

**CANWEST MEDIA INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE 6 MONTHS ENDED FEBRUARY 28, 2002**  
**(UNAUDITED)**

**CANWEST MEDIA INC.**  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
**(UNAUDITED)**  
(in thousands of Canadian dollars)

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>February 28 2002</b>	<b>February 28 2001</b>	<b>February 28 2002</b>	<b>February 28 2001</b>
Revenue	489,552	490,330	1,076,749	793,843
Operating expenses	260,878	269,256	549,357	409,349
Selling general and administrative expenses	138,436	108,695	270,153	168,076
Non-recurring costs	-	-	-	1,460
Operating profit before amortization	<u>90,238</u>	<u>112,379</u>	<u>257,239</u>	<u>214,958</u>
Amortization of goodwill and other intangibles	4,375	24,439	8,750	38,497
Amortization of capital assets	17,949	18,181	35,635	25,552
Other amortization	<u>2,334</u>	<u>598</u>	<u>3,171</u>	<u>3,449</u>
	65,580	69,161	209,683	147,460
Financing expenses	(63,033)	(74,855)	(139,711)	(106,125)
Investment income and gains	-	-	63,020	7,892
Dividend income	-	-	1,358	1,245
	<u>2,547</u>	<u>(5,694)</u>	<u>134,350</u>	<u>50,472</u>
Provision for (recovery of) income taxes	<u>3,353</u>	<u>(41,122)</u>	<u>32,767</u>	<u>(19,069)</u>
Earnings (loss) before the following	(806)	35,428	101,583	69,541
Minority interests	1,685	(1,263)	3,760	(3,146)
Interest in earnings (loss) of Network TEN	(5,243)	(4,411)	14,199	12,779
Interest in loss of equity accounted affiliates	(437)	(4,381)	(437)	(3,195)
Other realized translation adjustments	<u>-</u>	<u>-</u>	<u>(1,000)</u>	<u>(7,200)</u>
Net earnings (loss) for the period	(4,801)	25,373	118,105	68,779
Amortization of intangibles and goodwill	<u>-</u>	<u>20,064</u>	<u>-</u>	<u>33,401</u>
Adjusted net earnings (loss) for the period	<u>(4,801)</u>	<u>45,437</u>	<u>118,105</u>	<u>102,180</u>

**CANWEST MEDIA INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**  
(in thousands of Canadian dollars)

	As at	
	February 28, 2002	August 31, 2001
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and short term investments	64,275	11,432
Accounts receivable	420,751	344,865
Broadcast rights	127,988	96,385
Income taxes recoverable	35,031	5,116
Inventory	22,023	30,817
Future income taxes	33,243	33,243
Other	15,400	16,922
	718,711	538,780
Investment in Network TEN	26,328	107,210
Other investments	241,597	412,112
Broadcast rights	10,047	8,335
Due from parent and affiliated companies	452,474	408,310
Property and equipment	686,399	689,175
Other assets	108,129	110,711
Goodwill and other intangibles	3,905,658	3,877,579
	6,149,343	6,152,212
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank loans and advances	-	28,999
Accounts payable and accrued liabilities	405,352	383,385
Broadcast rights accounts payable	72,950	22,953
Current portion of long term debt	169,157	116,500
Deferred revenue	37,505	31,396
	684,964	583,233
Broadcast rights accounts payable	2,863	3,581
Long-term debt	2,703,791	2,907,527
Future income taxes	420,521	427,316
Other accrued liabilities	68,084	85,228
Minority interest	16,794	-
	3,897,017	4,006,885
<b>SHAREHOLDERS EQUITY</b>		
Capital stock	1,335,518	1,280,094
Contributed surplus	132,953	132,953
Retained earnings	849,860	806,574
Cumulative foreign currency translation adjustments	(66,005)	(74,294)
	2,252,326	2,145,327
	6,149,343	6,152,212

**CANWEST MEDIA INC.**  
**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**  
**(UNAUDITED)**  
(in thousands of Canadian dollars)

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>February 28</u>	<u>February 28</u>	<u>February 28</u>	<u>February 28</u>
	2002	2001	2002	2001
Retained earnings – beginning of period as previously reported	915,728	796,481	806,574	755,220
Adjustment for adoption of new accounting pronouncements	<u>(45,269)</u>	<u>-</u>	<u>(45,269)</u>	<u>-</u>
Retained earnings – beginning of period as adjusted	870,459	796,481	761,305	755,220
Net earnings (loss) for the period	(4,801)	25,373	118,105	68,779
Interest on junior subordinated floating rate debentures net of tax of 21,398 (2001 - \$11,530)	<u>(15,798)</u>	<u>(13,139)</u>	<u>(29,550)</u>	<u>(15,284)</u>
Retained earnings – end of period	<u><u>849,860</u></u>	<u><u>808,715</u></u>	<u><u>849,860</u></u>	<u><u>808,715</u></u>

**CANWEST MEDIA INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**  
(in thousands of Canadian dollars)

	For the three months ended		For the six months ended	
	February 28 2002	February 28 2001	February 28 2002	February 28 2001
<b>CASH GENERATED (UTILIZED) BY:</b>				
<b>Operating activities</b>				
Net earnings (loss) for the year	(4,801)	25,373	118,105	68,779
Items not affecting cash				
Amortization	27,064	48,452	52,386	73,192
Future income taxes	5,049	(54,312)	9,384	(58,074)
Interest in (earnings) loss of Network TEN	5,243	4,411	(14,199)	(12,779)
Interest in loss of equity accounted affiliates	437	4,381	437	3,195
Distributions from Network TEN	60,984	71,096	60,984	71,096
Minority interests	(3,631)	1,263	(5,706)	3,146
Realized translation adjustments	-	-	1,000	7,200
Gain on sale of other investments	-	-	(63,020)	(7,892)
	90,345	100,664	159,371	147,863
Changes in non-cash operating accounts	51,257	(29,311)	(73,875)	(54,766)
	141,602	71,353	85,496	93,097
<b>Investing activities</b>				
Acquisitions	-	(21,770)	-	(1,946,407)
Proceeds from divestitures	-	(724)	220,039	-
Other investments	-	-	-	(4,981)
Proceeds from sale of investments	-	-	-	33,214
Purchase of broadcast facilities and licences	-	(328)	-	(1,568)
Purchase of property and equipment	(14,516)	(9,188)	(28,449)	(10,993)
Advances to parent and affiliated companies	(4,902)	(15,075)	(44,164)	(118,859)
Other	-	(29)	-	-
	(19,418)	(47,114)	147,426	(2,049,594)
<b>Financing activities</b>				
Issuance (repayment) of long term debt	(34,152)	(44,926)	(151,080)	1,958,646
Net change in bank loans and advances	(32,987)	21,611	(28,999)	(5,260)
	(67,139)	(23,315)	(180,079)	1,953,386
<b>Net change in cash</b>	55,045	924	52,843	(3,111)
<b>Cash and cash equivalents – beginning of period</b>	9,230	65,628	11,432	69,663
<b>Cash and cash equivalents – end of period</b>	64,275	66,552	64,275	66,552

**CANWEST MEDIA INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE 6 MONTHS ENDED FEBRUARY 28, 2002 AND 2001**  
**(UNAUDITED)**

**1. SIGNIFICANT ACCOUNTING POLICIES**

On September 28, 2000, CanWest Media Inc. (the "Company") was created as a wholly-owned subsidiary of CanWest Global Communications Corp. ("CanWest") solely to acquire 100% of the common shares of Global Television Network Inc. ("GTNI"), a wholly-owned subsidiary of CanWest. This transaction has been accounted for on a "continuity of interests" basis. The results of operations for periods prior to creation of the Company are presented as those of the Company in a manner similar to a pooling of interests. Accordingly, these consolidated financial statements present the operations of the Company on a continuity of interest basis which is identical to the financial position and results of operations of GTNI for those periods presented.

The Company is an international media company with interest in broadcast television, publishing, radio, specialty cable channels and internet websites in Canada, Australia, New Zealand, Ireland and Northern Ireland. In Canada, the Company owns and operates the Global Television Network, Global Prime Cable Network and various other conventional and specialty channels. In addition, in Canada the Company owns and operates a number of newspaper and business publications including metropolitan daily newspapers, and has a 50% interest in the National Post. Internationally, the Company owns and operates New Zealand's TV3 and TV4 Television Networks, the More FM Radio Network, RadioWorks, and has a 45% equity and controlling interest in the Republic of Ireland's TV3 Television Network Limited ("TV3 Ireland").

The Company has a 57.5% economic interest in The TEN Group Pty Limited, which owns and operates Australia's TEN Television Network ("Network TEN").

The Company also holds various portfolio investments in media operations including a 29.9% equity interest in Northern Ireland's Ulster Television plc ("UTV").

The Company's broadcast customer base is comprised primarily of large advertising companies who place advertisements with the Company on behalf of their customers. Publishing revenues, which include advertising, circulation and subscriptions are derived from a variety of sources.

A summary of significant accounting policies followed in the preparation of these consolidated financial statements is as follows:

***Basis of Presentation***

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. All amounts are expressed in Canadian dollars unless otherwise noted.

***Changes in Accounting Policies***

a) *Business combinations, intangibles and goodwill*

In July 2001, the Accounting Standards Board of the Canadian Institute of Chartered Accountants issued CICA Handbook Section 1581, *Business Combinations*, and Handbook Section 3062, *Goodwill and Other Intangibles*.

Under the new Section 1581, all business combinations initiated after June 30, 2001, must be accounted for as a purchase. In addition, the standards require classification of carrying amounts of goodwill and other intangibles related to purchase business combinations in accordance with the new definitions of intangibles. In addition, the standard requires intangibles assets to be recognized separately from goodwill if an asset arises from contractual or other legal rights, or is separable. These provisions are applicable to business combinations consummated after June 30, 2001 and for any recognized intangibles acquired in a business combination prior to July 1, 2001 when Section 3062 is first applied. This section will be applied prospectively.

Under the new Section 3062, goodwill and other intangibles with indefinite lives will not be amortized, however, will be subject to annual impairment tests based on fair values. Other intangible assets with finite useful lives will continue to be amortized, with no ceiling on the useful lives. Section 3062 is effective for years beginning on or after January 1, 2002. The Company has applied the new standard for its fiscal year beginning on September 1, 2001. At adoption the Company has provided for an impairment in goodwill related to its investment in Eye Corp. The impact is to reduce opening retained earnings by \$45.3 million. A further impairment of Eye Corp. goodwill has had the impact of reducing the Company's interest in earnings of Network TEN by \$11.4 million in the current year. In addition, no amortization has been recorded related to goodwill and intangibles in the total amount of \$3,736 million which under the old rules would have resulted in an annual amortization charge of \$93 million. Circulation lists will be amortized over their estimated life of 40 years. Broadcast licenses and mastheads are considered to have indefinite lives and therefore will no longer be amortized. The Company has presented adjusted net earnings for the comparative period which adds back amortization which would not have been recorded if the new policy had been applied retroactively.

## **2. ACQUISITIONS AND DIVESTITURES**

### **Acquisitions**

(a) On August 23, 2001, CanWest and Hollinger entered into a letter agreement providing for the acquisition by the Company of all of Hollinger's and its affiliates' interests in The National Post Company, the partnership that owns and operates the National Post, constituting the 50% of the National Post not already owned by the Company. The acquisition was effective March 31, 2002 and the purchase price consisted of nominal cash consideration and other consideration in the form of agreements and undertakings exchanged by the parties. In addition, Hollinger will fund losses and cash requirements of The National Post Company to March 31, 2002. In September 2001, the Company assumed control of the National Post, therefore the Company has changed its accounting for the National Post to a consolidation basis from an equity basis.

(b) In January 2001, the Company acquired the shares of RadioWorks that it did not already own. The cost to acquire this 28% interest was \$21,770,000.

(c) On November 16, 2000, the Company acquired substantially all of the Canadian newspaper and other Canadian media assets ("Southam Publications") of Hollinger International Inc. and certain of its affiliates ("Hollinger") for consideration of approximately \$3.1 billion, including certain costs related to the acquisition.

The purchase price is subject to adjustment based on the working capital of Southam Publications at August 31, 2000 and the results of its operations from September 1, 2000 to November 16, 2000. The amount of such adjustment has not been finally determined.

The Company partially financed the acquisition and refinanced certain existing credit facilities by entering into a new senior secured credit facility, of which the Company had drawn approximately \$2.5 billion at closing. In addition, the Company issued US\$425.0 million and \$60.7 million in senior subordinated notes, and approximately \$767.0 million in subordinated notes payable to Hollinger. The CanWest also issued 2.7 million Series 1 preferred shares and 24.3 million non-voting shares to Hollinger.

The Company accounted for these acquisitions using the purchase method. As such, the results of operations reflect the revenues and expenses of the acquired operations since the dates of acquisition.

A summary of the fair value of the assets acquired is as follows:

	<b>Period ended February 28, 2002</b>	<b>Period ended February 28, 2001</b>		
	<b>\$000 National Post</b>	<b>\$000 Southam</b>	<b>\$000 RadioWorks</b>	<b>\$000 Total</b>
Current assets	49,257	324,382	-	324,382
Property, plant and equipment	6,361	537,053	-	537,053
Other investments	-	101,561	-	101,561
Other assets	-	67,412	-	67,412
Circulation and other	10,700	49,300	-	49,300
Mastheads and goodwill	<u>90,462</u>	<u>2,412,619</u>	<u>16,928</u>	<u>2,429,547</u>
Total assets	<u>156,780</u>	<u>3,492,327</u>	<u>16,928</u>	<u>3,509,255</u>
Other current liabilities	(50,665)	(294,856)	-	(294,856)
Other accrued liabilities	-	(10,000)	-	(10,000)
Future income taxes	-	(59,587)	-	(59,587)
Minority interest	<u>(22,500)</u>	<u>-</u>	<u>4,842</u>	<u>4,842</u>
Total liabilities	<u>(73,165)</u>	<u>(364,443)</u>	<u>4,842</u>	<u>(359,601)</u>
	<u>83,615</u>	<u>3,127,884</u>	<u>21,770</u>	<u>3,149,654</u>
Consideration:				
Cash	-	1,985,521	21,770	2,007,291
Shares	-	375,516	-	375,516
Note payable	-	766,847	-	766,847
Carrying value of National Post investment at date of acquisition	<u>83,615</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>83,615</u>	<u>3,127,884</u>	<u>21,770</u>	<u>3,149,654</u>

## Divestitures

(a) On September 12, 2001, the Company completed the sale of CFCF, and received gross proceeds of \$90,000,000. No gain or loss arose from this transaction.

(b) On October 31, 2001, the Company completed the sale of CKVU, and received gross proceeds of \$133,039,000. The accounting gain on the sale was \$63,020,000.

### 3. SEGMENTED INFORMATION

The Company operates within the television broadcasting industry in Canada, Australia, New Zealand and Ireland; the radio broadcasting industry in New Zealand; the publishing industry in Canada; and the out of home advertising industry in Australia and South East Asia. Industry and geographic segment information for the consolidated results follow:

	For the three months ended		For the six months ended	
	February 28		February 28	
	2002	2001	2002	2001
	\$000	\$000	\$000	\$000
<b>REVENUE</b>				
<b>Television</b>				
Canada - Conventional	149,032	165,015	343,199	362,571
- Specialty – Prime	5,753	4,577	12,354	9,364
- Specialty – Digital	658	-	658	-
New Zealand – TV3/4	13,124	12,192	31,487	29,123
Ireland – TV3	<u>6,402</u>	<u>9,887</u>	<u>14,934</u>	<u>20,637</u>
	174,969	191,671	402,632	421,695
<b>Radio – New Zealand</b>	15,037	15,332	30,341	29,943
<b>Publications – Canada</b>	297,798	281,084	640,340	339,435
<b>Online operations - Canada</b>	1,763	2,243	3,715	2,770
Inter-segment revenues	<u>(15)</u>	<u>-</u>	<u>(279)</u>	<u>-</u>
<b>TOTAL REVENUE</b>	<u><u>489,552</u></u>	<u><u>490,330</u></u>	<u><u>1,076,749</u></u>	<u><u>793,834</u></u>
<b>OPERATING PROFIT</b>				
<b>Television</b>				
Canada - Conventional	30,098	51,727	101,709	130,162
- Specialty – Prime	3,135	2,218	7,007	4,436
- Specialty – Digital	(1,329)	-	(1,329)	-
New Zealand – TV3/4	(3,120)	(3,146)	(2,402)	(2,801)
Ireland – TV3	<u>1,413</u>	<u>421</u>	<u>4,713</u>	<u>1,843</u>
	30,197	51,220	109,698	133,640
<b>Radio – New Zealand</b>	4,116	4,074	8,386	8,021
<b>Publications – Canada</b>	64,347	62,147	154,238	84,289
<b>Online operations – Canada</b>	<u>(1,905)</u>	<u>(1,419)</u>	<u>(4,093)</u>	<u>(3,511)</u>
<b>Operating profit before corporate and non-recurring costs and amortization</b>	96,755	116,022	268,229	222,439
Corporate expenses	6,455	3,643	10,928	6,021
Non-recurring costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,460</u>
<b>Operating profit before amortization (EBITDA)</b>	<u><u>90,300</u></u>	<u><u>112,379</u></u>	<u><u>257,301</u></u>	<u><u>214,958</u></u>

