SHAW COMMUNICATIONS INC
Form 6-K
January 12, 2007

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

For the month of January 2007

Shaw Communications Inc.

(Translation of registrant s name into English)

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

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F o Form 40-F þ

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No þ

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-__________

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant, Shaw Communications Inc., has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: January 15, 2007
Shaw Communications Inc.

By:
/s/ Steve Wilson
Steve Wilson
Sr. V.P., Chief Financial Officer
Shaw Communications Inc.

Shaw Communications Inc. announces solid start to 2007 with first quarter results

Calgary, Alberta (January 11, 2007) Shaw Communications Inc. announced today results for its first quarter ended November 30, 2006. Consolidated service revenue of $671.0 million for the three month period, increased 13.8% over the comparable quarter and total service operating income before amortization[1] of $299.8 million improved by 17.4%. Funds flow from operations[2] increased to $243.9 million for the quarter compared to $197.2 million.

Commenting on the results, Jim Shaw, Chief Executive Officer, noted: We are off to a solid start in fiscal 2007. Both divisions reported strong revenue growth and improved service operating income before amortization over last year. We continued the roll-out of Digital Phone with the service now available to approximately 2.3 million homes, representing approximately 70% of homes passed. We provide a facilities-based, competitive alternative to the traditional phone companies and offer the services and value our customers are looking for.

Customer gains were posted this quarter across all products. Digital Phone lines increased 38,197 to 250,904 as at November 30, 2006. Internet and Digital subscribers increased by 35,877 to 1,348,639 and 25,331 to 696,887, respectively. Basic subscribers were up 12,664 to 2,213,457 and DTH customers increased 2,426 to 871,634.

Free cash flow[2] for the quarter was $76.1 million compared to $32.1 million for the same period last year. The growth in free cash flow was primarily related to the increase in service operating income before amortization.

Shaw s continued customer growth and improved financial performance results from our focus on the customer, the commitment of our team, the capabilities of our network, and the strength of our product offering. said Jim Shaw.

Net income of $81.1 million or $0.38 per share for the first quarter ended November 30, 2006 compared to net income of $75.7 million or $0.35 per share for the same quarter last year. The current and comparable three month period included non-operating items which are more fully detailed in Management s Discussions and Analysis (MD&A). These included a tax recovery related to reductions in enacted income tax rates in the comparable three month period.[3]

Cable service revenue for the quarter of $499.2 million was up 15.8% over the same period last year primarily as a result of customer growth and rate increases. Service operating income before amortization for the three month period increased 14.6% over the same quarter to $237.8 million driven by the growth in revenue.

Satellite division quarterly service revenue of $171.8 million improved 8.4% over the same period last year primarily due to rate increases and customer growth. Service operating income before amortization for the quarter increased by 29.7% to $62.0 million. The improvement was largely due to growth in DTH revenues.

In closing, Mr. Shaw summarized: Throughout the remainder of this year we will continue to focus on our key priorities of customer service, the further expansion of the Digital Phone foot print, strengthening our video offering with new programming and HDTV services, and bundling strategies. We also plan to launch a business voice service. Our customer focus continues to differentiate us, strengthen our financial position, and build value for all shareholders.

Shaw Communications Inc. is a diversified communications company whose core business is providing broadband cable television, High-Speed Internet, Digital Phone, telecommunications services (through Shaw Business Solutions) and satellite direct-to-home services (through Star Choice) to 3.1 million customers. Shaw is traded on the Toronto and New York stock exchanges and is included in the S&P/TSX 60 Index (Symbol: TSX SJR.B, NYSE SJR).

This news release contains forward-looking statements, identified by words such as anticipate , believe , expect , plan intend and potential . These statements are based on current conditions and assumptions and are not a guarantee of future events. Actual events could differ materially as a result of changes to Shaw s plans and the impact of events, risks and uncertainties. For a discussion of these factors, refer to Shaw s current annual information form, annual and quarterly reports to shareholders and other documents filed with regulatory authorities.

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For further information, please contact:
Steve Wilson
Senior Vice President, Chief Financial Officer
Shaw Communications Inc.
403-750-4500

1 See definitions and discussion under Key Performance Drivers in MD&A.

2 Funds flow from operations is before changes in non-cash working capital as presented in the unaudited interim Consolidated Statement of Cash Flows.

3 See reconciliation of

Net Income in Consolidated Overview in MD&A	2

Shaw Communications Inc.

MANAGEMENT S DISCUSSION AND ANALYSIS
NOVEMBER 30, 2006

January 2, 2007

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

The following should also be read in conjunction with Management s Discussion and Analysis included in the Company s August 31, 2006 Annual Report and the Consolidated Financial Statements and the Notes thereto and the unaudited interim Consolidated Financial Statements of the current quarter.

CONSOLIDATED RESULTS OF OPERATIONS
FIRST QUARTER ENDING NOVEMBER 30, 2006
SELECTED FINANCIAL HIGHLIGHTS

	Three months ended November 30,		
	2006	2005	Change %
($000 s Cdn except per share amounts)			
Operations:			
Service revenue	**671,006**	589,545	13.8
Service operating income before amortization(1)	**299,787**	255,322	17.4
Funds flow from operations(2)	**243,936**	197,208	23.7
Net income	**81,138**	75,681	7.2
Per share data:			
Earnings per share basic and diluted	**0.38**	0.35	
Weighted average participating shares outstanding during period (000 s)	**215,034**	219,035	

(1) See definition and discussion under Key Performance Drivers in Management s Discussion and Analysis.

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

SUBSCRIBER HIGHLIGHTS

	Total November 30, 2006	Growth Three months ended November 30, **2006**	2005
Subscriber statistics:			
Basic cable customers	**2,213,457**	**12,664**	29,429
Digital customers	**696,887**	**25,331**	28,296
Internet customers (including pending installs)	**1,348,639**	**35,877**	54,724
DTH customers	**871,634**	**2,426**	10,199
Digital phone lines (including pending installs)	**250,904**	**38,197**	34,088

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ADDITIONAL HIGHLIGHTS

The expansion of Shaw s Digital Phone footprint continued with roll-outs during the quarter in New Westminster, British Columbia; Lethbridge, Medicine Hat and Red Deer, Alberta; and, Saskatoon, Saskatchewan. Most recently, the service was launched in Kelowna and Kamloops in British Columbia. As at November 30, 2006, the number of Digital Phone lines, including pending installations, was 250,904.

Customer growth continued across all business lines in the first quarter with increases of 12,664 for Basic cable, 25,331 for Digital, 35,877 for Internet, 38,197 for Digital Phone and 2,426 for DTH.

Consolidated service revenue of $671.0 million for the three month period, increased 13.8% over the prior year and total service operating income before amortization[2] of $299.8 million improved by 17.4% over the same period. Consolidated free cash flow more than doubled over the same quarter last year to $76.1 million.

The Company announced a 67% increase in the equivalent annual dividend rate on Shaw s Class A Participating Shares and Class B Non-Voting Participating Shares to an equivalent annual dividend rate of $0.995 per Class A Participating Share and $1.00 per Class B Non-Voting Participating Share, payable in monthly installments commencing December 29, 2006.

The Company received approval from the Toronto Stock Exchange (TSX) to renew its normal course issuer bid to purchase up to an additional 15,300,000 of its Class B Non-Voting Shares for cancellation. Shaw s normal course issuer bid will now expire on November 16, 2007.

Consolidated Overview

Consolidated service revenue of $671.0 million for the three month period improved by 13.8% over the same period last year primarily due to customer growth and rate increases. Consolidated service operating income before amortization for the quarter increased by 17.4% over the comparable period to $299.8 million primarily due to overall revenue growth. These improvements were partially offset by increased costs in the cable division resulting from expenditures incurred to support continued growth, the delivery of quality customer service, enhancements to products, and the launch of Digital Phone in new markets.

Net income was $81.1 million for the three months ended November 30, 2006, compared to $75.7 million for the same period last year. A number of non-operating items affected net income in each of the periods including a future tax recovery recorded during the first quarter of fiscal 2006 related to a reduction in corporate income tax rates which contributed $31.4 million to net income. Outlined below are further details on this and other operating and non-operating components of net income for each quarter. The fiscal 2006 tax recovery, related to reductions in corporate income tax rates, has been reflected as non-operating.

Shaw Communications Inc.

($000's Cdn)	Three months ended **November 30, 2006**	**Operating net of interest**	**Non-operating**	Three months ended **November 30, 2005**	**Operating net of interest**	**Non-operating**
Operating income	183,770			125,153		
Interest on long-term debt	(61,841)			(63,442)		
Operating income after interest	121,929	121,929		61,711	61,711	
Gain on sale of investments	415		415	1,690		1,690
Foreign exchange gain on unhedged long-term debt				3,481		3,481
Fair value loss on a foreign currency forward contract				(360)		(360)
Other gains (losses)	(483)		(483)	2,131		2,131
Income (loss) before income taxes	121,861	121,929	(68)	68,653	61,711	6,942
Income tax (recovery) expense	40,826	40,911	(85)	(6,960)	22,937	(29,897)
Income before the following	81,035	81,018	17	75,613	38,774	36,839
Equity income on investees	103		103	68		68
Net income	81,138	81,018	120	75,681	38,774	36,907

The changes in net income are outlined in the table below.

	Increase of November 30, 2006 net income compared to: Three months ended August 31, 2006	November 30, 2005
($millions Cdn)		
Increased service operating income before amortization	24.7	44.5
Decreased amortization	6.7	14.2

Decreased interest expense	0.9	1.6
Change in net other costs and revenue[(1)]	(0.2)	(7.0)
Increased income taxes	(161.3)	(47.8)
	(129.2)	5.5

(1) Net other costs and revenue include: gain on sale of investments, foreign exchange gain on unhedged long-term debt, fair value loss on a foreign currency forward contract, other gains (losses) and equity income on investees as detailed in the unaudited interim Consolidated Statements of Income and Deficit.

Earnings per share were $0.38 for the quarter which represents a $0.03 improvement over the same period last year. The improvement in the current quarter was due to higher net income of $5.5 million and included increased service operating income before amortization of $44.5 million and decreased amortization of $14.2 million. These improvements were partially offset by increased income taxes of $47.8 million. The increased income taxes were due to higher service operating income before amortization in the current quarter and a tax recovery of $31.4 million in the comparable quarter related to reductions in corporate income tax rates.

Net income in the current quarter decreased $129.2 million over the fourth quarter of fiscal 2006. The reduction was due to a $150.0 million tax recovery recorded in the fourth quarter, primarily related to reductions in corporate income tax rates, partially offset by improved service operating income before amortization in the current quarter of $24.7 million.

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Funds flow from operations was $243.9 million in the first quarter compared to $197.2 million last year. The growth was principally due to increased service operating income before amortization of $44.5 million and reduced interest expense of $1.6 million.

Consolidated free cash flow for the quarter of $76.1 million increased $44.0 million over the comparable quarter due to improved service operating income before amortization. The Cable division generated $44.4 million of free cash flow for the quarter compared to $32.0 million in the comparable period. The Satellite division achieved free cash flow of $31.7 million compared to free cash flow of $0.1 million last year.

During the quarter, the Company increased the equivalent annual dividend rate on Shaw s Class A Participating Shares and Class B Non-Voting Participating Shares to $0.995 per Class A Participating Share and $1.00 per Class B Non-Voting Participating Share, payable in monthly installments commencing December 29, 2006.

In November, 2006 Shaw received approval from 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 s normal course issuer bid will expire on November 16, 2007 and Shaw is authorized to repurchase up to an additional 15,300,000 Class B Non-Voting Shares. Shaw continues to believe that purchases of Class B Non-Voting Shares under the bid are in the best interests of its shareholders and that such purchases constitute a desirable use of Shaw s free cash flow.

Key Performance Drivers

The Company s continuous disclosure documents may provide discussion and analysis of non-GAAP financial measures. These financial measures do not have standard definitions prescribed by Canadian GAAP or US GAAP and therefore may not be comparable to similar measures disclosed by other companies. 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 financial performance and as an indicator of its ability to service debt. These non-GAAP financial measures have not been presented as an alternative to net income or any other measure of performance required by Canadian or US GAAP.

The following contains a listing of the Company s use of non-GAAP financial measures and provides a reconciliation to the nearest GAAP measurement or provides a reference to such reconciliation.

<u>Service operating income before amortization and operating margin</u>

Service operating income before amortization is calculated as service revenue less operating, general and administrative expenses and is presented as a sub-total line item in the Company s unaudited interim Consolidated Statements of Income and Deficit. 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. Service 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 service operating income before amortization by service revenue.

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Free cash flow

The Company utilizes this measurement as it measures the Company s ability to repay debt and return cash to shareholders. Free cash flow for cable and satellite is calculated as service operating income before amortization, less interest, cash taxes on net income, capital expenditures (on an accrual basis) and equipment costs (net). Consolidated free cash flow is calculated as follows:

	Three months ended November 30,	
	2006	2005
($000 s Cdn)		
Cable free cash flow[1]	**44,445**	31,993
Combined satellite free cash flow[1]	**31,692**	110
Consolidated	**76,137**	32,103

[1] The reconciliation of free cash flow for both cable and satellite is provided in the following segmented analysis.

CABLE

FINANCIAL HIGHLIGHTS

	Three months ended November 30,		
	2006	2005	Change %
($000 s Cdn)			
Service revenue (third party)	**499,195**	431,061	15.8
Service operating income before amortization[1]	**237,769**	207,515	14.6
Less:			
Interest	**51,390**	52,869	(2.8)
Cash taxes on net income		1,042	(100.0)
Cash flow before the following:	**186,379**	153,604	21.3
Capital expenditures and equipment costs (net):			
New housing development	**22,493**	23,266	(3.3)
Success based	**20,328**	23,310	(12.8)
Upgrades and enhancement	**77,148**	58,971	30.8
Replacement	**9,282**	10,135	(8.4)
Buildings/other	**12,683**	5,929	113.9
Total as per Note 2 to the unaudited interim Consolidated Financial Statements	**141,934**	121,611	16.7
Free cash flow[1]	**44,445**	31,993	38.9

Operating margin	**47.6%**	48.1%	(0.5)

(1) See definitions and discussion under Key Performance Drivers in Management s Discussion and Analysis.

OPERATING HIGHLIGHTS

During the quarter the Company added 38,197 Digital Phone lines to total 250,904, including pending installations. The expansion of Shaw s Digital Phone footprint continued with the service now available to approximately 70% of homes passed and included roll-outs during the quarter in New Westminster, British Columbia; Lethbridge, Medicine Hat and Red Deer, Alberta; and, Saskatoon, Saskatchewan. Most recently, the service was launched in Kelowna and Kamloops in British Columbia.

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Customer growth continued in the first quarter with increases of 12,664 for Basic cable, 25,331 for Digital, and 35,877 for Internet. At November 30, Basic subscribers total 2,213,457, and Digital and Internet stand at 696,887 and 1,348,639, respectively. Internet penetration of basic is now 60.9%.

Shaw completed the acquisition of several cable systems that complement existing operations including Whistler Cable and Grand Forks, both in British Columbia, as well as a system operating in and around Kenora, Ontario adding a total of 14,702 cable subscribers.

Cable service revenue improved 15.8% over the same period last year primarily as a result of customer growth and rate increases. Service operating income before amortization increased 14.6% for the comparable three month period. The increase was driven by revenue growth, partially offset by increased costs resulting from expenditures incurred to support continued growth, the delivery of quality customer service, and the launch of Digital Phone.

Service revenue improved $31.9 million or 6.8% over the fourth quarter of fiscal 2006 as a result of customer growth and rate increases. Service operating income before amortization improved $21.0 million or 9.7% over this same period mainly due to the revenue related growth.

First quarter capital expenditures were $141.9 million, an increase of $20.3 million over the same period last year. Shaw invested $29.2 million in the first quarter of 2007 on Digital Phone compared to $35.4 million in the same quarter last year.

Spending in the upgrade and enhancement category increased $18.2 million over the comparable three month period primarily due to increase network capacity to support digital phone and internet growth, upgrades to support Video-On-Demand (VOD), digital cable and high definition (HD) TV initiatives. Spending in Buildings and Other was up $6.8 million over the comparable three month period mainly due to various facilities projects.

Success based capital decreased over the comparable three month period to $20.3 million. Digital Phone success based capital increased during the current quarter as a result of customer growth, however, this was more than offset by reduced success based capital related to digital cable terminal (DCT) sales as a result of price increases implemented during the latter part of fiscal 2006.

Throughout the quarter Shaw delivered on its strategy of enhancing its various service offerings, and launching new products. In September, the Company announced the doubling of the download speed of the High-Speed Lite Internet service, at no additional cost to the customer, and in November announced the launch of its newest Internet product, Shaw High-Speed Nitro. This new service has a download speed of up to 25 Mbps and an upload speed of 1 Mbps. Shaw now offers four levels of Internet service including High Speed Nitro, High Speed Xtreme-I, High Speed Internet and High Speed Lite.

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The Company continues to expand VOD content, signing agreements during the quarter with Sony Pictures and CBS Paramount to provide Survivor: Cook Islands on Shaw s VOD service.

The Company also recently launched a new Standard Definition Personal Video Recorder (PVR) to complement the HD PVR offered for the past several years. These ongoing initiatives allow Shaw to meet the needs of their customers home entertainment requirements and contribute to continued subscriber growth.

SUBSCRIBER STATISTICS

			Three months ended November 30, 2006	
	November 30, 2006	August 31, 2006[1]	Growth	Change %
CABLE:				
Basic service:				
Actual	**2,213,457**	2,200,793	12,664	0.6
Penetration as % of homes passed	**65.4%**	65.4%		
Digital terminals	**894,629**	855,647	38,982	4.6
Digital customers	**696,887**	671,556	25,331	3.8
INTERNET:				
Connected and scheduled	**1,348,639**	1,312,762	35,877	2.7
Penetration as % of basic	**60.9%**	59.6%		
Standalone Internet not included in basic cable	**163,322**	157,200	6,122	3.9
DIGITAL PHONE:				
Number of lines[2]	**250,904**	212,707	38,197	18.0

(1) August 31, 2006 statistics are restated for comparative purposes to adjust subscribers as if the acquisitions of the Whistler and Grand Forks cable systems in British Columbia and the Kenora cable system in Ontario had occurred on that date.

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

	Three months ended November 30,	
Churn[3]	**2006**	2005
Digital customers	**3.3%**	3.4%
Internet customers	**3.7%**	3.1%

(3) Calculated as the number of new customer activations less the net gain of customers during the period divided by the average of the opening and closing customers for the applicable period.

Shaw began to digitally simulcast its channel line up in Calgary, Edmonton and Vancouver which has allowed the Company to introduce a new low priced digital terminal. The new terminal permits access to all digital features including the on-screen programming guide, music, and VOD and PPV movies and events.

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SATELLITE (DTH and Satellite Services)
FINANCIAL HIGHLIGHTS

	Three months ended November 30,		
	2006	2005	Change %
($000 s Cdn)			
Service revenue (third party)			
DTH (Star Choice)	**150,192**	137,744	9.0
Satellite Services	**21,619**	20,740	4.2
	171,811	158,484	8.4
Service operating income before amortization[1]			
DTH (Star Choice)	**49,682**	36,693	35.4
Satellite Services	**12,336**	11,114	11.0
	62,018	47,807	29.7
Less:			
Interest[2]	**10,094**	10,209	(1.1)
Cash taxes on net income		65	(100.0)
Cash flow before the following:	**51,924**	37,533	38.3
Capital expenditures and equipment costs (net):			
Success based[3]	**18,391**	30,202	(39.1)
Transponders and other	**1,841**	7,221	(74.5)
Total as per Note 2 to the unaudited interim Consolidated Financial Statements	**20,232**	37,423	(45.9)
Free cash flow[1]	**31,692**	110	>100
Operating Margin	**36.1%**	30.2%	5.9

(1) See definitions and discussion under Key Performance Drivers in Management s Discussion and Analysis.

(2) Interest is allocated to the Satellite division based on the actual cost of debt incurred by the Company to repay prior outstanding Satellite debt and to fund accumulated cash deficits of Shaw Satellite Services and Star Choice.

(3) Net of the profit on the sale of satellite equipment as it is viewed as a recovery of expenditures on customer premise equipment.

OPERATING HIGHLIGHTS

Free cash flow for the quarter was $31.7 million compared to $0.1 million for the same period last year.

Star Choice added 2,426 customers to total 871,634.

For the second year in a row Star Choice received the SQM Group Inc. award for its customer satisfaction rating for customer contact in a call centre within the Telecommunications and TV Industry.

Service revenue improved 8.4% over the same quarter last year primarily as a result of rate increases and customer growth. Service operating income before amortization increased 29.7% over the comparable three month period to $62.0 million. The improvement was primarily due to the growth in service revenue, lower bad debt, the recovery of provisions related to certain contractual matters, and certain reduced expenses.

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Service revenue increased 4.4% over the fourth quarter of fiscal 2006 primarily due to rate increases and customer growth. Service operating income before amortization improved 6.3% over this same quarter primarily due to revenue growth.

Capital spending of $20.2 million decreased $17.2 million over the comparable three month period. Quarterly success based capital expenditures of $18.4 million was $11.8 million lower mainly due to favorable pricing on receivers and reduced activations. Spending in Transponders and Other decreased $5.4 million over the comparable period primarily due to spending in the comparable quarter on uplink equipment to add additional transponder capacity.

During the quarter, and for the second consecutive year, Star Choice was recognized by SQM Group Inc., receiving their award for customer satisfaction within the Telecommunications and TV Industry. In addition to the focus on customer service, Star Choice has also undertaken several initiatives to enhance the quality of the programming service it offers by continually adding popular channels and new HD channels. Star Choice expanded their channel line up with new HD programming adding A&E HD, Super Ecran HD and Discovery HD during the quarter, and most recently added Showcase HD and National Geographic HD. They now offer 20 HD channels.

CUSTOMER STATISTICS

			Three months ended November 30, 2006	
	November 30, 2006	August 31, 2006	Growth	%
Star Choice customers[1]	**871,634**	869,208	2,426	0.3

[1] Including seasonal customers who temporarily suspend their service.

	Three months ended November 30,	
Churn[2]	**2006**	2005
Star Choice customers	**3.2%**	3.4%

[2] Calculated as the number of new customer activations less the net gain of customers during the period divided by the average of the opening and closing customers for the applicable period.

OTHER INCOME AND EXPENSE ITEMS:

Amortization

	Three months ended November 30,		
	2006	2005	Change %
($000 s Cdn)			
Amortization revenue (expense)			
Deferred IRU revenue	**3,137**	3,137	
Deferred equipment revenue	**23,218**	18,369	26.4
Deferred equipment cost	**(48,970)**	(49,577)	(1.2)
Deferred charges	**(1,237)**	(1,258)	(1.7)
Property, plant and equipment	**(92,165)**	(100,840)	(8.6)

The increase in amortization of deferred equipment revenue over the comparative period is primarily due to growth in sales of higher priced HD digital equipment commencing in fiscal 2005. Amortization of property, plant and equipment decreased over the comparative period as the impact of assets that became fully depreciated in fiscal 2006 exceeded amortization on new capital purchases.

Shaw Communications Inc.
Interest

	Three months ended November 30,		
	2006	2005	Change %
($000 s Cdn)			
Interest	**61,841**	63,442	(2.5)

Interest expense decreased over the comparative period mainly as a result of lower average debt levels.

Investment activity

During the current and comparative quarter, the Company realized gains of $0.4 million and $1.7 million, respectively, on the sale of minor interests in publicly traded companies.

Foreign exchange gain on unhedged and hedged long-term debt

	Three months ended November 30,		
	2006	2005	Change %
($000 s Cdn)			
Foreign exchange gain on unhedged long-term debt		3,481	(100)

In June 2006, the Company amended its existing credit facility and repaid US dollar denominated bank loans. Until that time Shaw recorded foreign exchange gains on the translation of foreign denominated unhedged bank debt. In addition, the Company recorded a foreign exchange gain on the US $172.5 million COPrS prior to entering into a US dollar forward purchase contract in the first quarter of 2006 to hedge the redemption of the issue. Currently the Company does not have any foreign denominated unhedged long-term debt and therefore, does not anticipate recording any further foreign exchange gains and losses.

Under Canadian generally accepted accounting principles (GAAP), the Company translates long-term debt at period-end foreign exchange rates. Because the Company follows hedge accounting, the resulting foreign exchange gains or losses on translating hedged long-term debt are included in deferred credits or deferred charges. As a result, the amount of hedged long-term debt that is reported under GAAP is often different than the amount at which the hedged debt would be settled under existing cross-currency interest rate agreements. As outlined in Note 4 to the unaudited interim Consolidated Financial Statements, if the rate of translation was adjusted to reflect the hedged rates of the Company s cross-currency agreements (which fix the liability for interest and principal), long-term debt would increase by $373.1 million (August 31, 2006 $408.7 million) which represents the corresponding hedged amounts included in deferred credits.

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Other gains and losses

This category consists mainly of 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 the Company s share of the operations of Burrard Landing Lot 2 Holdings Partnership (the Partnership). Due to fluctuations of the Canadian dollar relative to the US dollar, the Company recorded a foreign exchange loss of $1.3 million for the quarter (2005 gain of $1.2 million).

Income Taxes

Income taxes increased over the comparative period primarily due to the future income tax recovery of $31.4 million related to reductions in corporate income tax rates recorded in the comparative quarter and increased income taxes on higher income in the current quarter.

RISKS AND UNCERTAINTIES

There have been no material changes in any risks or uncertainties facing the Company since August 31, 2006. A discussion of risks affecting the Company and its business is set forth in the Company s August 31, 2006 Annual Report under the Introduction to the Business Known Events, Trends, Risks and Uncertainties in Management s Discussion and Analysis.

FINANCIAL POSITION

Total assets at November 30, 2006 were $7.7 billion compared to $7.5 billion at August 31, 2006. Following is a discussion of significant changes in the consolidated balance sheet since August 31, 2006.

Current assets increased by $16.5 million due to an increase in accounts receivable of $16.4 million. Accounts receivable increased primarily due to customer growth, rate increases and timing of equipment shipments to retailers.

Investments and other assets decreased by $9.3 million due to the sale of an interest in a publicly traded company.

Property, plant and equipment increased by $57.7 million as current quarter capital expenditures exceeded amortization.

Broadcast licenses increased by $67.2 million due to the acquisition of Whistler and Grand Forks cable systems in British Columbia and the Kenora cable system in Ontario.

Current liabilities (excluding current portion of long-term debt) decreased by $16.4 million due to lower accounts payable of $39.8 million, partially offset by increases in bank indebtedness of $17.6 million and unearned revenue of $5.9 million. Accounts payable decreased primarily due to timing of interest payments. Unearned revenue increased due to customer growth and rate increases.

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Total long-term debt increased by $60.5 million as a result of higher bank borrowings and Partnership debt of $24.9 million and an increase of $35.6 million relating to the translation of US denominated debt.

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