

CANWEST GLOBAL COMMUNICATIONS CORP.
CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)
(In thousands of Canadian dollars except as otherwise noted)

	For the three months ended		For the nine months ended	
	May 31	May 31	May 31	May 31
	2002	2001	2002	2001
Revenue	617,014	585,467	1,788,724	1,436,393
Operating expenses	313,965	309,134	941,415	768,411
Selling general and administrative expense	<u>148,220</u>	<u>118,073</u>	<u>429,515</u>	<u>292,683</u>
Operating profit before amortization (EBITDA)	154,829	158,260	417,794	375,299
Amortization of intangibles and goodwill	4,375	27,339	13,125	66,255
Amortization of property and equipment	19,133	15,613	55,364	41,676
Other amortization	<u>1,660</u>	<u>1,604</u>	<u>4,831</u>	<u>5,053</u>
Earnings before financing expenses (EBIT)	129,661	113,704	344,474	262,315
Financing expenses	(88,544)	(124,528)	(286,223)	(263,951)
Investment income and gains	-	20,738	63,020	28,630
Dividend income	<u>1,883</u>	<u>1,707</u>	<u>3,241</u>	<u>2,952</u>
Earnings before income taxes	43,000	11,621	124,512	29,946
Provision for (recovery of) income taxes	<u>20,342</u>	<u>(22,775)</u>	<u>31,902</u>	<u>(56,701)</u>
Earnings before the following	22,658	34,396	92,610	86,647
Minority interests	570	(1,547)	4,330	(4,693)
Interest in earnings of Network TEN	7,989	4,969	22,188	17,748
Interest in loss of equity accounted affiliates	(529)	(5,626)	(966)	(8,821)
Realized currency translation adjustments	<u>-</u>	<u>-</u>	<u>(1,000)</u>	<u>(7,200)</u>
Net earnings	<u><u>30,688</u></u>	<u><u>32,192</u></u>	<u><u>117,162</u></u>	<u><u>83,681</u></u>
Earnings per share:				
Net earnings				
Basic	\$0.17	\$0.18	\$0.66	\$0.49
Diluted	\$0.17	\$0.18	\$0.64	\$0.49

The notes constitute an integral part of the consolidated financial statements.

CANWEST GLOBAL COMMUNICATIONS CORP.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(In thousands of Canadian dollars)

	As at	
	May 31, 2002	August 31, 2001
ASSETS		
Current Assets		
Cash and short term investments	32,363	19,489
Accounts receivable	578,227	475,618
Income taxes recoverable	6,004	-
Inventory	19,229	30,817
Investment in film and television program rights	121,735	96,385
Future income taxes	27,654	33,243
Other	12,955	17,840
	798,167	673,392
Investment in Network TEN	38,867	107,210
Other investments	247,730	415,413
Investment in film and television programs rights	382,151	355,994
Property and equipment	701,664	707,811
Other assets	121,295	130,966
Intangibles	1,100,434	1,080,412
Goodwill	2,826,106	2,828,022
	6,216,414	6,299,220
LIABILITIES		
Current Liabilities		
Bank loans and advances	-	28,999
Accounts payable and accrued liabilities	377,499	400,433
Income taxes payable	-	1,175
Film and program accounts payable	99,940	45,084
Deferred revenue	51,704	75,970
Current portion of long term debt	169,040	116,500
	698,183	668,161
Long term debt	3,609,113	3,795,262
Film and program accounts payable	2,863	3,581
Other accrued liabilities	67,978	85,228
Future income taxes	427,857	440,992
	4,805,994	4,993,224
SHAREHOLDERS' EQUITY		
Capital stock	901,303	896,313
Contributed surplus	3,647	3,647
Retained earnings	546,946	475,053
Cumulative foreign currency translation adjustments	(41,476)	(69,017)
	1,410,420	1,305,996
	6,216,414	6,299,220

The notes constitute an integral part of the consolidated financial statements.

CANWEST GLOBAL COMMUNICATIONS CORP.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(UNAUDITED)
(in thousands of Canadian dollars)

	For the three months ended		For the nine months ended	
	May 31	May 31	May 31	May 31
	2002	2001	2002	2001
Retained earnings - beginning of period, as previously reported	516,258	506,398	475,053	529,112
Adjustment for adoption of new accounting pronouncements	_____ -	_____ -	_____(45,269)	_____(5,164)
Retained earnings, beginning of period as adjusted	516,258	506,398	429,784	523,948
Net earnings for the period	30,688	32,192	117,162	83,681
Dividends				
- Cash	-	(26,489)	-	(49,003)
- Stock	_____ -	_____ -	_____ -	_____(46,525)
Retained earnings - end of period	<u>546,946</u>	<u>512,101</u>	<u>546,946</u>	<u>512,101</u>

The notes constitute an integral part of the consolidated financial statements.

CANWEST GLOBAL COMMUNICATIONS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands of Canadian dollars, except as otherwise noted)

	For the three months ended		For the nine months ended	
	May 31	May 31	May 31	May 31
	2002	2001	2002	2001
CASH GENERATED (UTILIZED) BY:				
OPERATING ACTIVITIES				
Net earnings for the period	30,688	32,192	117,162	83,681
Items not affecting cash				
Amortization	27,583	47,104	80,565	121,225
Interest paid in kind	27,340	23,691	78,153	50,439
Future income taxes	3,016	(26,203)	12,400	(84,277)
Interest in earnings of Network TEN	(7,989)	(4,969)	(22,188)	(17,748)
Interest in loss of equity accounted affiliates	529	5,626	966	8,821
Write-off of deferred financing fees	-	17,900	-	17,900
Minority interests	(813)	1,547	(6,519)	4,693
Distributions from Network TEN	-	-	60,984	71,096
Realized translation adjustments	-	-	1,000	7,200
Gain on sale of other investments	-	(20,738)	(63,020)	(28,630)
	<u>80,354</u>	<u>76,150</u>	<u>259,503</u>	<u>234,400</u>
Changes in non-cash operating accounts	<u>(40,236)</u>	<u>(55,066)</u>	<u>(157,057)</u>	<u>(124,379)</u>
	<u>40,118</u>	<u>21,084</u>	<u>102,446</u>	<u>110,021</u>
INVESTING ACTIVITIES				
Acquisitions	-	-	-	(1,945,770)
Other investments	(3,621)	-	(3,621)	-
Proceeds from divestitures	-	32,454	220,039	32,454
Proceeds from sale of other investments	-	1,551	-	34,765
Purchase of broadcast facilities and licences	(787)	-	(787)	(1,568)
Purchase of property and equipment	(10,402)	(20,592)	(39,425)	(32,605)
Net investment in film and program rights	(1,571)	(15,120)	(25,539)	(134,485)
	<u>(16,381)</u>	<u>(1,707)</u>	<u>150,667</u>	<u>(2,047,209)</u>
FINANCING ACTIVITIES				
Dividends paid	-	(26,489)	-	(49,003)
Issuance (repayment) of long term debt	(64,243)	(34,276)	(211,760)	1,956,800
Issuance of share capital	-	988	520	3,958
Net change in bank loans and advances	-	(13,961)	(28,999)	(15,904)
	<u>(64,243)</u>	<u>(73,738)</u>	<u>(240,239)</u>	<u>1,895,851</u>
Net change in cash	(40,506)	(54,361)	12,874	(41,337)
Cash and cash equivalents – beginning of period	<u>72,869</u>	<u>89,322</u>	<u>19,489</u>	<u>76,298</u>
Cash and cash equivalents – end of period	<u>32,363</u>	<u>34,961</u>	<u>32,363</u>	<u>34,961</u>
Cash flow from operations per share:				
Basic	\$0.45	\$0.43	\$1.47	\$1.38
Diluted	\$0.44	\$0.43	\$1.43	\$1.37

The notes constitute an integral part of the consolidated financial statements.

CANWEST GLOBAL COMMUNICATIONS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED MAY 31, 2002 AND 2001
(UNAUDITED)
(In thousands of Canadian dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

The Company is an international media company with interests in broadcast television, publishing, radio, specialty cable channels, production and distribution of film and television programming and internet websites in Canada, Australia, New Zealand, Ireland and Northern Ireland. The Company's operating segments include television and radio broadcasting, entertainment, publishing and online operations. In Canada, the television broadcasting segment includes the operation of the Global Television Network, Global Prime Cable Network, and various other conventional and specialty channels. Canadian publishing and online operations include the publication of a number of newspapers including metropolitan daily newspapers, and the National Post as well as operation of the canada.com web portal, and other web based operations. The entertainment segment includes the operation of CanWest Entertainment, a film production and distribution company. New Zealand television broadcasting includes the operations of the TV3 and TV4 Television Networks. The New Zealand radio broadcasting segment includes the More FM Radio and RadioWorks Networks. Irish television broadcasting includes the Company's 45% interest in the Republic of Ireland's TV3 Television Network. The Corporate and other segment includes the Company's 57.5% economic interest in the TEN Group Pty Limited, which owns and operates Australia's TEN Television Network ("Network TEN") and 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. The Company's advertising revenues are seasonal. Revenues are highest in the first and third quarters while expenses are relatively constant throughout the year.

Basis of Presentation

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada for interim financial statements and reflect all adjustments which are, in the opinion of management, necessary for fair statement of the results of the interim periods presented. However, these interim financial statements do not include all the information and disclosures required for annual financial statements. The accounting policies used in the preparation of these interim financial statements are the same as those used in the most recent annual financial statements except for the changes in accounting policies noted below. These interim statements should be read in conjunction with the most recent annual financial statements of the Company. All amounts are expressed in Canadian dollars unless otherwise noted.

Changes in Accounting Policies

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. 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 was adopted by the Company on September 1, 2001 and applied prospectively.

On September 1, 2001, the Company adopted the new CICA Handbook Section 3062, *Goodwill and Other Intangibles*. As a result of adopting the new standard, goodwill and certain intangibles with indefinite lives including mastheads and broadcast licences are no longer amortized. Circulation and other intangibles are amortized for periods from 5 to 40 years. As a result of applying the new standards, no impairments in intangibles with indefinite lives or goodwill have been identified at the Company or any of its subsidiaries. However, an initial goodwill impairment was identified by Network TEN in its reporting unit, Eye Corp, resulting in a charge to the Company's retained earnings of \$45.3 million (net of income taxes of \$2.5 million). In addition, as a result of events occurring after the beginning of the year, a goodwill impairment of \$11.4 million (net of income taxes of \$.6 million) has been reflected in the Company's interest in loss of Network TEN in the Company's statement of earnings for the period ended May 31, 2002.

This change in accounting policy has not been applied retroactively and prior periods have not been restated. The tables below provide a reconciliation of previously reported earnings to net earnings adjusted to exclude amortization of goodwill and intangible assets with indefinite lives.

	For the three months ended May 31,		For the nine months ended May 31,	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Reported net earnings	30,688	32,192	117,162	83,681
Amortization of goodwill and indefinite life intangibles, net of tax for the period of: three months ended May 31, 2001 - \$9,801 nine months ended May 31, 2001 - \$9,801	-	13,164	-	46,983
Amortization of goodwill and indefinite life intangibles in equity accounted affiliates, net of tax of nil	-	1,767	-	4,440
Net earnings adjusted to exclude amortization expense recognized in prior periods	<u>30,688</u>	<u>47,123</u>	<u>117,162</u>	<u>135,104</u>
Earnings per share:				
Reported net earnings				
Basic	\$0.17	\$0.18	\$0.66	\$0.49
Diluted	\$0.17	\$0.18	\$0.64	\$0.49
Adjusted net earnings				
Basic	\$0.17	\$0.27	\$0.66	\$0.80
Diluted	\$0.17	\$0.26	\$0.64	\$0.79

Proposed accounting policies

Foreign currency translation and hedging relationships

In November 2001, the Accounting Standards Board of the Canadian Institute of Chartered Accountants approved amendments to CICA Handbook Section 1650, *Foreign Currency Translation* and a new accounting Guideline, *Hedging Relationships*. The amendments to Section 1650, applicable for the Company in fiscal 2003 with retroactive application, eliminate the deferral and amortization method for unrealized translation gains and losses on non current monetary assets and liabilities and require the disclosure of exchange gains and losses included in net income. The Guideline, applicable for the Company in fiscal 2003, deals with the identification, documentation and designation and effectiveness of hedges. The impact of implementing these changes is not expected to be significant.

Film and television programs

The Company will adopt SOP – 00-2 *Accounting by Producers and Distributors of Films*, during the current fiscal year. The change will be applied retroactively without restatement of prior periods. The adoption of SOP 00-2 will have a significant impact on retained earnings and investment in film and television programs. The amount of the impact has not been finally determined.

2. ACQUISITIONS AND DIVESTITURES

Acquisitions

(a) Effective March 31, 2002 the Company acquired all of Hollinger's and its affiliates' interests in The National Post Company, constituting the 50% of the National Post not already owned by the Company. The purchase price consists of nominal cash consideration and other consideration in the form of agreements and undertakings exchanged by the parties. In addition, Hollinger will provide \$22.5 million to 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 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 Company 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:

	Period ended May 31, 2002	Period ended May 31, 2001			
	National Post \$000	Southam \$000	RadioWorks \$000	CBL \$000	Total \$000
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	129,300	-	-	129,300
Mastheads	35,000	330,000	-	25,466	355,466
Goodwill	<u>55,462</u>	<u>2,002,619</u>	<u>16,928</u>	-	<u>2,019,547</u>
Total assets	<u>156,780</u>	<u>3,492,327</u>	<u>16,928</u>	<u>25,466</u>	<u>3,534,721</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 interests ⁽¹⁾	<u>(22,500)</u>	-	<u>4,842</u>	<u>24,534</u>	<u>29,376</u>
Total liabilities	<u>(73,165)</u>	<u>(364,443)</u>	<u>4,842</u>	<u>24,534</u>	<u>(335,067)</u>
	<u>83,615</u>	<u>3,127,884</u>	<u>21,770</u>	<u>50,000</u>	<u>3,199,654</u>
Consideration:					
Cash	-	1,985,521	21,770	-	2,007,291
Shares	-	375,516	-	50,000	425,516
Note payable	-	766,847	-	-	766,847
Carrying value of National Post investment at date of acquisition	<u>83,615</u>	-	-	-	-
	<u>83,615</u>	<u>3,127,884</u>	<u>21,770</u>	<u>50,000</u>	<u>3,199,654</u>

⁽¹⁾ The allocation of consideration to minority interests represents the extinguishment of those interests.

Divestitures

(a) On September 12, 2001, the Company completed the sale of CFCF, and received gross proceeds of \$87.0 million. 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 \$133.0 million. The accounting gain on the sale was \$63.0 million.

3. INVESTMENT IN NETWORK TEN

The Company owns approximately 15% of the issued ordinary shares and all of the convertible debentures and subordinated debentures of Network TEN, an Australian television broadcast network. The subordinated debentures have an aggregate principal amount of A\$45.5 million and pay interest based on distributions to holders of ordinary shares. The convertible debentures have an aggregate principal amount of A\$45,500 and pay a market linked rate of interest. The combination of ordinary shares and subordinated debentures yield distributions equivalent to approximately 57.5% of all distributions paid by Network TEN. The convertible debentures are convertible, upon payment of an aggregate of A\$45.5 million, into a number of ordinary shares which would represent 50% of the issued and outstanding shares at the time of conversion.

As a result of its contractual right to representation on Network TEN's board of directors and other factors, the Company accounts for its interest in Network TEN on the equity basis. The Company has appointed three of the thirteen members of the board of directors of Network TEN.

The following selected consolidated financial information of Network TEN has been prepared in accordance with accounting principles generally accepted in Canada. The accounts have been translated to Canadian dollars using the current rate method.

Summary Consolidated Balance Sheets

	As at	
	May 31	August 31
	2002	2001
	\$000	\$000
Assets		
Current assets	294,789	192,460
Other assets	51,804	7,893
Property and equipment	73,696	61,967
Long term investments	18,875	17,516
Intangibles	253,699	245,721
Goodwill	<u>97,498</u>	<u>215,615</u>
	<u>790,361</u>	<u>741,172</u>
Liabilities and Shareholders' Equity		
Current liabilities	193,872	194,813
Other long term liabilities	474,586	251,390
Minority Interest	33,270	54,433
Subordinated debentures issued to the Company	40,154	40,154
Share capital	40,146	40,146
Retained earnings	10,667	177,251
Cumulative foreign currency translation adjustment	<u>(2,334)</u>	<u>(17,015)</u>
	<u>790,361</u>	<u>741,172</u>

Other Consolidated Financial Data

	For the nine months ended May 31	
	2002	2001
	\$000	\$000
Cash flow from operations	<u>95,100</u>	<u>66,100</u>
Distributions paid	<u>111,900</u>	<u>130,000</u>
Capital expenditures	<u>19,500</u>	<u>15,900</u>

Summary Consolidated Statements of Earnings

	For the nine months ended May 31	
	2002	2001
	\$000	\$000
Revenue	398,302	327,434
Operating expenses	<u>289,839</u>	<u>230,436</u>
Operating profit before amortization	108,463	96,998
Amortization of intangibles and goodwill	-	7,719
Amortization of property, equipment and other	<u>10,754</u>	<u>6,525</u>
	97,709	82,754
Investment loss	-	(23,374)
Financing expenses	<u>(19,894)</u>	<u>(29,207)</u>
	77,815	30,173
Provision for income taxes	<u>23,662</u>	<u>19,868</u>
Earnings before the following	54,153	10,305
Goodwill impairment loss (1)	(20,905)	-
Minority interests	3,359	1,438
Interest in earnings of equity accounted affiliates	-	940
Net earnings for the year	<u>36,607</u>	<u>12,683</u>
Interest in respect of subordinated debentures held by the Company	<u>3,902</u>	<u>20,623</u>
Earnings for the period before interest in respect of subordinated debentures	<u>40,509</u>	<u>33,306</u>

Summary Statement of Retained earnings

	For the nine months ended May 31,	
	2002 \$000	2001 \$000
Retained earnings – beginning of period as previously reported	177,251	220,853
Adjustment for adoption of new accounting pronouncements ⁽¹⁾	<u>(83,109)</u>	<u>-</u>
Retained earnings – beginning of period as adjusted	94,142	220,853
Net earnings for the period	40,509	33,306
Dividends paid	<u>(123,984)</u>	<u>(141,398)</u>
Retained earnings – end of period	<u>10,667</u>	<u>112,761</u>

⁽¹⁾ On December 18, 2000 Network TEN acquired 60% of Eye Corp. for A\$189.9 million. Under Australian GAAP at February 28, 2002 the Eye Corp. goodwill has been written down by A\$137.5 million to A\$113.8 million. Under Canadian GAAP in accordance with the adoption of CICA Handbook Section 3062 the Eye Corp. goodwill impairment, has been recorded as a charge to opening retained earnings of \$83.1 million with a further goodwill impairment loss of \$20.9 million recorded as a charge to net earnings for the nine months ended May 31, 2002. Under Canadian GAAP the fair value of Eye Corp. has been determined on a discounted cash flow basis. The decline in fair value is attributable to weaknesses in the out of home advertising market and to certain operational issues.

⁽²⁾ The Company's economic interest in Network TEN's earnings for the nine months ended May 31, 2002 is \$22.2 million (2001- \$17.7 million).

At May 31, 2002 the Company's share of undistributed earnings of Network TEN was \$6.1 million, (August 31, 2001 - \$101.9 million). The Company estimates that the market value of the Company's investment in Network TEN based on quoted market rates for Ten Network Holdings Limited at May 31, 2002 was approximately \$1,010 million (August 31, 2001 - \$810 million).

⁽³⁾ Network TEN is currently in dispute with the Australian Tax Office ("ATO") regarding the deductibility of debenture interest paid to CanWest. Network TEN has received assessments from the ATO in relation to debenture interest claimed for the years June 30, 1994 to June 30, 2000 inclusive ("relevant period"). The ATO has determined that the primary tax payable on the debenture interest paid during that period is A\$106.1 million plus interest charges of A\$32.6 million. No culpability charges were included in the amended assessments. The amount actually due on receipt of the assessments was reduced by other factors, to A\$133.4 million. Subsequently, the ATO has determined that Part IVA, a general anti avoidance provision, will apply in relation to

debenture interest claimed for the relevant period. On January 18, 2002, TEN submitted a paper to the ATO addressing the possible application of Part IVA penalties and there has been no resolution to date.

Network TEN has agreed with the ATO on payment terms while the matter remains in dispute, and on October 4, 2001, paid the agreed amount of A\$52.0 million, representing 50% of amounts currently due, offset by 50% of the withholding taxes previously paid pursuant to the subordinated debenture interest.

The ATO has previously acknowledged to Network TEN that “there is a genuine dispute over questions of law” and that Network TEN “has a reasonably arguable position”. Network TEN remains confident that its current tax treatment is correct, and will vigorously pursue all avenues of appeal. In these circumstances the dispute constitutes a contingent liability and accordingly the A\$52.0 million payment to the ATO has been treated as an asset.

The total debenture interest paid or payable since inception (including the period covered by the assessments) is A\$456.2 million (tax effect A\$157.1 million). Withholding tax paid or payable to date pursuant to the subordinated debenture interest since inception is A\$42.7 million.

Should this matter be resolved not in favor of Network TEN, Network TEN and the Company’s income for the period in which the matter was resolved would be adversely affected, and earnings available for distribution to security holders would be reduced.

4. OTHER INVESTMENTS

	<u>May 31, 2002</u>		<u>August 31, 2001</u>	
	Cost \$000	Market Value \$000	Cost \$000	Market Value \$000
Investments in publicly traded companies				
– at cost				
Ulster Television plc	92,006	137,696	92,006	95,109
Other companies	119,100	68,687	118,741	73,781
	<u>211,106</u>	<u>206,383</u>	<u>210,747</u>	<u>168,890</u>
Investments in private companies				
– at cost				
Internet Broadcast Systems Inc.	24,582		24,582	
LifeServ Corporation	9,470		9,470	
	<u>34,052</u>		<u>34,052</u>	
Investments – at equity				
CF Television	-		87,000	
The National Post Company	-		83,614	
Other	2,572		-	
	<u>2,572</u>		<u>170,614</u>	
	<u>247,730</u>		<u>415,413</u>	

5. INTANGIBLES AND GOODWILL

	May 31, 2002		
	Cost	Accumulated Amortization	Net
	\$000	\$000	\$000
Broadcast licences	704,483	(79,943)	624,540
Mastheads	365,000	(6,510)	358,490
Circulation and other	<u>140,000</u>	<u>(22,596)</u>	<u>117,404</u>
Total intangibles	<u>1,209,483</u>	<u>(109,049)</u>	<u>1,100,434</u>
Goodwill	<u>2,948,449</u>	<u>(122,343)</u>	<u>2,826,106</u>

	August 31, 2001		
	Cost	Accumulated Amortization	Net
	\$000	\$000	\$000
Broadcast licences	726,574	(89,481)	637,093
Mastheads	330,000	(6,510)	323,490
Circulation and other	<u>129,300</u>	<u>(9,471)</u>	<u>119,829</u>
Total intangibles	<u>1,185,874</u>	<u>(105,462)</u>	<u>1,080,412</u>
Goodwill	<u>2,958,716</u>	<u>(130,694)</u>	<u>2,828,022</u>

Effective September 30, 2001 goodwill and indefinite life intangibles including broadcast licences and mastheads are no longer amortized. Previously they were amortized over a 40 year period. Circulation and other finite life intangibles are amortized over periods from 5 to 40 years.

During the nine months ended May 31, 2002 the Company divested CKVU resulting in decreases in broadcast licences and goodwill of \$22.4 million and \$44.8 million respectively. In addition, effective March 31, 2002 the Company acquired the remaining 50% interest in the National Post. The existing \$16 million minority interest credit was adjusted against goodwill at March 31 resulting in a reduction of goodwill (See note 2).

6. BUSINESS COMBINATION PROVISIONS

At August 31, 2000 the Company had provisions of \$113.1 million related to the acquisition and integration of WIC Western International Communications Ltd. ("WIC"). This balance was made up of approximately \$75 million in regulatory required benefits, payable over a 6-year period, \$12.5 million in severance costs, \$10.0 million related to integration and rebranding of WIC and \$15.6 million in other restructuring costs.

During 2001 the Company set up restructuring provisions of \$49 million related to the acquisition and restructuring of its Publishing Properties. Restructuring activities include the centralization of certain call centers, integration of the Company's interactive and news and editorial operations, and centralization of business, finance and information technology functions. This balance was made up primarily of \$23.8 million in involuntary severance costs, \$25.2 million in other restructuring costs.

In the nine months ended May 31, 2002, the Company established a restructuring provision of \$7.0 million related to its acquisition and restructuring of the National Post. This balance is primarily related to involuntary severance costs, and contract cancellation costs.

For the nine months ended May 31 2002, expenditures related to the provisions were \$34.6 million (year ended August 31, 2001- \$19.5 million).

7. EARNINGS PER SHARE

Earnings per share and cash flow per share have been calculated on the basis of the weighted average number of shares outstanding during the nine months of 176,921,717 (2001 – 169,663,108).

8. CONTINGENCY

On March 5, 2001, a statement of claim was filed against CanWest and certain of its subsidiaries by certain minority interests requesting, among other things, that their interest in CanWest Broadcasting Ltd. ('CBL'), a subsidiary of the Company be purchased without minority discount. In addition, the claim alleges the Company wrongfully terminated certain agreements and acted in an oppressive and prejudicial manner towards the plaintiffs. The lawsuit seeks damages in excess of \$325,000,000. The Company believes the allegations are substantially without merit and not likely to have a material adverse effect on its business, financial condition or results of operations. The Company intends to vigorously defend this lawsuit.

9. EVENTS SUBSEQUENT TO MAY 31, 2002

On July 10, 2002 the Company announced the sale of all of its community newspapers in Atlantic Canada and Saskatchewan for proceeds of \$255 million. Completion of this transaction is conditional on Competition Bureau approval and is expected to close in mid August 2002.

10. 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 entertainment industry in Canada and the U.S., 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 in thousands of Canadian dollars follow:

	For the three months ended May 31		For the nine months ended May 31	
	2002	2001	2002	2001
REVENUE				
Television				
Canada	207,081	203,132	562,634	575,067
New Zealand – TV3/4	17,251	14,066	48,738	43,189
Ireland – TV3	<u>7,039</u>	<u>5,675</u>	<u>21,973</u>	<u>26,312</u>
	231,371	222,873	633,345	644,568
Television operations in development	1,703	-	2,361	-
Radio – New Zealand	14,568	13,318	44,909	43,261
Entertainment – Canada	31,036	46,530	129,662	105,779
Publications – Canada	337,778	305,920	978,118	645,355
Online operations – Canada	1,829	2,076	5,544	4,846
Inter-segment revenues	<u>(1,271)</u>	<u>(5,250)</u>	<u>(5,215)</u>	<u>(7,416)</u>
TOTAL REVENUE	<u><u>617,014</u></u>	<u><u>585,467</u></u>	<u><u>1,788,724</u></u>	<u><u>1,436,393</u></u>
OPERATING PROFIT				
Television				
Canada	76,430	82,795	185,146	217,393
New Zealand – TV3/4	(1,641)	(3,765)	(4,043)	(6,566)
Ireland – TV3	<u>2,094</u>	<u>782</u>	<u>6,807</u>	<u>2,625</u>
	76,883	79,812	187,910	213,452
Television operations in development	(1,043)	-	(2,372)	-
Radio – New Zealand	3,262	2,685	11,648	10,706
Entertainment – Canada	(1,501)	4,760	4,225	8,040
Publications – Canada	85,990	78,828	240,228	169,120
Online operations – Canada	<u>(1,361)</u>	<u>(3,843)</u>	<u>(5,454)</u>	<u>(13,357)</u>
Segment operating profit	162,230	162,242	436,185	387,961
Corporate expenses	<u>7,401</u>	<u>3,982</u>	<u>18,391</u>	<u>12,662</u>
Operating profit (EBITDA)	<u><u>154,829</u></u>	<u><u>158,260</u></u>	<u><u>417,794</u></u>	<u><u>375,299</u></u>

10. U.S. GAAP RECONCILIATION

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). In certain circumstances GAAP as applied in the United States (“U.S.”) differs from Canadian GAAP. The principal differences affecting the Company are disclosed in the last annual financial statements with the exception of the following new differences.

Cumulative effect of the prospective adoption of new accounting pronouncements

Under U.S. GAAP, the transitional impairment of equity method goodwill related to Network TEN is recorded as a charge to net earnings in accordance with Statement of Financial Accounting Standard No. 142, *Goodwill and Other Intangibles*, where as under Canadian GAAP it is recorded as a charge to opening retained earnings. The principles and methods for computing impairment in accordance with FAS 142 are similar to those prescribed under Canadian GAAP as described in notes 1 and 3.

New accounting standards

a) Accounting for asset retirement obligations

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 143, *Accounting for Asset Retirement Obligations*. FAS 143 requires that an asset retirement obligation be recognized as a liability, measured at fair value, in the period in which the obligation is incurred or a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived assets and amortized to expense over the useful life of the asset. FAS 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company is currently considering the impact of FAS 143.

b) Accounting for the impairment or disposal of long-lived assets

In fiscal 2003, the Company will adopt new standards approved by the Financial Accounting Standards Board, Statement of Financial Accounting Standard No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Standard requires that an impairment loss should be recognized if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value for assets in use. Long-lived assets classified as held for sale should be measured at the lower of their carrying amount or fair value less cost to sell. The standard also changes the criteria for classification of operating results as discontinued operations. FAS 144 is effective for financial statements prepared beginning on or after December 15, 2001. The Company is currently considering the impact of FAS 144.

c) Technical corrections

In April 2002, Statement of Financial Accounting Standard No. 145 was issued rescinding the requirement to include gains and losses on the settlement of debt as extraordinary items. FAS 145 is applicable for fiscal years beginning on or after May 15, 2002. The standard has been adopted by the Company with no impact.

Consolidated statements of earnings

The following is a reconciliation of net earnings reflecting the differences between Canadian and U.S. GAAP:

	For the nine months ended May 31	
	2002 \$000	2001 \$000
Net earnings in accordance with Canadian GAAP	117,162	83,681
Pre-operating costs — net of tax of (\$1,754), 2001 — \$664	(1,070)	1,462
Realization of cumulative translation losses net of tax of nil	1,000	7,200
Programming costs imposed by regulatory requirement, net of tax of (\$1,746)	(2,316)	-
Reversal of amortization of goodwill related to future programming costs, imposed by regulatory requirement on business combination, net of tax of nil	-	704
Tax rate change not enacted	-	(67,000)
Equity accounted affiliates in trust, net of tax of nil	3,375	(1,298)
Amortization of WIC goodwill adjustment resulting from retroactive equity accounting of WIC upon regulatory approval, net of tax of nil	-	(1,182)
Net earnings in accordance with U.S. GAAP before cumulative effect of adoption of new accounting policy	118,151	23,567
Cumulative effect of adoption of new goodwill and intangibles accounting policy, net of tax of (\$2,500)	(45,269)	-
Net earnings in accordance with U.S. GAAP	<u>72,882</u>	<u>23,567</u>
Amortization of goodwill and indefinite life intangibles, net of tax of \$9,801	-	46,983
Amortization of goodwill and indefinite life intangibles in equity accounted affiliates, net of tax of nil	-	4,440
Net earnings in accordance with U.S. GAAP adjusted to exclude amortization expense recognized in prior periods	<u><u>72,882</u></u>	<u><u>74,990</u></u>

