

CANWEST MEDIA INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 3 MONTHS ENDED NOVEMBER 30, 2001 AND 2000
(UNAUDITED)

CANWEST MEDIA INC.
CONSOLIDATED BALANCE SHEETS

	As at	
	November 30, 2001 \$000	August 31, 2001 \$000
ASSETS		
Current assets		
Cash and short term investments	9,230	11,432
Accounts receivable	522,102	344,865
Broadcast rights	144,757	96,385
Income taxes recoverable	-	5,116
Inventory	28,074	30,817
Distributions receivable from Network TEN	60,984	-
Future income taxes	33,243	33,243
Other	11,679	16,922
	<u>810,069</u>	<u>538,780</u>
Investment in Network TEN	69,189	107,210
Other investments	242,094	412,112
Broadcast rights	7,192	8,335
Due from parent and affiliated companies	447,572	408,310
Property and equipment	688,275	689,175
Other assets	95,098	110,711
Goodwill and other intangibles	3,904,238	3,877,579
	<u>6,263,727</u>	<u>6,152,212</u>
LIABILITIES		
Current liabilities		
Bank loans and advances	32,987	28,999
Accounts payable and accrued liabilities	402,888	383,385
Income taxes payable	6,998	-
Broadcast rights accounts payable	94,098	22,953
Current portion of long term debt	169,000	116,500
Deferred revenue	33,551	31,396
	<u>739,522</u>	<u>583,233</u>
Broadcast rights accounts payable	3,581	3,581
Long term debt	2,738,100	2,907,527
Future income taxes	415,285	427,316
Other accrued liabilities	67,814	85,228
Minority interests	20,425	-
	<u>3,984,727</u>	<u>4,006,885</u>
SHAREHOLDER'S EQUITY		
Capital stock	1,309,844	1,280,094
Contributed surplus	132,953	132,953
Retained earnings	915,728	806,574
Cumulative foreign currency translation adjustments	(79,525)	(74,294)
	<u>2,279,000</u>	<u>2,145,327</u>
	<u>6,263,727</u>	<u>6,152,212</u>

**CANWEST MEDIA INC.
CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE 3 MONTHS ENDED NOVEMBER 30**

	2001 \$000	2000 \$000
Revenue	587,197	303,513
Operating expenses	288,479	138,633
Selling, general and administrative expenses	131,717	60,841
Non-recurring expenses	-	1,460
Operating profit before amortization	<u>167,001</u>	<u>102,579</u>
Amortization of goodwill and other intangibles	4,375	14,058
Amortization of capital assets	17,686	7,371
Other amortization	837	2,851
	<u>144,103</u>	<u>78,299</u>
Financing expenses	(76,678)	(31,270)
Investment income and gains	63,020	7,892
Dividend income	1,357	1,245
	<u>131,802</u>	<u>56,166</u>
Provision for income taxes	29,413	22,053
Earnings before the following	<u>102,389</u>	<u>34,113</u>
Minority interests	2,075	(1,883)
Interest in earnings of Network TEN	19,442	17,190
Interest in earnings of other equity accounted affiliates	-	1,186
Realized translation adjustments	<u>(1,000)</u>	<u>(7,200)</u>
Net earnings for the period	122,906	43,406
Amortization – discontinued	<u>-</u>	<u>14,252</u>
Net earnings for the period – adjusted	<u><u>122,906</u></u>	<u><u>57,658</u></u>

CANWEST MEDIA INC.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
FOR THE 3 MONTHS ENDED NOVEMBER 30

	2001 \$000	2000 \$000
Retained earnings, beginning of year	806,574	755,220
Net earnings for the period	122,906	43,406
Interest on junior subordinated floating rate debentures net of tax of \$11,526 (2000 - \$1,686)	<u>(13,752)</u>	<u>(2,145)</u>
Retained earnings – end of period	<u>915,728</u>	<u>796,481</u>

CANWEST MEDIA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 3 MONTHS ENDED NOVEMBER 30

	2001	2000
	\$000	\$000
CASH GENERATED (UTILIZED) BY:		
Operating activities		
Net earnings for the period	122,906	43,406
Items not affecting cash:		
Amortization	25,322	24,740
Future income taxes	4,335	(3,762)
Interest in earnings of Network TEN	(19,442)	(17,190)
Interest in earnings of equity accounted affiliates	-	(1,186)
Minority interests	(2,075)	1,883
Realized translation adjustments	1,000	7,200
Gain on sale of other investments	<u>(63,020)</u>	<u>(7,892)</u>
	69,026	47,199
Changes in non-cash operating accounts	<u>(107,780)</u>	<u>(27,314)</u>
	<u>(38,754)</u>	<u>19,885</u>
Investing activities		
Acquisitions	-	(1,966,000)
Proceeds from divestitures	220,039	-
Other investments	-	(4,257)
Proceeds from sale of investments	-	33,214
Purchase of broadcast facilities and licences	-	(1,240)
Purchase of property and equipment	(13,933)	(1,805)
Advances to parent and affiliated companies	(39,262)	(103,784)
Other	<u>-</u>	<u>29</u>
	166,844	<u>(2,043,843)</u>
Financing activities		
Issuance (repayment) of long term debt	(134,342)	2,003,572
Net change in bank loans and advances	3,988	16,351
Issuance of share capital	<u>62</u>	<u>-</u>
	<u>(130,292)</u>	<u>2,019,923</u>
Net change in cash	(2,202)	(4,035)
Cash and cash equivalents – beginning of period	<u>11,432</u>	<u>69,663</u>
Cash and cash equivalents – end of period	<u><u>9,230</u></u>	<u><u>65,628</u></u>

CANWEST MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 3 MONTHS ENDED NOVEMBER 30, 2001 AND 2000
(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, 1001 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. The impact of the application is that 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 is expected to close on March 31, 2002 and the purchase price will consist 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 until 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) 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:

	Period ended Nov. 30, 2001 \$000	Period ended Nov. 30, 2000 \$000
	National Post	Southam
Current assets	49,257	324,382
Property, plant and equipment	6,361	537,053
Other investments	-	101,561
Other assets	-	67,412
Circulation and other	10,700	129,300
Mastheads and goodwill	<u>90,462</u>	<u>2,313,098</u>
Total assets	<u>156,780</u>	<u>3,472,806</u>
Other current liabilities	(50,665)	(294,856)
Other accrued liabilities	-	(10,000)
Future income taxes	-	(59,587)
Minority interest	<u>(22,500)</u>	<u>-</u>
Total liabilities	<u>(73,165)</u>	<u>(364,443)</u>
	<u>83,615</u>	<u>3,108,363</u>
Consideration:		
Cash	-	1,966,000
Shares	-	375,516
Note payable	-	766,847
Carrying value of National Post investment at date of acquisition	<u>83,615</u>	<u>-</u>
	<u>83,615</u>	<u>3,108,363</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; and the publishing industry in Canada. Industry and geographic segment information for the consolidated results follow:

For the three months ended November
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	2001 \$000	2000 \$000
REVENUE		
Television		
Canada - Conventional	194,167	197,556
- Specialty	6,601	4,787
New Zealand – TV3/4	18,363	16,931
Ireland – TV3	<u>8,532</u>	<u>10,750</u>
	227,663	230,024
Radio – New Zealand	15,304	14,611
Publications – Canada	342,542	58,351
Online operations - Canada	1,952	527
Inter-segment revenues	<u>(264)</u>	<u>-</u>
TOTAL REVENUE	<u><u>587,197</u></u>	<u><u>303,513</u></u>
OPERATING PROFIT		
Television		
Canada - Conventional	71,611	78,435
- Specialty	3,872	2,218
New Zealand – TV3/4	718	345
Ireland – TV3	<u>3,300</u>	<u>1,422</u>
	79,501	82,420
Radio – New Zealand	4,270	3,947
Publications – Canada	89,891	22,142
Online operations – Canada	<u>(2,188)</u>	<u>(2,092)</u>
<u>Operating profit before corporate and non-recurring costs and amortization</u>	171,474	106,417
Corporate expenses	4,473	2,378
Non-recurring costs	<u>-</u>	<u>1,460</u>
Operating profit before amortization	<u><u>167,001</u></u>	<u><u>102,579</u></u>

4. U.S. GAAP RECONCILIATION

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

	For the three months ended November 30	
	2001 \$000	2000 \$000
Net earnings in accordance with Canadian GAAP	122,906	43,406
Pre-operating costs — net of tax of (\$946) (2000 — \$254)	(810)	645
Realization of cumulative translation losses net of tax of nil	1,000	7,200
Programming costs imposed by regulatory requirement, net of tax of (\$714)	(946)	-
Reversal of amortization of goodwill related to future programming costs, imposed by regulatory requirement on business combination, net of tax of nil	-	234
Equity accounted affiliates in trust, net of tax of nil	3,375	-
Reclassification of interest on junior subordinated notes from equity net of tax of (\$11,526) (2000 — (\$1,686))	(13,752)	(2,145)
Amortization of WIC goodwill adjustment resulting from retroactive equity accounting of WIC upon regulatory approval net of tax of nil	-	(394)
Net earnings in accordance with U.S. GAAP	<u>111,773</u>	<u>48,946</u>