

CANWEST MEDIA INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED NOVEMBER 30, 2003 AND 2002

(UNAUDITED)

(expressed in Canadian dollars)

January 21, 2004

To the Audit Committee of CanWest Media Inc.

In accordance with our engagement letter dated January 21, 2004, we have reviewed the accompanying interim consolidated balance sheet of **CanWest Media Inc.** (the “Company”) as at November 30, 2003 and the related interim consolidated statements of earnings, retained earnings and cash flows for the three month period then ended. These interim consolidated financial statements are the responsibility of the Company’s management.

We performed our review in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity’s auditor. Such an interim review consists principally of applying analytical procedures to financial data, and making enquiries of, and having discussions with, persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit, whose objective is the expression of an opinion regarding the interim financial statements; accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our review, we are not aware of any material modification that needs to be made for these interim consolidated financial statements to be in accordance with Canadian generally accepted accounting principles.

This report is solely for the use of the Audit Committee of the Company to assist it in discharging its regulatory obligation to review these interim consolidated financial statements, and should not be used for any other purpose. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this report.

PricewaterhouseCoopers LLP

Chartered Accountants

**CANWEST MEDIA INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)**

	As at	
	November 30, 2003 \$000	August 31, 2003 \$000
ASSETS		
Current assets		
Cash	24,056	115,450
Accounts receivable	468,445	370,132
Distributions receivable from Network TEN	48,879	20,909
Inventory	11,828	14,509
Investment in film and television programs	93,274	82,912
Future income taxes	11,412	20,223
Other	7,920	10,483
	<u>665,814</u>	<u>634,618</u>
Investment in Network TEN (note 2)	71,373	55,546
Other investments	109,132	109,280
Investment in film and television programs	63,492	27,661
Due from parent and affiliated companies (note 5)	530,581	515,025
Property, plant and equipment	611,273	624,820
Other assets	130,695	126,726
Intangible assets	1,094,570	1,093,818
Goodwill	2,425,542	2,424,763
	<u>5,702,472</u>	<u>5,612,257</u>
LIABILITIES		
Current liabilities		
Accounts payable	125,121	107,503
Accrued liabilities	173,114	194,845
Income tax payable	7,446	16,968
Film and television programs accounts payable	58,342	30,507
Deferred revenue	30,141	30,067
Future income taxes	6,072	6,072
Current portion of long term debt	63,730	63,078
	<u>463,966</u>	<u>449,040</u>
Long term debt	2,350,792	2,384,146
Other accrued liabilities	143,976	150,190
Future income taxes	399,721	401,327
	<u>3,358,455</u>	<u>3,384,703</u>
Contingencies (note 6)		
SHAREHOLDER'S EQUITY		
Equity instruments	1,212,911	1,191,004
Contributed surplus	132,953	132,953
Retained earnings	1,014,684	931,090
Cumulative foreign currency translation adjustments	(16,531)	(27,493)
	<u>2,344,017</u>	<u>2,227,554</u>
	<u>5,702,472</u>	<u>5,612,257</u>

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

**CANWEST MEDIA INC.
CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE THREE MONTHS ENDED NOVEMBER 30
(UNAUDITED)**

	2003	2002
	\$000	\$000
Revenue	556,791	587,409
Operating expenses	266,516	261,215
Selling, general and administrative expenses	<u>136,593</u>	<u>151,306</u>
	153,682	174,888
Amortization of intangibles	4,375	4,375
Amortization of property, plant and equipment	18,259	18,937
Other amortization	<u>1,305</u>	<u>1,382</u>
Operating income	129,743	150,194
Interest expense	(57,984)	(60,928)
Interest income	4,700	-
Amortization of deferred financing costs	(2,084)	(2,443)
Interest rate swap gains (losses)	(495)	14
Foreign exchange gains (losses)	4,691	(19)
Investment gains	249	-
Dividend income	<u>1,415</u>	<u>1,533</u>
	80,235	88,351
Provision for income taxes (note 4)	<u>21,809</u>	<u>28,514</u>
Earnings before the following	58,426	59,837
Interest in earnings of Network TEN	38,893	25,777
Interest in loss of other equity accounted affiliates	(163)	(330)
Realized currency translation adjustments	<u>500</u>	<u>-</u>
Net earnings for the period	<u><u>97,656</u></u>	<u><u>85,284</u></u>

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

**CANWEST MEDIA INC.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
FOR THE THREE MONTHS ENDED NOVEMBER 30
(UNAUDITED)**

	2003 \$000	2002 \$000
Retained earnings – beginning of year	931,090	803,493
Net earnings for the period	97,656	85,284
Interest on junior subordinated debentures net of tax of \$7,845 (2002 - \$9,167)	<u>(14,062)</u>	<u>(14,071)</u>
Retained earnings – end of period	<u>1,014,684</u>	<u>874,706</u>

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

**CANWEST MEDIA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED NOVEMBER 30
(UNAUDITED)**

	2003	2002
	\$000	\$000
CASH GENERATED (UTILIZED) BY:		
Operating activities		
Net earnings for period	97,656	85,284
Items not affecting cash		
Amortization	26,023	27,137
Future income taxes	6,629	2,711
Interest in earnings of Network TEN	(38,893)	(25,777)
Interest in loss of equity accounted affiliates	163	330
Interest rate swap losses (gains)	495	(14)
Realized currency translation adjustments	(500)	-
Investment gains	(249)	-
Stock compensation expense	434	-
Pension expense	1,825	628
	<u>93,583</u>	<u>90,299</u>
Investment in film and television programs	(9,979)	-
Changes in non-cash operating accounts	<u>(115,221)</u>	<u>(139,944)</u>
Cash flows from operating activities	<u>(31,617)</u>	<u>(49,645)</u>
Investing activities		
Other investments	-	(560)
Purchase of property, plant and equipment	(11,085)	(4,948)
Advances to parent and affiliated companies	<u>(15,990)</u>	<u>10,760</u>
	<u>(27,075)</u>	<u>5,252</u>
Financing activities		
Issuance of long term debt		-
Repayment of long term debt	(32,702)	(13,743)
Net change in bank loans and advances	<u>-</u>	<u>27,858</u>
	<u>(32,702)</u>	<u>14,115</u>
Net change in cash	(91,394)	(30,278)
Cash – beginning of year	<u>115,450</u>	<u>49,778</u>
Cash – end of period	<u><u>24,056</u></u>	<u><u>19,500</u></u>

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

CANWEST MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2003 AND 2002

(expressed in Canadian dollars)

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 interests 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 interests in broadcast television, publishing, radio, specialty cable channels, out-of-home advertising, and internet websites in Canada, Australia, New Zealand, Ireland and Northern Ireland. The Company's operating segments include television and radio broadcasting, publishing and online operations and outdoor advertising. In Canada, the Television Broadcast segment includes the operation of the Global Television Network, Global Prime, various other conventional and specialty channels and the Cool FM radio station. The Australian Television segment includes the Company's 57.0% economic interest in the TEN Group Pty Limited which owns and operates Australia's TEN Television Network ("Network TEN"). The Canadian Publishing and Online segment includes 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 New Zealand Television Broadcasting segment includes the operations of the 3 and C4 Television Networks. The New Zealand Radio Broadcasting segment includes five nationally networked radio brands and 27 local radio stations including More FM stations. The Irish Television Broadcasting segment includes the Company's 45% interest in the Republic of Ireland's TV3 Television Network. The Australian Outdoor advertising segment includes the Company's economic interest in EyeCorp, an out-of-home advertising operation which is wholly owned by the TEN Group Pty Limited. The Corporate and Other segment includes various investments in media operations including a 29.9% interest in Northern Ireland's Ulster Television plc ("UTV").

The Company's broadcast customer base is comprised primarily of large advertising agencies which place advertisements with the Company on behalf of their customers. Publishing revenues include advertising, circulation and subscriptions which are derived from a variety of sources. The Company's advertising revenues are seasonal. Revenues and accounts receivable are highest in the first and third quarters, while expenses are relatively constant throughout the year.

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

Basis of presentation

The 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 of 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 as indicated 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. A reconciliation to accounting principles generally accepted in the United States is provided in note 8.

Changes in Accounting Policies

(a) Hedging relationships

The Company adopted CICA Accounting Guideline 13, "Hedging Relationships", (AcG 13) effective September 1, 2003. In accordance with the new policy each of the Company's hedging relationships are documented and subject to an effectiveness test on a quarterly basis for reasonable assurance that they are and will continue to be effective. Any derivative that does not qualify for hedge accounting is reported on a mark to market basis in earnings. The adoption of this guideline had no impact on the financial statements.

(b) Stock options

The Company has share based compensation plans under which options of its parent company, CanWest, are issued to certain employees. These options are granted by CanWest with exercise prices equal to the market value of the underlying stock on the date of grant. CanWest adopted the fair value method of accounting recommended by the CICA in Section 3870, "Stock-based Compensation and Other Stock Based Payments", prospectively for stock-based compensation awards granted after September 1, 2003. Accordingly, the Company expensed \$0.4 million related to stock options granted by CanWest to the employees of the Company

2. INVESTMENT IN NETWORK TEN

The Company owns approximately 14.7% 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 57.0% 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 49.6% of the issued and outstanding shares of Network TEN 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.

During the quarter ended November 30, 2003 Network TEN issued 957,000 shares for proceeds of A\$2.1 million as a result of the exercise of management stock options. This effectively diluted the Company's economic interest in Network TEN to 57.0% from 57.1% at August 31, 2003 and resulted in an investment gain of \$0.2 million.

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	
	November 30	August 31
	2003	2003
	\$000	\$000
Assets		
Current assets	265,438	241,822
Other assets	41,180	37,367
Property, plant and equipment	80,942	79,288
Long term investments	12,923	11,421
Intangibles	269,284	257,477
Goodwill	<u>93,482</u>	<u>88,752</u>
	<u>763,249</u>	<u>716,127</u>
Liabilities and Shareholders' Equity		
Current liabilities	263,593	188,633
Other long term liabilities	337,086	398,047
Subordinated debentures issued to the Company	40,171	40,171
Share capital	55,126	53,150
Undistributed earnings	60,382	35,636
Cumulative foreign currency translation adjustment	<u>6,891</u>	<u>490</u>
	<u>763,249</u>	<u>716,127</u>

Summary Consolidated Statements of Earnings

	For the 3 months ended	
	November 30,	
	2003	2002
	\$000	\$000
Revenue	232,652	185,124
Operating expenses	<u>135,934</u>	<u>119,221</u>
Operating profit before amortization	96,718	65,903
Amortization of property, plant, equipment and other	<u>4,333</u>	<u>3,662</u>
	92,385	62,241
Investment income and gains net of losses on write down of investments	1,815	-
Financing expenses	<u>(42,762)</u>	<u>(29,668)</u>
	51,438	32,573
Provision for income taxes	<u>15,509</u>	<u>9,828</u>
Earnings before the following	35,929	22,745
Minority interests	<u>(21)</u>	<u>42</u>
Net earnings for the period	<u>35,908</u>	<u>22,787</u>
Net earnings for the period	35,908	22,787
Interest in respect of subordinated debentures held by the Company	<u>36,725</u>	<u>24,984</u>
Earnings for the period before interest in respect of subordinated debentures ⁽¹⁾	<u>72,633</u>	<u>47,771</u>

Summary Statement of Undistributed earnings

	2003 \$000	2002 \$000
Undistributed earnings (deficit) – beginning of year	35,636	(52,232)
Earnings for the period before interest in respect of subordinated debentures	72,633	47,771
Distributions paid and payable	<u>(47,887)</u>	<u>-</u>
Undistributed earnings (deficit) – end of period	<u><u>60,382</u></u>	<u><u>(4,461)</u></u>

(1) The Company's economic interest in Network TEN's earnings for the three months ended November 30, 2003 is \$38.9 million (2002 – \$25.8 million), comprised of its 14.7% interest in net earnings and interest on the subordinated debentures.

At November 30, 2003 the Company's share of undistributed earnings of Network TEN was \$34.4 million, (2002 – \$(2.6) 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 November 30, 2003, was approximately \$1,327 million (2002 - \$941 million).

3. RESTRUCTURING ACCRUALS

For the period ended November 30, 2003, expenditures charged to the restructuring accruals were \$4.5 million. The balance of the restructuring accruals are expected to be completed by August 31, 2004.

	Severance \$000	Lease/ contract termination \$000	Integration \$000	Other \$000	Total \$000
Balance August 31, 2003	10,326	2,482	250	2,340	15,398
Expenditures – 2004	<u>4,391</u>	<u>61</u>	<u>88</u>	<u>-</u>	<u>4,540</u>
Balance November 30, 2003	<u><u>5,935</u></u>	<u><u>2,421</u></u>	<u><u>162</u></u>	<u><u>2,340</u></u>	<u><u>10,858</u></u>

4. INCOME TAXES

The Company's provision for income taxes reflects an effective income tax rate which differs from the combined Canadian statutory rate as follows:

	2003 \$000	2002 \$000
Income taxes at combined Canadian statutory rate of 35.59% (2002 — 38.66%)	28,556	34,156
Effect of foreign income tax rates differing from Canadian income tax rates	(1,250)	(1,329)
Large corporations tax	800	800
Effect of change in tax rates	17,991	-
Effect of change in expected future tax rates	(12,586)	-
Effect of resolved tax dispute	(7,000)	-
Utilization of loss carry forwards not previously tax effected	(5,589)	(4,378)
Other	887	(735)
Provision for income taxes	<u>21,809</u>	<u>28,514</u>

5. RELATED PARTY BALANCES AND TRANSACTIONS

Due from parent and affiliated companies consist of the following:

	November 30, 2003 \$000	As at August 31, 2003 \$000
Due from parent, CanWest — non-interest bearing	81,686	82,115
Due from various affiliated companies — CanWest Entertainment Inc. — non-interest bearing	60,533	60,502
Fireworks Entertainment Inc. — bearing interest at prime	<u>388,362</u>	<u>372,408</u>
Due from parent and affiliated companies	<u>530,581</u>	<u>515,025</u>

These advances have no fixed repayment terms.

The Company has loans due from Fireworks Entertainment Inc., a company controlled by Canwest Global Communications Corp. which are subject to measurement uncertainty. The estimated recoverable amounts of these loans depend on estimates of the profitability of Fireworks, which, in turn, depends upon assumptions regarding future conditions in the film and entertainment industry and the exploitation of the films included in Fireworks' library. These assumptions are limited by the availability of reliable industry comparative data and the uncertainty of prediction concerning future events. Accordingly, by their nature, estimates of recoverable amounts are subjective.

6. CONTINGENCIES

a) On December 17, 2003 the Company filed a statement of claim against Hollinger International, Hollinger Inc. and certain related parties in the amount of \$25.7 million plus interest representing amounts owed to the Company related to its acquisition of The National Post Company. In addition, the Company has requested arbitration related to a further \$54.3 million owed by Hollinger related to certain unresolved matters related to its November 15, 2000 acquisition of certain newspapers assets from Hollinger.

b) The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

7. SEGMENTED INFORMATION

The Company operates primarily within the publishing, online, broadcasting, and outdoor advertising industries in Canada, New Zealand, Ireland and Australia.

Each segment below operates as a strategic business unit with separate management. Segment performance is measured primarily on the basis of operating profit⁽¹⁾. Management includes its proportionate interest in the results of its equity accounted Australian television and outdoor operations in strategic decision making, therefore, these proportionate results are included in the following segmented disclosure. Segmented information in Canadian dollars is as follows:

Operating Segments	Revenue ⁽²⁾		Operating profit	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Publishing and Online - Canada	<u>303,458</u>	<u>318,746</u>	<u>83,153</u>	<u>81,794</u>
Television				
Canada	191,252	214,506	56,170	81,397
Australia - Network TEN	121,387	96,239	52,640	37,025
New Zealand	30,863	26,211	9,861	7,243
Ireland	<u>9,860</u>	<u>10,101</u>	<u>3,724</u>	<u>3,987</u>
Total television	353,362	347,057	122,395	129,652
Radio - New Zealand	21,358	17,845	7,087	5,354
Outdoor - Australia	<u>11,224</u>	<u>10,207</u>	<u>2,489</u>	<u>869</u>
	689,402	693,855	215,124	217,669
Corporate and other	-	-	(6,313)	(4,887)
Total Combined	<u>689,402</u>	<u>693,855</u>	<u>208,811</u>	<u>212,782</u>
Elimination of equity accounted affiliates ⁽³⁾	<u>(132,611)</u>	<u>(106,446)</u>	<u>(55,129)</u>	<u>(37,894)</u>
Total Consolidated	<u>556,791</u>	<u>587,409</u>	<u>153,682</u>	<u>174,888</u>

⁽¹⁾ Operating profit is earnings before interest, taxes, amortization, interest rate swap losses and gains, foreign exchange losses and gains, investment gains, dividend income, interest in earnings of equity accounted affiliates and realized currency translation gains and losses.

⁽²⁾ Represents revenue from third parties. In addition the following segments recorded intercompany revenues: Canadian Entertainment - \$4.887 million (2002 - \$1.890 million), Canadian Television - \$0.205 million (2002 - nil), Publishing and Online - Canada - nil (2002 - \$1.150 million).

⁽³⁾ Elimination of proportionate interest in Australia's Network TEN and Outdoor.

8. UNITED STATES ACCOUNTING PRINCIPLES

These interim financial statements have been prepared in accordance with Canadian GAAP. In certain aspects 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 reconciling item.

Amendment to purchase equation

Under U.S. GAAP, the settlement of tax issues acquired through a business acquisition result in amendment to the purchase equation. In accordance with Canadian GAAP, the impact is recorded in earnings.

Reconciliation of financial statements

Consolidated statements of earnings

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

	For the three months ended November 30	
	2003 \$000	2002 \$000
Net earnings in accordance with Canadian GAAP	97,656	85,284
Pre-operating costs net of tax of \$169 (2002 – (\$242))	(356)	748
Realization of cumulative translation adjustments net of tax of nil	(500)	-
Programming costs imposed by regulatory requirement net of tax of \$682 (2002 – \$620)	(904)	(822)
Integration costs related to CanWest Publications net of tax of \$109	-	(193)
US GAAP adjustments in equity accounted affiliates net of tax of (\$882)	1,567	-
Reclassification of interest on junior subordinated notes from equity net of tax of \$7,845 (2002 – \$9,167)	(14,062)	(14,071)
Amendment to purchase equation	(7,000)	-
Tax rate change – not enacted	17,991	-
Unrealized gain (loss) on interest rate and cross-currency swaps and translation of foreign denominated debt net of tax of \$3,502 (2002 - \$1,856)	<u>11,447</u>	<u>457</u>
Net earnings in accordance with U.S. GAAP	<u>105,839</u>	<u>71,403</u>