cost and include direct material and labour costs as well as borrowing costs on qualifying assets for which the commencement date is on or after September 1, 2010. Software assets are amortized on a straight-line basis over estimated useful lives ranging from four to ten years. The Company reviews the estimates of lives and useful lives on a regular basis.

Borrowing costs

The Company capitalizes borrowing costs on qualifying assets, for which the commencement date is on or after September 1, 2010, that take more than one year to construct or develop using the Company's weighted average cost of borrowing.

Impairment

(i) Goodwill and indefinite-life intangibles

The Company tests goodwill and indefinite-life intangibles for impairment annually (as at March 1) and when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of each cash-generating unit ("CGU") is determined based on the higher of the CGU's fair value less costs to sell ("FVLCS") and its value in use ("VIU"). A CGU is the smallest identifiable group of assets that generate cash flows that are independent of the cash inflows from other assets or groups of assets. The Company's cash generating units are consistent with its reporting segments, Cable, DTH and Satellite Services and Media. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

(ii) Non-financial assets with finite useful lives

For non-financial assets, such as property, plant and equipment and finite-life intangible assets, an assessment is made at each reporting date as to whether there is an indication that an asset may be impaired. If any indication exists, the recoverable amount of the asset is determined based on the higher of FVLCS and VIU. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. Previously recognized impairment losses are reviewed for possible reversal at each reporting date and all or a portion of the impairment reversed if the asset's value has increased.

CRTC benefit obligations

The fair value of CRTC benefit obligations committed as part of business acquisitions are initially recorded, on a discounted basis, at the present value of amounts to be paid net of any expected incremental cash inflows. The obligation is subsequently adjusted for the incurrence of related expenditures, the passage of time and for revisions to the timing of the cash flows. Changes in the obligation due to the passage of time are recorded as accretion of long-term liabilities and provisions in the income statement.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured using the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainties associated with the obligation. Provisions are discounted where the time value of money is considered material.

(i) Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred, on a discounted basis, with a corresponding increase to the carrying amount of property and equipment, primarily in respect of transmitter sites. This cost

is amortized on the same basis as the related asset. The liability is subsequently increased for the passage of time and the accretion is recorded in the income statement as accretion of long-term liabilities and provisions. The discount rates applied are subsequently adjusted to current rates as required at the end of reporting periods. Revisions due to the estimated timing of cash flows or the amount required to settle the obligation may result in an increase or decrease in the liability. Actual costs incurred upon settlement of the obligation are charged against the liability to the extent recorded.

(ii) Other provisions

Provisions for disputes, legal claims and contingencies are recognized when warranted. The Company establishes provisions after taking into consideration legal assessments (if applicable), expected availability of insurance or other recourse and other available information.

Deferred credits

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

Income taxes

The Company accounts for income taxes using the liability method, whereby deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset and they relate to income taxes levied by the same authority in the same taxable entity. Income tax expense for the period is the tax payable for the period using tax rates substantively enacted at the reporting date, any adjustments to taxes payable in respect of previous years and any change during the period in deferred income tax assets and liabilities, except to the extent that they relate to a business combination, items recognized directly in equity or in other comprehensive income. The Company records interest and penalties related to income taxes in income tax expense.

Tax credits and government grants

The Company has access to a government program which supports local programming produced by conventional television stations. In addition, the Company receives tax credits primarily related to its research and development activities. Government financial assistance is recognized when management has reasonable assurance that the conditions of the government programs are met and accounted for as a reduction of related costs, whether capitalized and amortized or expensed in the period the costs are incurred.

Foreign currency translation

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

period-end rate of exchange and non-monetary items are translated at historic exchange rates. The net foreign exchange gain recognized on the translation and settlement of current monetary assets and liabilities was $nil (2011 – $4) and is included in other gains.

Exchange gains and losses on translating hedged and unhedged long-term debt are included in the consolidated statements of income. Foreign exchange gains and losses on hedging derivatives are reclassified from other comprehensive income (loss) to income to offset the foreign exchange adjustments on hedged long-term debt.

Financial instruments other than derivatives

Financial instruments have been classified as loans and receivables, assets available-for-sale, assets held-for-trading or financial liabilities. Cash has been classified as held-for-trading and is recorded at fair value with any change in fair value immediately recognized in income (loss). Other financial assets are classified as available-for-sale or as loans and receivables. Available-for-sale assets are carried at fair value with changes in fair value recorded in other comprehensive income (loss) until realized. Loans and receivables and financial liabilities are carried at amortized cost. None of the Company's financial assets are classified as held-to-maturity and none of its financial liabilities are classified as held-for-trading.

Finance costs, discounts and proceeds on bond forward contracts associated with the issuance of debt securities and fair value adjustments to debt assumed in business acquisitions are netted against the related debt instrument and amortized to income using the effective interest rate method. Accordingly, long-term debt accretes over time to the principal amount that will be owing at maturity.

Derivative financial instruments

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

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

Derivatives embedded in other financial instruments or contracts are separated from their host contracts and separately accounted for as derivatives when their economic characteristics and risks are not closely related to the host contract, they meet the definition of a derivative and the

combined instrument or contract is not measured at fair value. The Company records embedded derivatives at fair value with changes recognized in the income statement as loss/gain on derivative instruments.

Fair value measurements

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.

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions.

The fair value hierarchy consists of the following three levels:

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

Level 2 Inputs for the asset or liability are based on observable market data, either directly or indirectly, other than quoted prices.

Level 3 Inputs for the asset or liability that are not based on observable market data.

Employee benefits

The Company accrues its obligations and related costs under its employee benefit plans, net of plan assets. The cost of pensions and other retirement benefits earned by certain employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. For purposes of calculating the expected return on plan assets, those assets are valued at fair value. Past service costs from plan initiation and amendments are recognized immediately in the income statement to the extent they are vested. Unvested past service costs are amortized on a straight-line basis over the expected average remaining vesting period. Negative plan amendments which reduce costs are applied to reduce any existing unamortized past service costs. The excess, if any, is amortized over the expected average remaining vesting period. Actuarial gains or losses occur because assumptions about benefit plans relate to a long time frame and differ from actual experiences. These assumptions are revised based on actual experience of the plans such as changes in discount rates, expected return on plan assets, expected retirement ages and projected salary increases. Actuarial gains (losses) are recognized in other comprehensive income (loss) on an annual basis, at a minimum, and on an interim basis when there are significant changes in assumptions. Curtailment gains arising from amendments to the terms of a defined benefit plan such that a significant element of future service by current employees will no longer qualify for benefits, or will only qualify for reduced benefits, are recognized in the period in which they occur. When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

August 31 is the measurement date for the Company's employee benefit plans. The last actuarial valuations for funding purposes for the various plans were performed between December 31, 2011 and January 1, 2012. The next actuarial valuations for funding purposes are effective December 31, 2012.

Share-based compensation

The Company has a stock option plan for directors, officers, employees and consultants to the Company. The options to purchase shares must be issued at not less than the fair value at the date of grant. Any consideration paid on the exercise of stock options, together with any contributed surplus recorded at the date the options vested, is credited to share capital. The Company calculates the fair value of share-based compensation awarded to employees using the Black-Scholes option pricing model. The fair value of options are expensed and credited to contributed surplus over the vesting period of the options using the graded vesting method.

The Company has a restricted share unit ("RSU") plan for officers and employees of the Company. RSUs vest on the second anniversary of the grant date and compensation is recognized on a straight-line basis over the two year vesting period. RSUs will be settled in cash and the obligation for RSUs is measured at the end of each period at fair value using the Black-Scholes option pricing model and the number of outstanding RSUs.

The Company has a deferred share unit ("DSU") plan for its Board of Directors. Compensation cost is recognized immediately as DSUs vest when granted. DSUs will be settled in cash and the obligation is measured at the end of each period at fair value using the Black-Scholes option pricing model and the number of outstanding DSUs.

The Company has an employee share purchase plan (the "ESPP") under which eligible employees may contribute to a maximum of 5% of their monthly base compensation. The Company contributes an amount equal to 25% of the participant's contributions.

Earnings per share

Basic earnings per share is based on net income attributable to equity shareholders adjusted for dividends on preferred shares and is calculated using the weighted average number of Class A Shares and Class B Non-Voting Shares outstanding during the period. The Company uses the treasury stock method of calculating diluted earnings per share. This method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase Class B Non-Voting Shares at the average market price during the period.

Guarantees

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

Estimation uncertainty and critical judgements

The preparation of consolidated financial statements in conformity with IFRS 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 period.

Actual results could differ from those estimates and significant changes in assumptions could cause an impairment in assets. The following require the most difficult, complex or subjective judgements which result from the need to make estimates about the effects of matters that are inherently uncertain.

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that could impact the carrying amount of assets and liabilities and results of operations in future periods:

(i) Allowance for doubtful accounts

The Company is required to make an estimate of an appropriate allowance for doubtful accounts on its receivables. The estimated allowance required is a matter of judgement and the actual loss eventually sustained may be more or less than the estimate, depending on events which have yet to occur and which cannot be foretold, such as future business, personal and economic conditions.

(ii) Property, plant and equipment

The Company is required to estimate the expected useful lives of its property, plant and equipment. These estimates of useful lives involve significant judgement. In determining these estimates, the Company takes into account industry trends and company-specific factors, including changing technologies and expectations for the in-service period of these assets. Management's judgement is also required in determination of the amortization method, the residual value of assets and the capitalization of labour and overhead.

(iii) Business combinations – purchase price allocation

Purchase price allocations involve uncertainty because management is required to make assumptions and judgements to estimate the fair value of the identifiable assets acquired and liabilities assumed in business combinations. Fair value estimates are based on quoted market prices and widely accepted valuation techniques, including discounted cash flow ("DCF") analysis. Such estimates include assumptions about inputs to the valuation techniques, industry economic factors and business strategies.

(iv) Impairment

The Company estimates the recoverable amount of its CGUs using a FVLCS calculation based on a DCF analysis. Significant judgements are inherent in this analysis including estimating the amount and timing of the cash flows attributable to the broadcast rights and licenses and the AWS licenses, the selection of an appropriate discount rate, and the identification of appropriate terminal growth rate assumptions. In this analysis the Company estimates the discrete future cash flows associated with the intangible asset for five years and determines a terminal value. The future cash flows are based on the Company's estimates of future operating results, economic conditions and the competitive environment. The terminal value is estimated using both a perpetuity growth assumption and a multiple of operating income before

amortization. The discount rates used in the analysis are based on the Company's weighted average cost of capital and an assessment of the risk inherent in the projected cash flows. In analyzing the FVLCS determined by the DCF analysis the Company also considers a market approach determining a recoverable amount for each unit and total entity value determined using a market capitalization approach. Recent market transactions are taken into account, when available. The key assumptions used to determine the recoverable amounts, including a sensitivity analysis, are included in note 10.

(v) Employee benefit plans

The amounts reported in the financial statements relating to the defined benefit pension plans are determined using actuarial valuations that are based on several assumptions including the discount rate, rate of compensation increase and the expected return on plan assets (for funded plans). While the Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income statement impact. The most significant assumption used to calculate the net employee benefit plan expense is the discount rate. The discount rate is the interest rate used to determine the present value of the future cash flows that is expected will be needed to settle employee benefit obligations. It is based on the yield of long-term, high-quality corporate fixed income investments closely matching the term of the estimated future cash flows and is determined at the end of every year.

(vi) Income taxes

The Company is required to estimate income taxes using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. In determining the measurement of tax uncertainties, the Company applies a probable weighted average methodology. Realization of deferred 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 recognized deferred income tax assets will be realized based on reversals of deferred income tax liabilities, projected operating results and tax planning strategies available to the Company and its subsidiaries.

(vii) Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities.

Critical judgements

The following are critical judgements apart from those involving estimation:

(i) Determination of a CGU

Management's judgement is required in determining the Company's cash generating units for the impairment assessment of its indefinite-life intangible assets. The CGUs have been determined considering operating activities and asset management and are consistent with the Company's reporting segments, Cable, DTH and Satellite Services and Media.

(ii) Broadcast rights and licenses and spectrum licenses – indefinite-life assessment

The Company's businesses are dependent upon broadcast licenses (or operate pursuant to an exemption order) granted and issued by the CRTC. In addition, the Company holds AWS licenses to operate a wireless system in Canada. While these licenses must be renewed from time to time, the Company has never failed to do so. In addition, there are currently no legal, regulatory or competitive factors that limit the useful lives of these assets.

Standards, interpretations and amendments to standards issued but not yet effective

The Company has not yet adopted certain standards, interpretations and amendments that have been issued but are not yet effective. The following pronouncements are being assessed to determine their impact on the Company's results and financial position.

- IFRS 9, *Financial Instruments: Classification and Measurement*, is the first part of the replacement of IAS 39 *Financial Instruments* and applies to the classification and measurement of financial assets and financial liabilities as defined by IAS 39. It is required to be applied retrospectively for the annual period commencing September 1, 2015.
- The following standards and amended standards are required to be applied retrospectively for the annual period commencing September 1, 2013 and other than the disclosure requirements therein, they must be applied concurrently:
  - IFRS 10, *Consolidated Financial Statements*, replaces previous consolidation guidance and outlines a single consolidation model that identifies control as the basis for consolidation of all types of entities.
  - IFRS 11, *Joint Arrangements,* replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. The new standard classifies joint arrangements as either joint operations or joint ventures.
  - IFRS 12, *Disclosure of Interests in Other Entities,* sets out required disclosures on application of IFRS 10, IFRS 11, and IAS 28 (amended 2011).
  - IAS 27, *Separate Financial Statements* was amended in 2011 for the issuance of IFRS 10 and retains the current guidance for separate financial statements.
  - IAS 28, *Investments in Associates* was amended in 2011 for changes based on issuance of IFRS 10 and IFRS 11 and provides guidance on accounting for joint ventures, as defined by IFRS 11, using the equity method.
- IFRS 13, *Fair Value Measurement*, defines fair value, provides guidance on its determination and introduces consistent requirements for disclosure of fair value measurements and is required to be applied prospectively for the annual period commencing September 1, 2013.
- IAS 12, *Income Taxes* (amended 2011), introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. It is required to be applied retrospectively for the annual period commencing September 1, 2012.
- IAS 19, *Employee Benefits* (amended 2011), eliminates the existing option to defer actuarial gains and losses and requires changes from the remeasurement of defined

benefit plan assets and liabilities to be presented in the statement of other comprehensive income and is required to be applied retrospectively (with certain exemptions) for the annual period commencing September 1, 2013.

- IAS 1, *Presentation of Financial Statements*, was amended to require presentation of items of other comprehensive income based on whether they may be reclassified to the statement of income and is required to be applied retrospectively for the annual period commencing September 1, 2012.

3. BUSINESS ACQUISITIONS AND DISCONTINUED OPERATIONS

Business acquisitions

2012

Television broadcasting businesses

	$
Cash	21
Consideration for the equity interests held prior to the acquisition	9
	30
Cumulative income from equity interests prior to acquisition	4
Gain on remeasurement of interests in equity investments	6
	40

On May 31, 2012, the Company closed the acquisition of the partnership units of Mystery Partnership ("Mystery") and Men TV General Partnership ("The Cave") not already owned by the Company, for total consideration of $21. Prior to the acquisition, the Company held a 50% interest in Mystery which was proportionately consolidated and a 49% interest in The Cave which was accounted for under the equity method. The fair value of the previous ownership interests in these specialty channels on the acquisition date was $19. The transaction is accounted for using the acquisition method and as a result of remeasuring these equity interests to fair value, the Company recorded a gain of $6 in the income statement. If the acquisition had occurred on September 1, 2011, revenue and net income for the year would have been approximately $12 and $2, respectively.

As part of the CRTC decisions approving the transaction, the Company is required to contribute $2 in new benefits to the Canadian broadcasting system over the next seven years. The contribution will be used to create new programming. The obligation has been recorded in the income statement at fair value, being the discounted future cash flows using a 4% discount rate.

A summary of net assets acquired and allocation of consideration is as follows:

	$
Net assets acquired at assigned fair values	
Cash	6
Accounts receivable	4
Other current assets[(1)]	4
Intangibles[(2)] *[note 10]*	28
Goodwill, not deductible for tax[(3)] *[note 10]*	3
	45
Current liabilities	3
Deferred income taxes	2
	40

(1) Other current assets is comprised of program rights.

(2) Intangibles include broadcast licenses and program rights.

(3) Goodwill comprises the value of expected efficiencies and synergies from integrating the operations with the Company's other wholly-owned specialty channels.

2011

(i) Television broadcasting businesses

	Cash[(1)] $	Cumulative equity income $	Total $
Television broadcasting businesses	1,208	2	1,210

(1) The cash consideration includes $708 paid in 2010 for the Company's initial equity investment in CW Investments Co. ("CW Media") and an option to acquire an additional equity interest. The acquisition-date fair value of the Company's initial equity investment approximated $549 compared to its carrying value of $558 under the equity method of accounting which resulted in an amount of approximately $9 related to transaction costs which are included in business acquisition, integration and restructuring expenses in the income statement.

On May 3, 2010 the Company announced that it had entered into agreements to acquire 100% of the broadcasting businesses of Canwest Global Communications Corp. ("Canwest"). The acquisition includes all of the over-the-air channels, which were in creditor protection, and the specialty television business of Canwest, including Canwest's equity interest in CW Media, the company that owns the portfolio of specialty channels acquired from Alliance Atlantis Communications Inc. in 2007. During 2010, the Company completed certain portions of the acquisition including acquiring a 49.9% equity interest, a 29.9% voting interest, and an option to acquire an additional 14.8% equity interest and 3.4% voting interest in CW Media. On October 22, 2010, the CRTC approved the transaction and the Company closed the purchase on October 27, 2010. Certain of the subsidiary specialty channels continue to have non-controlling interests. The purpose of the acquisition is to

combine programming content with the Company's cable and satellite distribution network to create a vertically integrated entertainment and communications company.

The transaction has been accounted for using the acquisition method and results of operations have been included commencing October 27, 2010. These broadcasting businesses have contributed $891 of revenue and $252 of operating income before amortization for the period from October 27 to August 31, 2011. If the acquisition had closed on September 1, 2010, the Media revenue and operating income before amortization for the year would have been approximately $1,075 and $325, respectively. Net income is not determinable due to emergence of certain portions of the business from bankruptcy protection.

In 2011, acquisition related costs of $61 were expensed and include amounts incurred to effect the transaction, such as professional fees paid to lawyers and consultants, as well as restructuring costs to integrate the new businesses and increase organizational effectiveness for future growth as well as senior leadership reorganization.

As part of the CRTC decision approving the transaction, the Company is required to contribute approximately $180 in new benefits to the Canadian broadcasting system over the next seven years. Most of this contribution will be used to create new programming on Canwest services, construct digital transmission towers and provide a satellite solution for over-the-air viewers whose local television stations do not convert to digital. The obligation has been recorded in the income statement at fair value, being the sum of the discounted future net cash flows using a 5.75% discount rate. In addition, the Company assumed the CRTC benefit obligation from Canwest's acquisition of Specialty services in 2007 which was a remaining commitment of approximately $95 on acquisition.

A summary of net assets acquired and allocation of consideration is as follows:

	$
Net assets acquired at assigned fair values	
Cash	**83**
Receivables	**297**
Other current assets(1)	**147**
Deferred income tax assets	**27**
Derivative instrument	**16**
Investments and other assets	**16**
Property and equipment	**141**
Intangibles(2)	**1,651**
Goodwill, not deductible for tax(3)	**538**
	2,916
Current liabilities(1)	**307**
Current debt(4)	**399**
Derivative instruments(4)	**82**
Non-current liabilities	**105**
Deferred income tax liabilities	**124**
Long-term debt(5)	**412**
Non-controlling interests(6)	**277**
	1,210

(1) The Company acquired a remaining tax indemnity amount of $21 as part of the acquisition. The indemnity arose in 2007 as part of Canwest's acquisition of Specialty services where a wholly-owned subsidiary of CW Media entered into an agreement pursuant to which certain of the parties agreed to indemnify the company in respect of certain tax liabilities. A corresponding income tax liability was also assumed which according to the terms of the agreement, will be recovered from other parties to the agreement if and when the liabilities are settled.

(2) Intangibles include broadcast licenses, brands, program rights, a trademark and software assets.

(3) Goodwill comprises the value of expected efficiencies from combining programming content and distribution businesses into vertically integrated operations, growth expectations and an assembled workforce.

(4) Current debt was comprised of a US $390 term loan. Shortly after closing the acquisition, the Company repaid the term loan including breakage of the related currency swaps.

(5) Long-term debt is comprised of US $338 13.5% senior unsecured notes due 2015. The notes were subsequently redeemed (see note 13).

(6) Non-controlling interests in certain of the subsidiary specialty channels were assumed as part of the acquisition and are recorded at their proportionate share of the fair value of identifiable net assets acquired.

(ii) Cable systems

A summary of net assets acquired and allocation of the consideration is as follows:

	2011 $
Net assets acquired at assigned fair values	
Property, plant and equipment	9
Broadcast rights *[note 10]*	24
Goodwill, not deductible for tax *[note 10]*	5
	38
Other liability	2
Cash purchase price	36

During 2011, the Company purchased the assets of several cable systems serving approximately 7,300 basic subscribers in the interior of British Columbia. These assets were purchased as they compliment the Company's existing surrounding cable systems. Goodwill comprises the value of expected synergies and future growth opportunities. The transaction has been accounted for using the acquisition method and results of operations have been included from their respective acquisition dates. These assets contributed approximately $2 of revenue and $1 of operating income before amortization in 2011.

Discontinued operations

During late 2011, the Company completed a strategic review of its wireless business opportunity including the potential value of wireless with its other operating segments, the rapid

evolution of wireless technologies, the capital required to build a competitive network and recent changes in the wireless competitive environment. As a result, the Company decided to discontinue any further construction of its traditional wireless network. Accordingly, the assets were measured at the lower of carrying amount and estimated fair value less costs to sell resulting in a write-down of $112 and classification of $16 as assets held for sale. The Company has determined the carrying value of the wireless spectrum licenses continues to be appropriate and intends to hold these assets while it reviews all options.

The results of operations and related cash flows have been reported as discontinued operations. The loss from discontinued operations in 2012 and 2011 is comprised of the following:

	2012 $	2011 $
Operating expenditures	–	7
Amortization	–	1
Write-down of assets	–	112
Income tax recovery	–	(31)
Loss from discontinued operations	–	89

The cash flows used in discontinued operations in 2012 and 2011 is comprised of the following:

	2012 $	2011 $
Cash used in operating activities	–	11
Cash used in investing activities	**3**	137
Decrease in cash from discontinued operations	**3**	148

4. ACCOUNTS RECEIVABLE

	2012 $	2011 $	September 1, 2010 $
Subscriber and trade receivables	**436**	425	210
Due from related parties *[note 27]*	**1**	1	1
Miscellaneous receivables	**24**	46	4
	461	472	215
Less allowance for doubtful accounts	**(28)**	(29)	(19)
	433	443	196

Included in operating, general and administrative expenses is a provision for doubtful accounts of $30 (2011 – $34).

5. INVENTORIES

	2012 $	2011 $	September 1, 2010 $
Subscriber equipment	**98**	91	51
Other	**4**	6	3
	102	97	54

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

6. OTHER CURRENT ASSETS

	2012 $	2011 $	September 1, 2010 $
Program rights	**21**	14	–
Tax indemnity	**17**	21	–
Prepaid expenses and other	**51**	47	34
	89	82	34

7. INVESTMENTS AND OTHER ASSETS

	2012 $	2011 $	September 1, 2010 $
Investments, at equity:			
CW Media	**–**	–	739
Specialty channel networks	**10**	10	–
Other assets:			
Loan	**–**	–	4
Loan to equity associate	**2**	2	–
Other	**1**	1	–
	13	13	743

Investments at equity

The Company exercised significant influence over CW Media with its 49.9% ownership and recorded equity income of $13 for the period of September 1 to October 26, 2010. On October 22, 2010, the CRTC approved the transaction and the Company closed the purchase on October 27, 2010 (see note 3).

During 2012, the Company recorded equity income of $nil in respect of its non-controlling interests in several specialty channels which were acquired as part of the Media acquisition (2011 – $1).

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The Company's interest in the assets, liabilities and results of operations of investments in associates accounted for using the equity method are summarized as follows:

	2012 $	2011 $
Current assets	**2**	3
Non-current assets	**13**	11
	15	14
Current liabilities	**3**	2
Non-current liabilities	**2**	2
Proportionate interest in net assets	**10**	10

	2012 $	2011 $
Revenue	**5**	44
Expenses	**(5)**	(30)
Proportionate share of net income	**–**	14

Other assets

The loan to an equity associate bears interest at prime plus 2.5% and is repayable on demand. The Company has agreed to not demand repayment unless certain conditions and events occur.

8. PROPERTY, PLANT AND EQUIPMENT

	Cable and telecommunications distribution system $	Digital cable terminals and modems $	Satellite audio, video and data network and DTH receiving equipment $	Transmitters, broadcasting, communications and production equipment $	Land and buildings $	Data processing and other $	Assets under construction $	Total $
Cost								
September 1, 2010	4,198	552	154	–	406	311	124	5,745
Additions	387	174	9	15	12	55	113	765
Business acquisitions	8	–	–	63	53	26	–	150
Transfers	–	–	–	–	5	21	(26)	–
Assets held for resale	–	–	–	–	–	–	(16)	(16)
Discontinued operations	–	–	–	–	–	–	(77)	(77)
Retirement and disposals	(244)	(78)	(2)	(2)	(12)	(59)	(7)	(404)
August 31, 2011	4,349	648	161	76	464	354	111	6,163
Additions	441	167	3	13	11	38	42	715
Transfers	21	–	–	–	2	19	(42)	–
Write-down	–	–	–	–	(23)	(8)	–	(31)
Retirement and disposals	(414)	(96)	(79)	(1)	(6)	(38)	(4)	(638)
August 31, 2012	**4,397**	**719**	**85**	**88**	**448**	**365**	**107**	**6,209**
Accumulated amortization								
September 1, 2010	2,129	224	115	–	121	151	–	2,740
Amortization	358	152	16	12	20	46	–	604
Retirement and disposals	(243)	(78)	(2)	(1)	(3)	(54)	–	(381)
August 31, 2011	2,244	298	129	11	138	143	–	2,963
Amortization	380	165	11	14	21	52	–	643
Write-down	–	–	–	–	(7)	(4)	–	(11)
Retirement and disposals	(414)	(96)	(79)	(1)	(6)	(32)	–	(628)
August 31, 2012	**2,210**	**367**	**61**	**24**	**146**	**159**	**–**	**2,967**
Net carrying amount								
September 1, 2010	2,069	328	39	–	285	160	124	3,005
August 31, 2011	2,105	350	32	65	326	211	111	3,200
August 31, 2012	**2,187**	**352**	**24**	**64**	**302**	**206**	**107**	**3,242**

In 2012, the Company recognized a gain (loss) of ($1) (2011 – $4) on the disposal of property, plant and equipment.

9. OTHER LONG-TERM ASSETS

	2012 $	2011 $	September 1, 2010 $
Equipment costs subject to a deferred revenue arrangement	**278**	216	202
Customer equipment financing receivables	**17**	9	–
Credit facility arrangement fees	**3**	1	2
Other	**33**	32	29
	331	258	233

Amortization provided in the accounts for 2012 amounted to $232 (2011 – $206) and was recorded as amortization of deferred equipment costs and other amortization.

10. INTANGIBLES AND GOODWILL

	Carrying amount		
	2012 $	2011 $	September 1, 2010 $
Broadcast rights and licenses			
Cable systems	**4,260**	4,260	4,236
DTH and satellite services	**1,013**	1,013	1,013
Television broadcasting	**1,402**	1,382	–
	6,675	6,655	5,249
Program rights and advances	**253**	217	–
Goodwill			
Non-regulated satellite services	**88**	88	88
Cable systems	**86**	86	81
Television broadcasting	**541**	538	–
	715	712	169
Wireless spectrum licenses	**191**	191	191
Other intangibles			
Software	**195**	188	156
Trademark and brands	**41**	41	–
	236	229	156
Net book value	**8,070**	8,004	5,765

Broadcast rights and licenses, trademark, brands and wireless spectrum licenses have been assessed as having indefinite useful lives. While licenses must be renewed from time to time, the Company has never failed to do so. In addition, there are currently no legal, regulatory, competitive or other factors that limit the useful lives of these assets.

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The changes in the carrying amount of intangibles with indefinite useful lives, and therefore not subject to amortization, are as follows:

	Broadcast rights and licenses $	Trademark and brands $	Goodwill $	Wireless spectrum licenses $
September 1, 2010	5,249	–	169	191
Business acquisitions *[note 3]*	1,406	41	543	–
August 31, 2011	6,655	41	712	191
Business acquisitions *[note 3]*	20	–	3	–
August 31, 2012	**6,675**	**41**	**715**	**191**

Intangibles subject to amortization are as follows:

	Program rights and advances $	Software $	Software under construction $	Total $
Cost				
September 1, 2010	–	171	72	243
Business acquisitions *[note 3]*	332	19	–	351
Additions	260	37	54	351
Transfers	–	18	(18)	–
Discontinued operations	–	(4)	(29)	(33)
Retirement and disposals	–	(14)	–	(14)
August 31, 2011	592	227	79	898
Business acquisitions *[note 3]*	1	–	–	1
Additions	427	52	16	495
Transfers	–	19	(19)	–
Retirement and disposals	(215)	(22)	–	(237)
August 31, 2012	**805**	**276**	**76**	**1,157**
Accumulated amortization				
September 1, 2010	–	87	–	87
Amortization	361	46	–	407
Discontinued operations	–	(1)	–	(1)
Retirement and disposals	–	(14)	–	(14)
August 31, 2011	361	118	–	479
Amortization	385	60	–	445
Retirement and disposals	(215)	(21)	–	(236)
August 31, 2012	**531**	**157**	**–**	**688**
Net carrying amount				
September 1, 2010	–	84	72	156
August 31, 2011	231	109	79	419
Less current portion of program rights	14	–	–	14
	217	109	79	405
August 31, 2012	**274**	**119**	**76**	**469**
Less current portion of program rights	21	–	–	21
	253	119	76	448

Impairment testing of indefinite-life intangibles and goodwill

The Company conducted its annual impairment test on goodwill and indefinite-life intangibles as at March 1, 2012 and the recoverable amount of each of the cash generating units exceeded their carrying value by a significant amount.

The Company also conducted an impairment test on its wireless spectrum assets utilizing the Greenfield Approach as at March 1, 2012. The recoverable amount of the assets exceeded their carrying amount. During August 2011 the Company discontinued construction of a traditional wireless network and considered if this would result in an impairment to the spectrum carrying value. The Company concluded that the carrying value of the AWS licenses continues to be appropriate and intends to hold these assets while it reviews all options. A hypothetical decline of 10% and 20% in the fair value of the wireless spectrum as at March 1, 2012 would not result in any impairment loss.

A hypothetical decline of 10% and 15% in the recoverable amount of the broadcast rights and licenses for each cash generating unit as at March 1, 2012 would not result in any impairment loss. Further, any changes in economic conditions since the impairment testing conducted as at March 1, 2012 do not represent events or changes in circumstance that would be indicative of impairment at August 31, 2012.

Significant estimates inherent to this analysis include discount rates and the terminal value. At March 1, 2012, the estimates that have been utilized in the impairment tests reflect any changes in market conditions and are as follows:

		Terminal value	
	Pre-tax discount rate	Terminal growth rate	Terminal operating income before amortization multiple
Cable systems	11.5%	1.50%	5.50x
DTH and satellite services	13.6%	1.00%	4.50x
Media	12.3%	n/a	6.50x
Wireless	15.7%	n/a	5.25x

A sensitivity analysis of significant estimates is conducted as part of every impairment test. With respect to the impairment tests performed in the third quarter, the estimated decline in recoverable amount for the sensitivity of significant estimates is as follows:

	Estimated decline in recoverable amount		
		Terminal value	
	1% increase in discount rate	1% decrease in terminal growth rate	0.5 times decrease in terminal operating income before amortization multiple
Cable systems	6%	3%	3%
DTH and satellite services	6%	2%	3%
Media	4%	n/a	4%
Wireless	30%	n/a	37%

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11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2012 $	2011 $	September 1, 2010 $
Trade	**50**	99	113
Program rights	**72**	78	12
CRTC benefit obligations	**43**	53	–
Accrued liabilities	**289**	296	266
Accrued network fees	**105**	102	91
Interest and dividends	**219**	214	181
Related parties *[note 27]*	**24**	27	36
Current portion of unfunded pension plan liability *[note 26]*	**9**	9	1
	811	878	700

During 2011, the Company recorded $30 in respect of its restructuring activities to streamline operations, drive efficiencies and enhance competiveness. The restructuring included elimination of approximately 550 employee positions, management relocations and facilities consolidation. A total of $28 was paid in 2011 and of the majority of remaining $2 was paid in 2012.

12. PROVISIONS

	Asset retirement obligations $	Other $	Total $
September 1, 2010	–	19	19
Media business acquisition *[note 3]*	7	8	15
Additions	–	9	9
Accretion	1	–	1
Reversal	–	(7)	(7)
Payments	–	(11)	(11)
August 31, 2011	8	18	26
Additions	–	6	6
Reversal	–	(1)	(1)
Payments	–	(4)	(4)
August 31, 2012	8	19	27
Current	–	19	19
Long-term	–	–	–
September 1, 2010	–	19	19
Current	–	18	18
Long-term	8	–	8
August 31, 2011	8	18	26
Current	–	19	19
Long-term	8	–	8
August 31, 2012	**8**	**19**	**27**

13. LONG-TERM DEBT

		2012			2011			September 1, 2010
	Effective interest rates %	Long-term debt at amortized cost[1] $	Adjustment for finance costs[1] $	Long-term debt repayable at maturity $	Long-term debt at amortized cost[1] $	Adjustment for finance costs[1] $	Long-term debt repayable at maturity $	Long-term debt at amortized cost[1] $
Corporate								
Cdn senior notes-								
6.10% due November 16, 2012[2]	6.11	**450**	**–**	**450**	449	1	450	448
7.50% due November 20, 2013	7.50	**349**	**1**	**350**	348	2	350	347
6.50% due June 2, 2014	6.56	**598**	**2**	**600**	596	4	600	595
6.15% due May 9, 2016	6.34	**295**	**5**	**300**	294	6	300	293
5.70% due March 2, 2017	5.72	**397**	**3**	**400**	397	3	400	396
5.65% due October 1, 2019	5.69	**1,242**	**8**	**1,250**	1,241	9	1,250	1,241
5.50% due December 7, 2020	5.55	**496**	**4**	**500**	495	5	500	–
6.75% due November 9, 2039	6.89	**1,416**	**34**	**1,450**	1,416	34	1,450	642
		5,243	**57**	**5,300**	5,236	64	5,300	3,962
Other								
Burrard Landing Lot 2 Holdings Partnership	6.31	**20**	**–**	**20**	21	–	21	21
Total consolidated debt		**5,263**	**57**	**5,320**	5,257	64	5,321	3,983
Less current portion[2]		**451**	**–**	**451**	1	–	1	1
		4,812	**57**	**4,869**	5,256	64	5,320	3,982

(1) Long-term debt is presented net of unamortized discounts, finance costs and bond forward proceeds of $57 (August 31, 2011 – $64; September 1, 2010 – $38).

(2) Current portion of long-term debt includes the 6.10% senior notes which were repaid on November 16, 2012 and the amount due within one year on the Partnership's mortgage bonds.

Corporate

Bank loans

During the current year, a syndicate of banks provided the Company with an unsecured $1 billion credit facility which includes a maximum revolving term facility of $50 and matures in January 2017. The credit facility has a feature whereby the Company may request an additional $500 of borrowing capacity so long as no event of default or pending event of default has occurred and is continuing or would occur as a result of the increased borrowings. No lender has any obligation to participate in the requested increase unless it agrees to do so at its sole discretion. This facility replaces the prior credit and operating loan facilities which were scheduled to mature in May 2012. Funds are available to the Company in both Canadian and US dollars. At August 31, 2012, $1 has been drawn as committed letters of credit against the revolving term facility. Interest rates fluctuate with Canadian prime and bankers' acceptance rates, US bank base rates and LIBOR rates. The effective interest rate on the operating and revolving term facilities for 2012 was 3% (2011 – 2.99%). The effective interest rate on actual borrowings under the prior credit facility during 2011 was 2.59%. Excluding the revolving term facility, no amounts were borrowed under either the new or prior credit facilities during 2012.

Senior notes

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

Other

Burrard Landing Lot 2 Holdings Partnership

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

Gain on redemption of debt

In 2011, the Company assumed US $338 senior unsecured notes on acquisition of the Canwest broadcasting business. The US $312 13.5% senior unsecured notes were originally issued on July 3, 2008. For periods up to August 15, 2011, interest was accrued, however was not payable until maturity unless CW Media elected to do so. As at acquisition date, US $26 of accrued interest remained outstanding and was included in the principal debt balance with respect to the period July 3, 2008 to February 15, 2009. Interest for all periods subsequent to February 15, 2009 was paid in cash.

Within 30 days of closing the transaction, a subsidiary of CW Media was required to make a change of control offer at a cash price equal to 101% of the obligations under the US $338 senior unsecured notes in accordance with a related indenture. As a result, on November 15, 2010, an offer was made to purchase all of the notes. An aggregate of US $52 face amount was tendered under the offer and purchased by the Company for cancellation for an aggregate price of US $59 including accrued interest and repurchase premium. In August, 2011, the Company redeemed the remaining outstanding US $260 face amount at 106.75% as set out under the terms of the indenture for an aggregate purchase price of US $320 including accrued interest and prepayment premium.

The Company recorded a gain of $33 in respect of the redemption which resulted from recognizing the remaining unamortized acquisition date fair value adjustment of $57 partially offset by the 1% repurchase and 6.75% redemption premiums totaling $19 and $5 in respect of the write-off of the embedded derivative instrument associated with the early prepayment option.

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, 2012.

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

Long-term debt repayments

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

	$
2013	451
2014	951
2015	18
2016	300
2017	400
Thereafter	3,200
	5,320

Interest expense

	2012 $	2011 $
Interest expense – long-term debt	**334**	341
Amortization of senior notes discounts	**2**	2
Amortization of fair value adjustment to debt assumed in the Media business acquisition	**–**	(8)
Interest income – short-term (net)	**(3)**	(3)
Capitalized interest	**(3)**	–
	330	332

14. OTHER LONG-TERM LIABILITIES

	2012 $	2011 $	September 1, 2010 $
Pension liabilities *[note 26]*	**401**	334	270
Amended cross-currency interest rate agreements *[note 28]*	**–**	–	159
CRTC benefit obligations	**125**	147	–
Post retirement liabilities *[note 26]*	**19**	16	–
Program rights liabilities	**4**	7	–
Other	**3**	3	–
	552	507	429

15. DEFERRED CREDITS

	2012 $	2011 $	September 1, 2010 $
IRU prepayments	**485**	497	510
Equipment revenue	**137**	120	112
Connection fee and installation revenue	**10**	10	7
Deposit on future fibre sale	**2**	2	2
Other	**1**	1	1
	635	630	632

Amortization of deferred credits for 2012 amounted to $136 (2011 – $126) and was recorded in the accounts as described below.

IRU agreements are in place for periods ranging from 21 to 60 years and are being amortized to income over the agreement periods. Amortization in respect of the IRU agreements for 2012 amounted to $12 (2011 – $13) and was recorded as other amortization. Amortization of equipment revenue for 2012 amounted to $115 (2011 – $107). Amortization of connection fee and installation revenue for 2012 amounted to $9 (2011 – $7) and was recorded as revenue.

16. SHARE CAPITAL

Authorized

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

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

2012	2011		2012	2011
Number of securities			$	$
22,520,064	22,520,064	Class A Shares	**2**	2
421,188,697	415,216,348	Class B Non-Voting Shares	**2,455**	2,338
12,000,000	12,000,000	Series A Preferred Shares	**293**	293
455,708,761	449,736,412		**2,750**	2,633

Class A Shares and Class B Non-Voting Shares

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

Changes in Class A Share capital and Class B Non-Voting Share capital in 2012 and 2011 are as follows:

	Class A Shares		Class B Non-Voting Shares	
	Number	$	Number	$
September 1, 2010	22,520,064	2	410,622,001	2,248
Stock option exercises	–	–	2,690,118	51
Dividend reinvestment plan	–	–	1,904,229	39
August 31, 2011	22,520,064	2	415,216,348	2,338
Stock option exercises	–	–	969,803	19
Dividend reinvestment plan	–	–	5,002,546	98
August 31, 2012	22,520,064	2	421,188,697	2,455

Series A Preferred Shares

The Cumulative Redeemable Rate Reset Preferred Shares, Series A ("Series A Preferred Shares") are classified as equity since redemption, at $25.00 per Series A Preferred Share, is at the Company's option and payment of dividends is at the Company's discretion.

Share transfer restriction

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

17. SHARE-BASED COMPENSATION

Stock option plan

Under a stock option plan, directors, officers, employees and consultants of the Company are eligible to receive stock options to acquire Class B Non-Voting Shares with terms not to exceed ten years from the date of grant. Options granted up to August 31, 2012 vest evenly on the anniversary dates from the original grant date at either 25% per year over four years or 20% per year over five years. The options must be issued at not less than the fair market value of the Class B Non-Voting Shares at the date of grant. The maximum number of Class B Non-Voting Shares issuable under the plan may not exceed 52,000,000. As at August 31, 2012, 17,764,506 Class B Non-Voting Shares have been issued under the plan.

The changes in options are as follows:

	2012		2011	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding, beginning of year	**21,970,400**	**20.91**	23,993,150	20.48
Granted	**1,229,000**	**21.05**	3,269,000	20.91
Forfeited	**(1,066,925)**	**20.96**	(2,601,632)	20.88
Exercised[(1)]	**(969,803)**	**17.09**	(2,690,118)	17.08
Outstanding, end of year	**21,162,672**	**21.09**	21,970,400	20.91

(1) The weighted average Class B Non-Voting Share price for the options exercised was $20.67.

The following table summarizes information about the options outstanding at August 31, 2012:

	Options outstanding			Options exerciseable	
Range of prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$14.85 – $22.27	13,720,672	6.50	$19.29	8,304,972	$18.82
$22.28 – $26.20	7,442,000	5.17	$24.42	7,139,250	$24.51

The weighted average estimated fair value at the date of the grant for common share options granted for the year ended August 31, 2012 was $2.72 (2011 – $3.13) per option. The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2012	2011
Dividend yield	**4.48%**	4.32%
Risk-free interest rate	**1.42%**	2.19%
Expected life of options	**5 years**	5 years
Expected volatility factor of the future expected market price of Class B Non-Voting Shares	**24.7%**	25.8%

Restricted share unit plan

During 2011, the Company implemented an RSU plan whereby RSUs are granted to eligible employees and officers of the Company. An RSU is a right that tracks the value of one Class B Non-Voting Share and permits the holder to receive a cash payment equal to the market value once RSUs are vested. Market value is determined by the average of the closing prices of the Class B Non-Voting Shares on the Toronto Stock Exchange for the five trading days preceding the applicable payment date as determined by the Company. When cash dividends are paid on Class B Non-Voting Shares, holders are credited with RSUs equal to the dividend. RSUs do not have voting rights as there are no shares underlying the plan.

During 2012, $2 was recorded as compensation expense (2011 – $1) and at August 31, 2012, the carrying value of the liability was $3 (2011 – $1).

Deferred share unit plan

The Company has a DSU plan for its Board of Directors whereby directors can elect to receive their annual cash compensation, or a portion thereof, in DSUs. In addition, the Company may adjust and/or supplement directors' compensation with periodic grants of DSUs. A DSU is a right that tracks the value of one Class B Non-Voting Share. Holders will be entitled to a cash payout when they cease to be a director. The cash payout will be based on market value of a Class B Non-Voting Share at the time of payout. When cash dividends are paid on Class B Non-Voting Shares, holders are credited with DSUs equal to the dividend. DSUs do not have voting rights as there are no shares underlying the plan.

During 2012, $1 was recognized as compensation expense (2011 – $1). The carrying value and intrinsic value of DSUs at August 31, 2012 was $6 and $5, respectively (August 31, 2011 – $5 and $4, respectively).

Employee share purchase plan

The Company's ESPP provides employees with an incentive to increase the profitability of the Company and a means to participate in that increased profitability. Generally, all non-unionized full time or part time employees of the Company are eligible to enroll in the ESPP. Under the ESPP, eligible employees may contribute to a maximum of 5% of their monthly base compensation. The Company contributes an amount equal to 25% of the employee's contributions.

During the 2012, $5 was recorded as compensation expense (2011 – $4).

18. EARNINGS PER SHARE

Earnings per share calculations are as follows:

	2012	2011
Numerator for basic and diluted earnings per share ($)		
Net income from continuing operations	**761**	559
Deduct: net income attributable to non-controlling interests in subsidiaries	**(33)**	(19)
Deduct: dividends on Series A Preferred Shares	**(15)**	(4)
Net income from continuing operations attributable to common shareholders	**713**	536
Net loss from discontinued operations attributable to common shareholders	**–**	(89)
Net income attributable to common shareholders	**713**	447
Denominator (millions of shares)		
Weighted average number of Class A Shares and Class B Non-Voting Shares for basic earnings per share	**441**	435
Effect of potentially dilutive securities[1]	**1**	1
Weighted average number of Class A Shares and Class B Non-Voting Shares for diluted earnings per share	**442**	436
Earnings per share – basic ($)		
Earnings per share from continuing operations	**1.62**	1.23
Loss per share from discontinued operations	**–**	(0.21)
Earnings per share	**1.62**	1.02
Earnings per share – diluted ($)		
Earnings per share from continuing operations	**1.61**	1.23
Loss per share from discontinued operations	**–**	(0.21)
Earnings per share	**1.61**	1.02

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the year ended August 31, 2012, 12,083,206 options were excluded from the diluted earnings per share calculation (2011 – 8,100,404).

19. DIVIDENDS

Common share dividends

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

Preferred share dividends

Holders of the Series A Preferred Shares are entitled to receive, as and when declared by the Company's Board of Directors, a cumulative quarterly fixed dividend yielding 4.50% annually for the initial period ending June 30, 2016. Thereafter, the dividend rate will be reset every five years at a rate equal to the then current 5-year Government of Canada bond yield plus 2.00%. Holders of Series A Preferred Shares will have the right, at their option, to convert their shares into Cumulative Redeemable Floating Rate Preferred Shares, Series B (the "Series B Preferred Shares"), subject to certain conditions, on June 30, 2016 and on June 30 every five years thereafter. The Series B Preferred Shares also represent a series of Class 2 preferred shares and holders will be entitled to receive cumulative quarterly dividends, as and when declared by the Company's Board of Directors, at a rate set quarterly equal to the then current three-month Government of Canada Treasury Bill yield plus 2.00%.

Dividend reinvestment plan

The Company has a Dividend Reinvestment Plan ("DRIP") that allows holders of Class A Shares and Class B Non-Voting Shares who are residents of Canada to automatically reinvest monthly cash dividends to acquire additional Class B Non-Voting Shares. During 2011 the Company announced that the Class B Non-Voting Shares distributed under its DRIP would be new shares issued from treasury at a 2% discount from the 5 day weighted average market price immediately preceding the applicable dividend payment date. Previously, the Class B Non-Voting Shares were acquired on the open market at prevailing market prices. The change was effective for the May 30, 2011 dividend payment.

Dividends declared

The dividends per share recognized as distributions to common shareholders for dividends declared during the year ended August 31, 2012 and 2011 are as follows:

2012		2011	
Class A Voting Share	Class B Non-Voting Share	Class A Voting Share	Class B Non-Voting Share
0.9550	0.9575	0.9075	0.9100

The Preferred Shares were issued on May 31, 2011. On June 29, 2011, the Company declared dividends of $0.37603 per Preferred Share. The total amount payable was $4 of which $1 was not recognized as at August 31, 2011. The dividend payment was made on September 30, 2011.

On October 20, 2011, January 12, 2012 and April 13, 2012, the Company declared dividends of $0.28125 per Preferred Share. The dividend payments were made on January 3, 2012, April 2, 2012 and July 3, 2012, respectively.

On June 28, 2012, the Company declared dividends of $0.28125 per Preferred Share which were paid on October 1, 2012. The total amount paid was $3 of which $1 was not recognized as at August 31, 2012.

On October 25, 2012, the Company declared dividends of $0.080625 per Class A Voting Share and $0.080833 per Class B Non-Voting Share payable on each of December 28, 2012, January 30, 2013 and February 27, 2013 to shareholders of record at the close of business on December 14, 2012, January 15, 2013 and February 15, 2013, respectively.

On October 25, 2012, the Company declared dividends of $0.28125 per Preferred Share payable on December 31, 2012 to holders of record at the close of business on December 14, 2012.

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

Components of other comprehensive income (loss) and the related income tax effects for 2012 are as follows:

	Amount $	Income taxes $	Net $
Adjustment for hedged items recognized in the period	**(3)**	**1**	**(2)**
Actuarial losses on employee benefit plans	**(83)**	**21**	**(62)**
	(86)	**22**	**(64)**

Components of other comprehensive income (loss) and the related income tax effects for 2011 are as follows:

	Amount $	Income taxes $	Net $
Change in unrealized fair value of derivatives designated as cash flow hedges	(14)	2	(12)
Adjustment for hedged items recognized in the period	6	(2)	4
Actuarial losses on employee benefit plans	(41)	11	(30)
	(49)	11	(38)

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

	2012 $	2011 $	September 1, 2010 $
Fair value of derivatives	**(1)**	1	9
Actuarial losses on employee benefit plans	**(92)**	(30)	–
	(93)	(29)	9

21. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

	2012 $	2011 $
Employee salaries and benefits	**835**	751
Purchases of goods and services	**2,036**	1,939
	2,871	2,690

22. OTHER GAINS

Other gains generally includes realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities, gains and losses on disposal of property, plant and equipment and minor investments, and the Company's share of the operations of Burrard

Landing Lot 2 Holdings Partnership. During the current year, the category also includes a loss of $26 related to the electrical fire and resulting water damage at the Company's head office in Calgary, Alberta as well as a pension curtailment gain of $25. The loss of $26 includes $6 of costs in respect of restoration and recovery activities, including amounts incurred in the relocation of employees, and a write-down of $20 related to the damages sustained to the building and its contents. Insurance recoveries are expected and will be included in Other gains as claims are approved. No insurance recoveries were recorded in 2012. The pension curtailment gain arose due to a plan amendment to freeze salary levels.

23. INCOME TAXES

Deferred 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 deferred income tax liabilities and assets are as follows:

	2012 $	2011 $	September 1, 2010 $
Deferred income tax liabilities:			
Property, plant and equipment and software assets	**133**	145	167
Broadcast rights and licenses	**840**	820	635
Partnership income	**271**	354	350
	1,244	1,319	1,152
Deferred income tax assets:			
Non-capital loss carryforwards	**33**	50	8
Accrued charges	**137**	132	63
Foreign exchange on long-term debt and fair value of derivative instruments	**3**	3	16
	173	185	87
Net deferred income tax liabilities	**1,071**	1,134	1,065
Deferred income tax assets	**14**	30	–
Deferred income tax liabilities	**1,085**	1,164	1,065

Significant changes recognized to deferred income tax assets (liabilities) are as follows:

	Property, plant and equipment and software assets $	Broadcast rights and licenses $	Partnership income $	Non-capital loss carry-forwards $	Accrued charges $	Foreign exchange on long-term debt and fair value of derivative instruments $	Total $
Balance at September 1, 2010	(167)	(635)	(350)	8	63	16	(1,065)
Recognized in statement of income	(8)	(17)	(3)	(3)	36	(14)	(9)
Recognized in discontinued operations	26	–	–	–	–	–	26
Recognized in other comprehensive income (loss)	–	–	–	–	10	1	11
Recognized on Media business acquisition	4	(168)	(1)	45	23	–	(97)
Balance at August 31, 2011	(145)	(820)	(354)	50	132	3	(1,134)
Recognized in statement of income	12	(18)	83	(17)	(17)	–	43
Recognized in other comprehensive income (loss)	–	–	–	–	22	–	22
Recognized on business acquisition	–	(2)	–	–	–	–	(2)
Balance at August 31, 2012	**(133)**	**(840)**	**(271)**	**33**	**137**	**3**	**(1,071)**

The Company has capital loss carryforwards of approximately $146 for which no deferred income tax asset has been recognized in the accounts. These capital losses can be carried forward indefinitely.

The Company has taxable temporary differences associated with its investment in its subsidiaries. No deferred tax liabilities have been provided with respect to such temporary differences as the Company is able to control the timing of the reversal and such reversal is not probable in the foreseeable future.

August 31, 2012 and 2011
[all amounts in millions of Canadian dollars except share and per share amounts]

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

	2012 $	2011 $
Current statutory income tax rate	**26.3%**	27.9%
Income tax expense at current statutory rates	**256**	220
Net increase (decrease) in taxes resulting from:		
Effect of tax rate changes	**11**	–
Recognition of previously unrecognized deferred tax assets	**(32)**	–
Originating temporary differences recorded at future tax rates expected to be in effect when realized	**2**	2
Other	**(23)**	7
Income tax expense	**214**	229

Due to Canadian federal and provincial enacted corporate income tax rate changes, the statutory income tax rate for the Company decreased from 27.9% in 2011 to 26.3% in 2012.

The components of income tax expense are as follows:

	2012 $	2011 $
Current income tax expense	**257**	220
Deferred tax expense (recovery) related to temporary differences	**(22)**	9
Deferred tax expense from tax rate changes	**11**	–
Deferred tax recovery from recognition of previously unrecognized deferred tax assets	**(32)**	–
Income tax expense	**214**	229

24. BUSINESS SEGMENT INFORMATION

The Company's operating segments are Cable, Media, DTH and Satellite Services, all of which are substantially located in Canada. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Management evaluates divisional performance based on revenue and operating income before charges such as amortization.

	2012						
			Satellite				
	Cable $	Media $	DTH $	Satellite Services $	Total $	Intersegment eliminations $	Total $
Revenue	3,193	1,053	763	81	844	(92)	4,998
Operating income before amortization	1,502	332	254	39	293	–	2,127
Operating income as % of revenue	47.0%	31.5%	33.3%	48.1%	34.7%	–	42.6%
Interest[(1)]							329
Burrard Landing Lot 2 Holdings Partnership							1
							330
Cash taxes[(1)]							282
Corporate/other							(25)
							257
Capital expenditures and equipment costs (net) by segment							
Capital expenditures	729	31	3	8	11	–	771
Equipment costs (net)	81	–	83	–	83	–	164
	810	31	86	8	94	–	935
Reconciliation to Consolidated Statements of Cash Flows							
Additions to property, plant and equipment							730
Additions to equipment costs (net)							178
Additions to other intangibles							65
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows							973
Increase in working capital related to capital expenditures							(10)
Increase in customer equipment financing receivables							(16)
Less: Proceeds on disposal of property, plant and equipment							(9)
Less: Satellite services equipment profit[(2)]							(3)
Total capital expenditures and equipment costs (net) reported by segments							935

See notes following 2011 business segment table.

	2011						
			Satellite				
	Cable $	Media $	DTH $	Satellite Services $	Total $	Intersegment eliminations $	Total $
Revenue	3,096	891	745	82	827	(73)	4,741
Operating income before amortization	1,510	252	246	43	289	–	2,051
Operating income as % of revenue	48.8%	28.3%	33.0%	52.4%	34.9%	–	43.3%
Interest[(1)]							312
Burrard Landing Lot 2 Holdings Partnership							1
Wireless							19
							332
Cash taxes[(1)]							240
Corporate/other							(20)
							220
Capital expenditures and equipment costs (net) by segment							
Capital expenditures	677	27	6	26	32	–	736
Equipment costs (net)	32	–	75	–	75	–	107
	709	27	81	26	107	–	843
Reconciliation to Consolidated Statements of Cash Flows							
Additions to property, plant and equipment							705
Additions to equipment costs (net)							120
Additions to other intangibles							65
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows							890
Increase in working capital related to capital expenditures							(4)
Increase in customer equipment financing receivables							(13)
Less: Proceeds on disposal of property, plant and equipment							(27)
Less: Satellite services equipment profit[(2)]							(3)
Total capital expenditures and equipment costs (net) reported by segments							843

(1) The Company does not report interest or cash taxes on a segmented basis. Interest was allocated to the discontinued Wireless division in 2011 based on the Company's average cost of borrowing to fund the capital expenditures and operating costs and therefore has not been included in discontinued operations.

(2) The profit from the sale of satellite equipment is subtracted from the calculation of segmented capital expenditures and equipment costs (net) as the Company views the profit on sale as a recovery of expenditures on customer premise equipment.

25. COMMITMENTS AND CONTINGENCIES

Commitments

(i) During prior years, the Company, through its subsidiaries, purchased 28 Ku-band transponders on the Anik F1 satellite and 18 Ku-band transponders on the Anik F2 satellite from Telesat Canada. During 2006, the Company's traffic on the Anik F1 was transferred to the Anik F1R under a capacity services arrangement which has all of the

same substantive benefits and obligations as on Anik F1. In addition, the Company leases a number of C-band and Ku-band transponders. Under the Ku-band F1 and F2 transponder purchase agreements, the Company is committed to paying an annual transponder maintenance fee for each transponder acquired from the time the satellite becomes operational for a period of 15 years.

(ii) The Company has various long-term commitments of which the majority are for the maintenance and lease of satellite transponders, program related agreements, lease of transmission facilities, and lease of premises as follows:

	$
2013	683
2014-2017	892
Thereafter	442
	2,017

Program agreements generally commit the Company to acquire specific programs or films or certain levels of future productions. The acquisition of these program rights is contingent on actual production or airing of the programs or films. At August 31, 2012, there is approximately $503 included above in respect of such program rights commitments.

Included in operating, general and administrative expenses are transponder maintenance expenses of $58 (2011 – $58) and rental expenses of $95 (2011 – $90).

(iii) At August 31, 2012, the Company had capital expenditure commitments in the normal course of business including $22 for transponders on the new Anik G1 satellite which is expected to be available in fiscal 2013.

(iv) As part of the CRTC decisions approving the acquisition of the broadcasting businesses in 2012 and 2011, the Company is required to contribute approximately $182 in new benefits to the Canadian broadcasting system over seven years. The obligations have been recorded in the income statement at fair value, being the sum of the discounted future net cash flows using appropriate discount rates. In addition, the Company assumed the CRTC benefit obligation from Canwest's acquisition of Specialty services in 2007. At August 31, 2012, the remaining expenditure commitments in respect of these obligations is $198 which will be funded over future years through fiscal 2019.

Contingencies

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

Guarantees

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

Indemnities

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

The maximum potential amount of future payments that the Company would be required to make under these indemnification agreements is not reasonably quantifiable as certain indemnifications are not subject to limitation. However, the Company enters into indemnification agreements only when an assessment of the business circumstances would indicate that the risk of loss is remote. At August 31, 2012, management believes it is remote that the indemnification provisions would require any material cash payment.

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

Irrevocable standby letters of credit and commercial surety bonds

The Company and certain of its subsidiaries have granted irrevocable standby letters of credit and commercial surety bonds, issued by high rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As of August 31, 2012, the guarantee instruments amounted to $4. The Company has not recorded any additional liability with respect to these guarantees, as the Company does not expect to make any payments in excess of what is recorded on the Company's consolidated financial statements. The guarantee instruments mature at various dates during fiscal 2013 and 2014.

26. EMPLOYEE BENEFIT PLANS

Defined contribution pension plans

The Company has defined contribution pension plans for the majority of its non-union and certain union employees and, for the majority of these employees, contributes 5% of eligible earnings to the maximum amount deductible under the Income Tax Act. Total pension costs in respect of these plans for the year were $32 (2011 – $29) of which $20 (2011 – $18) was expensed and the remainder capitalized.

Defined benefit pension plans

The Company provides a non-contributory defined benefit pension plan for certain of its senior executives. Benefits under this plan are based on the employees' length of service and their highest three-year average rate of eligible pensionable earnings during their years of service. In 2012, the Company closed the plan to new participants and amended the plan to freeze base salary levels at August 31, 2012 for purposes of determining eligible pensionable earnings.

Employees are not required to contribute to this plan and there are no minimum required employer contributions under the plan. Subsequent to year end, the plan became partially funded as the Company made discretionary contributions of $300 to a Retirement Compensation Arrangement Trust.

The table below shows the change in benefit obligation for this plan.

	2012 $	2011 $
Accrued benefit obligation and plan deficit, beginning of year	**334**	275
Current service cost	**7**	6
Past service cost	**–**	–
Interest cost	**19**	16
Curtailment gain	**(25)**	–
Actuarial losses	**52**	43
Payment of benefits to employees	**(9)**	(6)
Accrued benefit obligation and plan deficit, end of year	**378**	334

Reconciliation of accrued benefit obligation to Consolidated Statement of Financial Position accrued benefit liability	2012 $	2011 $
Balance of unamortized pension obligation:		
Past service costs	**1**	1
Accrued pension benefit liability recognized in Consolidated Statement of Financial Position:		
Accounts payable and accrued liabilities	**9**	9
Other long-term liabilities	**368**	324
	377	333
Accrued benefit obligation, end of year as above	**378**	334

The actuarial losses resulted primarily from changes in interest rate assumptions, salary escalation assumptions, and changes in the mortality table.

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

Accrued benefit obligation	2012 %	2011 %
Discount rate	**4.50**	5.50
Rate of compensation increase	**5.00**[(1)]	5.00

Benefit cost for the year	2012 %	2011 %
Discount rate	**5.50**	5.75
Rate of compensation increase	**5.00**	5.00

(1) Applies only to incentive compensation component of eligible pensionable earnings.

A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2012 by $65 and 2012 pension expensed by $1.

The net pension benefit plan expense is comprised of the following components:

	2012 $	2011 $
Current service cost	**7**	6
Interest cost	**19**	16
Curtailment gain	**(25)**	–
Past service costs	**–**	1
Pension expense	**1**	23

The components of pension expense are included in employee salaries and benefits except for the curtailment gain which is included in other gains in the income statement.

As part of the broadcasting business acquisition in 2011, the Company assumed a number of funded defined benefit pension plans which provide pension benefits to certain unionized and non-unionized employees. Benefits under these plans are based on the employees' length of service and final average salary.

The table below shows the change in the benefit obligations, change in fair value of plan assets and the funded status of these defined benefit plans.

	2012 $	2011 $
Accrued benefit obligation, beginning of year	**119**	–
Media business acquisition	**–**	124
Current service cost	**4**	4
Interest cost	**7**	6
Employee contributions	**1**	1
Actuarial losses (gains)	**24**	(7)
Payment of benefits to employees	**(6)**	(9)
Accrued benefit obligation, end of year	**149**	119
Fair value of plan assets, beginning of year	**109**	–
Media business acquisition	**–**	110
Employer contributions	**10**	6
Employee contributions	**1**	1
Expected return on plan assets	**6**	6
Actuarial losses	**(4)**	(5)
Payment of benefit and administrative expenses	**(6)**	(9)
Fair value of plan assets, end of year	**116**	109
Accrued benefit liability and plan deficit, end of year	**33**	10

The accrued benefit liability is included in other long-term liabilities. The actuarial gains and losses resulted primarily from changes in interest rate assumptions, salary escalation assumptions, and changes in the mortality table.

The asset allocation of the plans at August 31, 2012 is as follows:

	% of plan assets
Equity securities	69
Fixed income securities	31
	100

The tables below show the significant weighted-average assumptions used to measure the pension obligation and cost for these plans. The expected rate of return on plan assets is based on investment mix, current yields and past experience.

Accrued benefit obligation	2012 %	2011 %
Discount rate	**4.67**	5.75
Rate of compensation increase	**3.50**	4.00

Benefit cost for the year	2012 %	2011 %
Discount rate	**5.75**	5.65
Expected return on plan assets	**5.25**	6.70
Rate of compensation increase	**4.00**	3.70

A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2012 by $26 and 2012 pension expense by $1.

The net pension benefit plan expense, which is included in employee salaries and benefits expense, is comprised of the following components:

	2012 $	2011 $
Current service cost	**4**	4
Interest cost	**7**	6
Expected return on plan assets	**(6)**	(6)
Pension expense	**5**	4

Other benefit plans

As part of the broadcasting business acquisition in fiscal 2011, the Company assumed post employment benefits plans that provide post retirement health and life insurance coverage.

	2012 $	2011 $
Accrued benefit obligation, beginning of year	**15**	–
Media business acquisition	**–**	15
Current service cost	**1**	–
Interest cost	**1**	1
Plan amendment	**–**	(1)
Actuarial loss	**3**	–
Payment of benefits to employees	**(1)**	–
Accrued benefit obligation and plan deficit, end of year	**19**	15

Reconciliation of accrued benefit obligation to Consolidated Statement of Financial Position accrued benefit liability	2012 $	2011 $
Balance of unamortized obligation:		
Plan amendment	**–**	(1)
Accrued post-retirement liability recognized in Consolidated Statement of Financial Position:		
Other long-term liabilities	**19**	16
Accrued benefit obligation, end of year as above	**19**	15

The table below shows the components of the post-retirement benefit plan expense. The net post-retirement benefit plan expense, which is included in employee salaries and benefits expense, is comprised of the following components:

	2012 $	2011 $
Current service cost	**1**	–
Interest cost	**1**	1
Plan amendment	**(1)**	–
Post-retirement expense	**1**	1

The discount rates used to measure the post-retirement benefit cost for the year and the accrued benefit obligation as at August 31, 2012 were 5.50% and 4.50%, respectively (2011 – 5.50% and 5.50%, respectively). The assumed health care cost trend rate for the next year used to measure expected benefit costs is 6.39% decreasing to an ultimate rate of 4.58% in 2029. A one percentage point increase in the assumed health care cost trend rate would have increased the service and interest costs and accrued obligation by $nil and $3, respectively. A one percentage point decrease in the assumed health care cost trend rate would have lowered the service and interest costs and accrued obligation by $nil and $3, respectively.

Experience adjustments

The Company's defined benefit plan experience adjustments were as follows:

	2012 $	2011 $
Unfunded plans:		
Experience losses on liabilities	**52**	43
Funded plans:		
Experience losses on assets	**4**	5
Experience losses (gains) on liabilities	**24**	(7)

Employer contributions

The Company's estimated contributions to the defined benefit plans in fiscal 2013 are $311.

27. RELATED PARTY TRANSACTIONS

Controlling shareholder

The majority of the Class A Shares are held by JR Shaw, members of his family and the companies owned and/or controlled them (the "Shaw Family Group"). All of the Class A Shares held by the Shaw Family Group are subject to a voting trust agreement entered into by such persons. The Shaw Family Group is represented as Directors, Senior Executive and Corporate Officers of the Company.

Significant investments in subsidiaries

The following are the significant subsidiaries of the Company, all of which are incorporated in Canada.

	Ownership Interest		
	August 31, 2012	August 31, 2011	September 1, 2010
Shaw Cablesystems Limited	**100%**	100%	100%
Shaw Cablesystems G.P.	**100%**	100%	100%
Mountain Cablevision Limited	**100%**	100%	100%
Shaw Telecom Inc.	**100%**	100%	100%
Shaw Telecom G.P.	**100%**	100%	100%
Shaw Satellite Services Inc.	**100%**	100%	100%
Star Choice Television Network Incorporated	**100%**	100%	100%
Shaw Satellite G.P.	**100%**	100%	100%
Shaw Media Inc.	**100%**	100%	49.9%
Shaw Television Limited Partnership	**100%**	100%	–

Key management personnel

Key management personnel consist of the Board of Directors and the most senior executive team that have the authority and responsibility for planning, directing and controlling the activities of the Company.

Compensation

The compensation expense of key management personnel is as follows:

	2012 $	2011 $
Short-term employee benefits	**32**	35
Post-employment pension benefits	**(23)**	21
Retirement benefits	**–**	26
Share-based compensation	**3**	5
	12	87

Transactions

The Company paid $3 (2011 – $4) for direct sales agent, marketing, installation and maintenance services to a company controlled by a Director of the Company.

During the year, the Company paid $9 (2011 – $6) for remote control units to a supplier where Directors of the Company hold positions on the supplier's board of directors.

Loans have in the past been granted to executive officers in connection with their employment for periods ranging up to ten years. In 2011, the remaining amount outstanding of $4 was repaid. The effective interest rate on the interest bearing loan for 2011 was 1.0%.

Other related parties

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

Corus Entertainment Inc. ("Corus")

The Company and Corus are subject to common voting control. During the year, network fees of $132 (2011 – $136), advertising fees of $2 (2011 – $1) and programming fees of $1 (2011 – $1) were paid to various Corus subsidiaries and entities subject to significant influence. In addition, the Company provided administrative and other services for $1 (2011 – $1), uplink of television signals for $5 (2011 – $5) and Internet services and lease of circuits for $1 (2011 – $1).

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

Burrard Landing Lot 2 Holdings Partnership

During the year, the Company paid $10 (2011 – $10) to the Partnership for lease of office space in Shaw Tower. Shaw Tower, located in Vancouver, BC, is the Company's headquarters for its Lower Mainland operations.

Specialty Channels

The Company holds interests in a number of specialty television channels which are subject to either joint control or significant influence. The Company paid network fees of $6 (2011 – $5) and provided uplink of television signals of $1 (2011 – $1) to these channels during the year.

28. FINANCIAL INSTRUMENTS

Fair values

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

(i) Current assets and current liabilities

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

(ii) Investment and other assets and Other long-term assets

The carrying value of investments and other assets approximates their fair value. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

(iii) Other current/non-current liabilities

The carrying value of the liability in respect of amended cross-currency interest rate agreements, which fixed the settlement of the principal portion of the liability on December 15, 2011, was at amortized cost based on an estimated mark-to-market valuation at the date of amendment. The fair value of this liability was determined using an estimated mark-to-market valuation. The fair value of program rights payable, estimated by discounting future cash flows, approximates their carrying value.

(iv) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance or at the time of a business acquisition. The fair value of publicly traded notes is based upon current trading values. Other notes and debentures are valued based upon current trading values for similar instruments.

(v) Derivative financial instruments

The fair value of cross-currency interest rate exchange agreements and US currency forward purchase contracts is determined using an estimated credit-adjusted mark-to-market valuation.

August 31, 2012 and 2011
[all amounts in millions of Canadian dollars except share and per share amounts]

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

	August 31, 2012		August 31, 2011		September 1, 2010	
	Carrying value $	Estimated fair value $	Carrying value $	Estimated fair value $	Carrying value $	Estimated fair value $
Assets						
Derivative financial instruments –						
Cross-currency interest rate exchange agreements[1]	**–**	**–**	–	–	57	57
US currency forward purchase contracts[1]	**–**	**–**	2	2	10	10
	–	**–**	2	2	67	67
Liabilities						
Other current/non-current liability	**–**	**–**	161	162	159	160
Long-term debt	**5,263**	**5,753**	5,257	5,542	3,983	4,353
Derivative financial instruments –						
US currency forward purchase contracts[1]	**1**	**1**	–	–	–	–
Cross-currency interest rate exchange agreements[1]	**–**	**–**	8	8	87	87
	5,264	**5,754**	5,426	5,712	4,229	4,600

(1) Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

Derivative financial instruments held at August 31, 2012 have maturity dates throughout fiscal 2013.

As at August 31, 2012 and 2011 and September 1, 2010, US currency forward purchase contracts qualified as hedging instruments and were designated as cash flow hedges. The cross-currency interest rate exchange agreements did not qualify as hedging instruments as the underlying hedged US denominated debt was repaid during 2010.

Upon redemption of US $300 7.2% senior notes in 2010, the Company entered into amended agreements with the counterparties of the cross-currency agreements to fix the settlement of the principal liability on December 15, 2011 at $162. At August 31, 2011, the carrying amount of the liability was $161 (September 1, 2010 – $159).

Risk management

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

Currency risk

Certain of the Company's capital expenditures and equipment costs are incurred in US dollars, while its revenue is primarily denominated in Canadian dollars. Decreases in the value of the Canadian dollar relative to the US dollar could have an adverse effect on the Company's cash flows. To mitigate some of the uncertainty in respect to capital expenditures and equipment costs, the Company regularly enters into forward contracts in respect of US dollar commitments. With respect to 2012, the Company entered into forward contracts to purchase US $83 over a period of 12 months commencing in September 2011 at an average exchange rate of 0.9725 Cdn. At August 31, 2012 the Company had forward contracts to purchase US $75 over a period of 12 months commencing in September 2012 at an average exchange rate of 0.9998 Cdn in respect of capital expenditures and equipment costs.

As part of the broadcasting business acquisition in 2011, the Company assumed US dollar denominated debt. To mitigate some of the foreign exchange risk with respect to interest payments and amounts due on redemption of the senior unsecured notes, the Company entered into forward contracts to purchase US $340 at an average exchange rate of 0.9931.

Interest rate risk

Due to the capital-intensive nature of its operations, the Company utilizes long-term financing extensively in its capital structure. The primary components of this structure are a banking facility and various Canadian senior notes with varying maturities issued in the public markets as more fully described in note 13.

Interest on the Company's banking facility is based on floating rates, while the senior notes are fixed-rate obligations. The Company utilizes its credit facility to finance day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed-rate instruments through public market debt issues. As at August 31, 2012, 100% of the Company's consolidated long-term debt was fixed with respect to interest rates.

Market risk

Net income and other comprehensive income for 2012 could have varied if the Canadian dollar to US dollar foreign exchange rates or market interest rates varied by reasonably possible amounts.

The sensitivity to currency risk has been determined based on a hypothetical change in Canadian dollar to US dollar foreign exchange rates of 10%. The financial instruments impacted by this hypothetical change include foreign exchange forward contracts and cross-currency interest rate exchange agreements and would have changed net income by $nil net of tax (2011 – $1) and other comprehensive income by $5 net of tax (2011 – $4). A portion of the Company's accounts receivables and accounts payable and accrued liabilities is denominated in US dollars; however, due to their short-term nature, there is no significant market risk arising from fluctuations in foreign exchange rates.

The sensitivity to interest rate risk has been determined based on a hypothetical change of one percentage or 100 basis points. The financial instruments impacted by this hypothetical change include foreign exchange forward contracts and cross-currency interest rate exchange agreements and would not have changed net income in 2012 or 2011. Interest on the Company's banking facility is based on floating rates and there is no significant market risk arising from fluctuations in interest rates.

Credit risk

Accounts receivable in respect of Cable and Satellite divisions are not subject to any significant concentrations of credit risk due to the Company's large and diverse customer base. For the Media division, a significant portion of sales are made to advertising agencies which results in some concentration of credit risk. At August 31, 2012, approximately 58% (2011 – 58%) of the $182 (2011 – $176) of advertising receivables is due from the ten largest accounts. The largest amount due from an advertising agency is $20 (2011 – $20) which is approximately 11% (2011 – 12%) of advertising receivables. As at August 31, 2012, the Company had accounts receivable of $433 (August 31, 2011 – $443; September 1, 2010 – $196), net of the allowance for doubtful accounts of $28 (August 31, 2011 – $29; September 1, 2010 – $19). The Company maintains an allowance for doubtful accounts for the estimated losses resulting from the inability of its customers to make required payments. In determining the allowance, the Company considers factors such as the number of days the subscriber account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances. As at August 31, 2012, $111 (August 31, 2011 – $121; September 1, 2010 – $79) of accounts receivable is considered to be past due, defined as amounts outstanding past normal credit terms and conditions. Uncollectible accounts receivable are charged against the allowance account based on the age of the account and payment history. The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk.

The Company mitigates the credit risk of advertising receivables by performing initial and ongoing credit evaluations of advertising customers. Credit is extended and credit limits are determined based on credit assessment criteria and credit quality. In addition, the Company mitigates credit risk of subscriber receivables through advance billing and procedures to downgrade or suspend services on accounts that have exceeded agreed credit terms.

Credit risks associated with cross-currency interest rate exchange agreements and US currency contracts arise from the inability of counterparties to meet the terms of the contracts. In the event of non-performance by the counterparties, the Company's accounting loss would be limited to the net amount that it would be entitled to receive under the contracts and agreements. In order to minimize the risk of counterparty default under its swap agreements, the Company assesses the creditworthiness of its swap counterparties. Currently 100% of the total swap portfolio is held by a financial institution with Standard & Poor's ratings ranging from A+ to A-1.

Liquidity risk

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

The Company's undiscounted contractual maturities as at August 31, 2012 are as follows:

	Accounts payable and accrued liabilities[1] $	Other liabilities $	Long-term debt repayable at maturity $	Derivative instruments[2] $	Interest payments $
Within one year	811	–	451	1	317
1 to 3 years	–	4	969	–	528
3 to 5 years	–	–	700	–	456
Over 5 years	–	–	3,200	–	2,475
	811	4	5,320	1	3,776

(1) Includes accrued interest and dividends of $219.

(2) The estimated net undiscounted cash outflow for derivative instruments is based on the US dollar foreign exchange rate as at August 31, 2012.

29. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

(i) Funds flow from continuing operations

	2012 $	2011 $
Net income from continuing operations	**761**	559
Adjustments to reconcile net income to funds flow from continuing operations:		
Amortization	**813**	739
Program rights	**(42)**	101
Deferred income tax expense (recovery)	**(43)**	9
Equity income from associates	**–**	(14)
Gain on redemption of debt	**–**	(33)
CRTC benefit obligations *[note 3]*	**2**	139
CRTC benefit obligation funding	**(48)**	(30)
Business acquisition, integration and restructuring expenses	**–**	37
Gain on remeasurement of interests in equity investments *[note 3]*	**(6)**	–
Share-based compensation	**5**	9
Defined benefit pension plans	**(13)**	16
Loss (gain) on derivative instruments	**(1)**	22
Realized loss on settlement of derivative instruments	**(7)**	(29)
Payments on cross-currency agreements *[note 3]*	**–**	(86)
Foreign exchange gain on unhedged long-term debt	**–**	(17)
Accretion of long-term liabilities and provisions	**14**	15
Settlement of amended cross-currency interest rate agreements *[note 28]*	**(162)**	–
Write-down of property damaged by electrical fire	**20**	–
Other	**6**	(4)
Funds flow from continuing operations	**1,299**	1,433

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

	2012 $	2011 $
Accounts receivable	**22**	54
Other current assets	**–**	(13)
Accounts payable and accrued liabilities and provisions	**(37)**	(54)
Income taxes payable	**31**	(187)
Unearned revenue	**2**	8
	18	(192)

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

	2012 $	2011 $
Interest	**328**	332
Income taxes	**218**	400

(iv) Non-cash transactions

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

	2012 $	2011 $
Issuance of Class B Non-Voting Shares:		
Dividend reinvestment plan *[note 19]*	**98**	39

30. CAPITAL STRUCTURE MANAGEMENT

The Company's objectives when managing capital are:

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

(ii) to maintain compliance with debt covenants; and

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

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

	August 31, 2012 $	August 31, 2011 $	September 1, 2010 $
Cash and cash equivalents	**(427)**	(443)	(217)
Long-term debt repayable at maturity	**5,320**	5,321	4,021
Share capital	**2,750**	2,633	2,250
Contributed surplus	**77**	73	67
Retained earnings	**1,020**	729	679
	8,740	8,313	6,800

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

On November 29, 2011 Shaw received the approval of the TSX to renew its normal course issuer bid to purchase its Class B Non-Voting Shares for a further one year period. The Company is authorized to acquire up to 20,000,000 Class B Non-Voting Shares during the period December 1, 2011 to November 30, 2012.

The Company's banking facility is subject to covenants which include maintaining minimum or maximum financial ratios, including total debt to operating cash flow and operating cash flow to fixed charges. At August 31, 2012, the Company is in compliance with these covenants and based on current business plans and economic conditions, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants.

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

31. TRANSITION TO IFRS

The Company's date of transition to IFRS is September 1, 2010 and its date of adoption is September 1, 2011.

Exemption elections

The Company's adoption of IFRS requires application of IFRS 1 which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS effective at the end of its first IFRS annual reporting period retrospectively. However, IFRS 1 does include certain mandatory exceptions and limited optional exemptions in specified areas of certain standards from this general requirement. The Company has elected the following exemptions from the general requirement of retrospective application as follows:

(a) Business combinations

IFRS 1 provides the option to apply IFRS 3 *Business Combinations* retrospectively or prospectively from the date of transition. Retrospective application would require

restatement of all business combinations that occurred prior to the date of transition. The Company has elected to not restate any business combinations that occurred prior to September 1, 2010. Under Canadian GAAP, the Company had early adopted the new accounting standards for business combinations, consolidation and non-controlling interests effective September 1, 2010, which are aligned with IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements*.

(b) Employee benefits

IFRS 1 provides the option to recognize all cumulative actuarial gains and losses on defined benefit plans deferred under Canadian GAAP in opening retained earnings. The Company elected to recognize the cumulative unamortized actuarial loss in opening retained earnings as at September 1, 2010.

(c) Borrowing costs

IFRS 1 allows IAS 23 *Borrowing Costs* to be applied prospectively from the date of transition. The Company has elected to apply IAS 23 prospectively for projects commenced on or after September 1, 2010.

Reconciliation of Canadian GAAP to IFRS

A. Consolidated statements of financial position as at September 1, 2010 and August 31, 2011

		September 1, 2010			August 31, 2011		
	Explanation	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS							
Current							
Cash		217	–	217	443	–	443
Account receivable		196	–	196	443	–	443
Inventories		54	–	54	97	–	97
Other current assets	(iii), (iv)	34	–	34	236	(154)	82
Derivative instruments		67	–	67	2	–	2
Assets held for sale		–	–	–	15	–	15
Deferred income tax assets	(iii)	28	(28)	–	26	(26)	–
		596	(28)	568	1,262	(180)	1,082
Investments and other assets		743	–	743	13	–	13
Property, plant and equipment		3,005	–	3,005	3,200	–	3,200
Assets held for sale		–	–	–	1	–	1
Other long-term assets		233	–	233	258	–	258
Deferred income taxes	(iii)	–	–	–	22	8	30
Intangibles	(iv)	5,408	188	5,596	6,955	337	7,292
Goodwill	(iii)	169	–	169	815	(103)	712
		10,154	160	10,314	12,526	62	12,588
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current							
Accounts payable and accrued liabilities	(i), (v), (vi)	623	77	700	795	83	878
Provisions	(vi)	–	19	19	–	18	18
Income taxes payable	(iii)	171	78	249	12	112	124
Unearned revenue		145	–	145	155	–	155
Current portion of long-term debt		1	–	1	1	–	1
Current portion of derivative instruments		80	–	80	8	–	8
Other liability		–	–	–	161		161
		1,020	174	1,194	1,132	213	1,345
Long-term debt		3,982	–	3,982	5,256	–	5,256
Other long-term liabilities	(ii), (vi)	291	138	429	351	156	507
Provisions	(vi)	–	–	–	–	8	8
Derivative instruments		7	–	7	–	–	–
Deferred credits		632	–	632	630	–	630
Deferred income tax liabilities	(i) to (iv)	1,452	(387)	1,065	1,700	(536)	1,164
		7,384	(75)	7,309	9,069	(159)	8,910
Shareholders' equity							
Common and preferred shareholders	(i) to (v)	2,770	235	3,005	3,216	190	3,406
Non-controlling interests in subsidiaries	(iii)	–	–	–	241	31	272
		2,770	235	3,005	3,457	221	3,678
		10,154	160	10,314	12,526	62	12,588

B. Consolidated statements of income and comprehensive income for the year ended August 31, 2011

	Explanation	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue		4,741	–	4,741
Operating, general and administrative expenses	(i), (ii)	2,710	(20)	2,690
Operating income before amortization		2,031	20	2,051
Amortization:				
Deferred equipment revenue		107	–	107
Deferred equipment costs		(205)	–	(205)
Property, plant and equipment, intangibles and other		(637)	–	(637)
Operating income		1,296	20	1,316
Amortization of financing costs – long-term debt		(4)	–	(4)
Interest expense		(332)	–	(332)
Gain on redemption of debt		33	–	33
CRTC benefit obligation		(139)	–	(139)
Business acquisition, integration and restructuring expenses		(91)	–	(91)
Loss on derivative instruments		(22)	–	(22)
Accretion of long-term liabilities and provisions		(15)	–	(15)
Foreign exchange gain on unhedged long-term debt		17	–	17
Equity income from associates		14	–	14
Other gains		11	–	11
Income before income taxes		768	20	788
Current income tax expense	(iii)	210	10	220
Deferred income tax expense (recovery)	(i) to (iii)	(5)	14	9
Net income from continuing operations		563	(4)	559
Loss from discontinued operations		(89)	–	(89)
Net income		474	(4)	470
Other comprehensive income (loss)				
Change in unrealized fair value of derivatives designated as cash flow hedges		(12)	–	(12)
Adjustment for hedged items recognized in the period		4	–	4
Actuarial losses on employee benefit plans	(ii)	–	(30)	(30)
		(8)	(30)	(38)
Comprehensive income		466	(34)	432
Net income attributable to:				
Equity shareholders		455	(4)	451
Non-controlling interests in subsidiaries		19	–	19
		474	(4)	470
Comprehensive income attributable to:				
Equity shareholders		447	(34)	413
Non-controlling interests in subsidiaries		19	–	19
		466	(34)	432
Earnings per share – basic and diluted				
Earnings per share from continuing operations		1.24	(0.01)	1.23
Loss per share from discontinued operations		(0.21)	–	(0.21)
Earnings per share		1.03	(0.01)	1.02

The significant differences between Canadian GAAP and IFRS are explained below.

(i) Share-based compensation

Under IFRS, the fair value of stock options with service conditions is required to be expensed over a vesting period ("graded vesting") based on when options vest. Under Canadian GAAP, share-based compensation was recognized using a straight-line method.

Under IFRS, cash settled share-based payments, such as DSUs and RSUs, are measured initially and remeasured at the end of each reporting period at fair value as determined by an option pricing model. Under Canadian GAAP, the liability was measured and remeasured at intrinsic values.

(ii) Employee benefits

As stated in exemption elections above, the Company elected to recognize cumulative unamortized actuarial losses under IFRS in opening retained earnings. Subsequent to the date of transition, actuarial gains and losses are recorded in other comprehensive income at the end of each reporting period. Under Canadian GAAP, actuarial gains and losses were amortized into income on a straight-line basis over the estimated average remaining service life of employees.

Under IFRS, past service costs of defined benefit plans are expensed on a straight-line basis over the vesting period. Under Canadian GAAP, past service costs were amortized on a straight-line basis over the estimated average remaining service life of employees. As part of the retrospective application of IAS 19, all vested past service costs have been recognized in opening retained earnings at the transition date.

(iii) Income taxes

The expected manner of recovery of intangible assets with indefinite useful lives for the purpose of calculating deferred income taxes is different under IFRS than Canadian GAAP. This difference in inclusion rate results in a reduction in the deferred income tax liability related to these assets at transition and also results in a decrease to goodwill and deferred income tax liability and increase to non-controlling interests in respect of the Media business acquisition in fiscal 2011.

Under IFRS, the Company applies a probable weighted average methodology in respect to its determination of measurement of its tax uncertainties.

Income taxes reflect the tax effect of other IFRS transition adjustments.

Also, under IFRS, deferred income tax assets and liabilities are only classified as long term.

(iv) Intangibles

Under IFRS, amortization of indefinite-life intangibles is prohibited. Upon transition, amortization of broadcast rights and licenses that had been previously recorded under Canadian GAAP has been reversed and recognized in opening retained earnings at the date of transition.

Under Canadian GAAP, program rights were segregated between current and noncurrent in the statement of financial position based on estimated time of usage. Under IFRS, program rights are segregated between current and noncurrent based on expected life at time of acquisition.

(v) Constructive obligation

Under IFRS, constructive obligations must be recognized when certain criteria are met. These have been accrued at the transition date.

(vi) Provisions

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* requires separate disclosure on the face of the statement of financial position. Under Canadian GAAP, separate disclosure was not required, therefore on transition all provisions were reclassified from accounts payable and accrued liabilities or other long-term liabilities.

C. Consolidated statements of cash flows

The Company's consolidated statements of cash flows were not materially affected by the transition to IFRS.

Shaw Communications Inc.
FIVE YEARS IN REVIEW
August 31, 2012

	IFRS 2012	IFRS 2011	Canadian GAAP 2010[3]	Canadian GAAP 2009[3]	Canadian GAAP 2008[3]
($millions except per share amounts)					
Revenue					
Cable	**3,193**	3,096	2,932	2,636	2,379
DTH	**763**	745	722	685	651
Satellite	**81**	82	83	90	93
Media	**1,053**	891	–	–	–
	5,090	4,814	3,737	3,411	3,123
Intersegment	**(92)**	(73)	(19)	(20)	(18)
	4,998	4,741	3,718	3,391	3,105
Operating income before amortization[1]					
Cable	**1,502**	1,510	1,453	1,268	1,153
DTH	**254**	246	265	223	206
Satellite	**39**	43	42	50	52
Media	**332**	252	–	–	–
	2,127	2,051	1,760	1,541	1,411
Net income from continuing operations[4]	**761**	559	534	536	673
Earnings per share from continuing operations					
Basic	**1.62**	1.23	1.23	1.25	1.56
Diluted	**1.61**	1.23	1.23	1.25	1.55
Funds flow from continuing operations[2]	**1,299**	1,433	1,377	1,324	1,223
Statement of Financial Position					
Total assets	**12,722**	12,588	10,154	8,935	8,353
Long-term debt (including current portion)	**5,263**	5,257	3,982	3,150	2,707
Cash dividends paid per share					
Class A	**0.942**	0.897	0.858	0.818	0.702
Class B	**0.945**	0.900	0.860	0.820	0.705

(1) See key performance drivers on page 20.

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

(3) Comparative periods for fiscal 2008 to 2010 are reported under Canadian GAAP and have not been restated in accordance with IFRS.

(4) Net income from continuing operations attributable to equity shareholders is the same as net income from continuing operations except in 2012 and 2011 where it was $728 and $540, respectively.

Shaw Communications Inc.
SHAREHOLDERS' INFORMATION
August 31, 2012

Share Capital and Listings

The Company is authorized to issue a limited number of Class A participating and an unlimited number of Class B Non-Voting participating shares. The authorized number of Class A Shares is limited, subject to certain exceptions, to the lesser of that number of such shares (i) currently issued and outstanding; and (ii) that may be outstanding after any conversion of Class A Shares into Class B Non-Voting Shares. At August 31, 2012, the Company had 22,520,064 Class A Shares and 421,188,697 Class B Non-Voting Shares outstanding. The Class A Shares are listed on the TSX Venture Stock Exchange under the symbol SJR.A. The Class B Non-Voting Shares are listed on the Toronto Stock Exchange under SJR.B and on the New York Stock Exchange under the symbol SJR. The Series A Preferred Shares are listed on the Toronto Stock Exchange under the symbol SJR.PR.A.

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

Quarter	High Close	Low Close	Total Volume
September 1, 2011 to August 31, 2012			
First	21.83	19.84	63,209,995
Second	20.94	19.55	49,238,359
Third	21.39	19.07	63,504,839
Fourth	20.42	19.07	50,236,419
Closing price, August 31, 2012	20.16		226,189,612

Share Splits

There have been four splits of the Company's shares; July 30, 2007 (2 for 1), February 7, 2000 (2 for 1), May 18, 1994 (2 for 1), and September 23, 1987 (3 for 1). In addition, as a result of the Arrangement referred to in the Management Information Circular dated July 22, 1999, a Shareholder's Adjusted Cost Base (ACB) was reduced for tax purposes.

Shaw Communications Inc.
CORPORATE INFORMATION
August 31, 2012

DIRECTORS

JR Shaw(4)
Executive Chair
Shaw Communications Inc.

Peter J. Bissonnette
President
Shaw Communications Inc.

Adrian L. Burns(3)(4)
Corporate Director

George F. Galbraith(3)
Corporate Director

Dr. Richard R. Green(2)
Corporate Director

Dr. Lynda Haverstock(3)
Senior Vice President,
Operations
RMD Engineering Inc.

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

Michael W. O'Brien(3)(4)
Corporate Director

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

Jeffrey C. Royer(1)
Corporate Director
and Private Investor

Bradley S. Shaw(4)
Chief Executive Officer
Shaw Communications Inc.

Jim Shaw
Vice Chair
Shaw Communications Inc.

JC Sparkman(2)(4)
Corporate Director

Carl E. Vogel(1)
Private Investor; Senior
Advisor to DISH Network

Sheila C. Weatherill(2)
Corporate Director

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

SENIOR OFFICERS

JR Shaw
Executive Chair

Jim Shaw
Vice Chair

Bradley S. Shaw
Chief Executive Officer

Peter J. Bissonnette
President

Steve Wilson
Senior Vice President and
Chief Financial Officer

Michael D'Avella
Senior Vice President,
Planning

Jay Mehr
Senior Vice President,
Operations

Jean Brazeau
Senior Vice President,
Regulatory Affairs

Paul Robertson
Group Vice President,
Broadcasting & President,
Shaw Media

Rhonda D. Bashnick
Group Vice President,
Finance

Peter A. Johnson
General Counsel and
Corporate Secretary

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

(1) Audit Committee
(2) Human Resources and Compensation Committee
(3) Corporate Governance and Nominating Committee
(4) Executive Committee

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

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

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

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

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

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

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Shaw