

**CANWEST MEDIAWORKS INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED NOVEMBER 30, 2005 and 2004**

**(UNAUDITED)**

**CANWEST MEDIAWORKS INC.**  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
**(UNAUDITED)**  
(In thousands of Canadian dollars except as otherwise noted)

	<u>For the three months ended</u>	
	<u>November 30,</u>	<u>November 30,</u>
	<u>2005</u>	<u>2004</u>
Revenue	860,461	872,630
Operating expenses	431,258	409,643
Selling, general and administrative expenses	190,289	173,101
Ravelston management contract termination	-	281
	<u>238,914</u>	<u>289,605</u>
Amortization of intangibles	5,575	4,939
Amortization of property, plant and equipment	23,591	21,539
Other amortization	<u>1,474</u>	<u>1,179</u>
Operating income	208,274	261,948
Interest expense	(52,680)	(73,244)
Interest income	706	841
Amortization of deferred financing costs	(1,949)	(2,201)
Interest rate and foreign currency swap losses	(120,539)	(44,598)
Foreign exchange gains (losses)	(574)	10,499
Investment gains, losses and write-downs (note 5)	85,135	1,635
Loss on debt extinguishment (note 4)	<u>(116,589)</u>	<u>(43,992)</u>
	1,784	110,888
Provision for (recovery of) income taxes (note 3)	<u>(70,399)</u>	<u>37,213</u>
Earnings before the following	72,183	73,675
Minority interests	(43,715)	(38,407)
Interest in earnings of equity accounted affiliates	830	451
Realized currency translation adjustments	<u>(116)</u>	<u>-</u>
<b>Net earnings for the period</b>	<u><u>29,182</u></u>	<u><u>35,719</u></u>

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

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

(In thousands of Canadian dollars)

	As at November 30, 2005	As at August 31, 2005
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	89,077	18,175
Accounts receivable	601,394	462,495
Inventory	11,686	13,533
Investment in broadcast rights	177,357	188,729
Future income taxes	3,893	3,893
Other current assets	<u>39,299</u>	<u>25,865</u>
	922,706	712,690
Other investments	23,563	23,059
Investment in broadcast rights	37,805	21,197
Due from parent and affiliated companies (note 6)	63,690	86,527
Property, plant and equipment	680,279	696,106
Future income taxes	179,669	54,058
Other assets	77,386	141,623
Intangible assets	1,040,680	1,144,299
Goodwill	<u>2,006,426</u>	<u>2,424,867</u>
	<u>5,032,204</u>	<u>5,304,426</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	175,428	171,650
Accrued liabilities	281,579	293,065
Income taxes payable	66,084	44,490
Broadcast rights accounts payable	88,525	71,142
Deferred revenue	35,837	36,774
Future income taxes	42,675	44,663
Current portion of long term debt and obligations under capital leases	<u>11,808</u>	<u>17,966</u>
	701,936	679,750
Long term debt and related foreign currency swap liability (note 4)	2,669,803	2,886,090
Interest rate and foreign currency swap liability	127,708	215,075
Obligations under capital leases	14,940	16,101
Other accrued liabilities	101,360	86,453
Future income taxes	95,289	74,694
Minority interests	<u>39,405</u>	<u>90,581</u>
	<u>3,750,441</u>	<u>4,048,744</u>
Contingencies (note 8)		
<b>SHAREHOLDER'S EQUITY</b>		
Capital stock	438,838	438,838
Contributed surplus	133,013	132,953
Retained earnings	725,010	695,828
Cumulative foreign currency translation adjustments	<u>(15,098)</u>	<u>(11,937)</u>
	<u>1,281,763</u>	<u>1,255,682</u>
	<u>5,032,204</u>	<u>5,304,426</u>

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

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

	<u>For the three months ended</u>	
	November 30, 2005	November 30, 2004
<b>Retained earnings - beginning of year</b>	695,828	690,953
Net earnings for the period	<u>29,182</u>	<u>35,719</u>
<b>Retained earnings - end of period</b>	<u><u>725,010</u></u>	<u><u>726,672</u></u>

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

	<u>For the three months ended</u>	
	November 30, 2005	November 30, 2004
<b>CASH GENERATED (UTILIZED) BY:</b>		
<b>OPERATING ACTIVITIES</b>		
Net earnings for the period	29,182	35,719
Items not affecting cash		
Amortization	32,589	29,858
Non-cash interest expense	1,261	23,608
Future income taxes	(100,301)	(13,347)
Realized currency translation adjustments	116	-
Interest rate and foreign currency swap losses net of settlements	22,945	453
Loss on debt extinguishment	116,589	43,992
Investment gains, losses and write-downs	(85,135)	(1,635)
Amortization and write-down of film and television programs	-	2,984
Pension expense	3,933	2,781
Minority interests	43,715	38,407
Earnings from equity accounted affiliates	(830)	(451)
Foreign exchange gains	(726)	(5,520)
Stock based compensation expense	640	1,409
	<u>63,978</u>	<u>158,258</u>
Changes in non-cash operating accounts	<u>(125,145)</u>	<u>(124,222)</u>
Cash flows from operating activities	<u>(61,167)</u>	<u>34,036</u>
<b>INVESTING ACTIVITIES</b>		
Other investments	-	83
Investment in broadcast licenses	(1,066)	-
Acquisitions	-	(12,493)
Proceeds from divestitures	515,804	-
Proceeds from sales of other investments	-	2,171
Proceeds from sale of property, plant and equipment	970	400
Purchase of property, plant and equipment	(20,874)	(18,009)
Advances to parent and affiliated companies	22,258	1,787
	<u>517,092</u>	<u>(26,061)</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of long term debt net of financing costs	816,940	144,212
Repayment of long term debt	(1,379,188)	(169,045)
Advances from revolving facilities net of financing costs	582,626	74,266
Settlement of swap liabilities	(354,205)	-
Swap recouping payments	(48,726)	(98,502)
Payments of capital leases	(458)	(420)
Issuance of share capital of Network TEN	498	1,465
Payment of distributions to minority interests	(3,852)	-
	<u>(386,365)</u>	<u>(48,024)</u>
Foreign exchange gain on cash denominated in foreign currencies	<u>1,342</u>	<u>162</u>
<b>Net change in cash</b>	<u>70,902</u>	<u>(39,887)</u>
<b>Cash – beginning of period</b>	<u>18,175</u>	<u>93,958</u>
<b>Cash – end of period</b>	<u>89,077</u>	<u>54,071</u>

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

**CANWEST MEDIAWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED NOVEMBER 30, 2005 AND 2004**  
**(UNAUDITED)**  
**(In thousands of Canadian dollars except as otherwise noted)**

**1. SIGNIFICANT ACCOUNTING POLICIES**

On November 18, 2004, 3815668 Canada Inc. amalgamated with its wholly-owned subsidiary CanWest Media Inc. and was renamed CanWest Media Inc. On September 1, 2005, CanWest Media Inc. amalgamated with twelve related companies and continued as CanWest MediaWorks Inc. CanWest MediaWorks Inc. ("the Company") and its predecessor companies are wholly-owned subsidiaries of CanWest Global Communications Corp. ("CanWest"). These transactions have been accounted for on a "continuity of interests" basis. These financial statements reflect the consolidated financial position and consolidated results of all the amalgamated companies for all periods prior to the transaction dates.

The Company is an international media company with interests in broadcast television, publishing, radio, specialty cable channels, outdoor advertising, and Internet websites in Canada, Australia, New Zealand and Ireland. The Company's operating segments include television, publishing and interactive operations, radio and outdoor advertising. In Canada, the Television segment includes the operation of the Global Television Network, Prime TV, various other conventional and specialty channels and Cool FM and The Beat radio stations. The Australian Television segment includes TEN Group Pty Limited's ("TEN Group") TEN Television Network ("Network TEN"). The Canadian Publishing and Interactive 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 Company's 74.2% ownership of the publishing and interactive operations, excluding the National Post, is held through CanWest MediaWorks Limited Partnership. The New Zealand Television segment includes CanWest MediaWorks NZ Limited's 3 and C4 Television Networks. The New Zealand Radio segment includes CanWest MediaWorks NZ Limited's RadioWorks operation, which is comprised of six nationally-networked radio brands and two local radio brands. The Irish Television segment includes the Company's 45% interest in the Republic of Ireland's TV3 Television Network. The Australian Outdoor Advertising segment includes EyeCorp Pty Limited ("Eye Corp"), an outdoor advertising operation which is wholly owned by TEN Group. Corporate and Other includes various investments in media operations and corporate costs.

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 and interactive 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. 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.

### ***Share-based compensation***

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 share-based compensation awards granted after September 1, 2003. Accordingly, in the period, the Company expensed \$0.4 million (2004 - \$1.4 million) and credited due from parent and affiliated companies related to stock options granted by CanWest to the employees of the Company. The fair value of the options granted during the three months ended November 30, 2005, was estimated using the Black-Scholes option pricing model with the assumptions of no dividend yield (2004 – nil), an expected volatility of 31% (2004 - 42%), risk free interest rates of 4.0% (2004 - 4.2%) and an expected life of 7 years (2004 - 7 years).

The total fair value of 982,750 stock options granted by the Company in the three months ended November 30, 2005 with an average exercise price of \$10.10 per option was \$4.1 million, a weighted average fair value per option of \$4.17. During the three months ended November 30, 2004, 1,177,500 stock options were granted with a total fair value of \$6.3 million, and a weighted average fair value per option of \$5.35. During 2005, the Company agreed to issue approximately 187,000 shares, which vest in two years, for no consideration. The fair value of the shares at the time of issuance was \$10.40 per share. During the three months ended November 30, 2005, the Company recorded compensation expense of \$0.2 million (2004 – nil) related to these shares.

The following are proforma results reflecting the fair value based method of accounting for share-based compensation for options issued prior to September 1, 2003.

The proforma cost of share compensation expense, for awards granted prior to September 1, 2003, for the three months ended November 30, 2005 would be \$0.2 million (2004 – \$0.3 million). A value of \$1.3 million would be charged to proforma net earnings in future years according to the vesting terms of the options. The resulting proforma net earnings for the three months ended November 30, 2005, would be \$28.9 million, (2004 – \$35.4 million).

The Company's proforma disclosure does not apply to awards prior to 1996.

## 2. ACQUISITIONS AND DIVESTITURES

### *Acquisition*

On September 1, 2004, Eye Corp acquired the remaining 50% of Eye Shop Pty Limited (formerly Eye Village Joint Venture) for \$12.5 million (AUS\$13.4 million). In Addition on July 1, 2005, Eye Corp acquired 100% of Eye Drive Melbourne Pty Limited (formerly Southcoast Pty Limited) for \$7.0 million (AUS\$7.8 million). The principal business activities of these companies is the sale of outdoor advertising.

Eye Corp accounted for these acquisitions using the purchase method. As such, the results of operations reflect revenue and expenses of the acquired operations since the date of acquisition. A summary of the fair value of the assets and liabilities acquired is as follows:

Current assets	5,872
Property, plant and equipment	5,224
Site licenses	3,931
Goodwill	9,633
Liabilities	<u>(1,607)</u>
	<u>23,053</u>

### Consideration:

Cash	19,487
Carrying value of investment at date of acquisition	<u>3,566</u>
	<u>23,053</u>

### *Divestiture*

On October 13, 2005, the Company transferred its investment in its newspaper and interactive operations (excluding the National Post) and certain shared service operations, which provide customer support and administrative services to the Company (the "Publications Group") to a new entity, CanWest MediaWorks Limited Partnership (the "Limited Partnership"). In exchange, the Company received units of the Limited Partnership representing a 74.2% ownership interest and notes receivable of \$1,339.5 million.

Concurrently, the CanWest MediaWorks Income Fund (the "Fund") closed its initial public offering ("IPO") of units and invested the proceeds for units of the Limited Partnership representing a 25.8% interest. Total proceeds for the offering were \$550 million and costs of the offering were approximately \$34.2 million and were paid by the Limited Partnership.

In addition, the Limited Partnership obtained credit facilities in the amount of \$1 billion and drew \$830.0 million on the credit facilities.

The Limited Partnership utilized the proceeds of the issuance of the units to the Fund and \$822.5 million in drawings under its new credit facilities to repay the \$1,339.5 million note payable to the Company.

As a result of the transaction, the Company recorded a dilution gain of \$84.1 million on the sale of a 25.8% interest in the operations transferred to the Limited Partnership. The

Company also recorded a deemed disposition of goodwill, property plant and equipment, mastheads, circulation, accrued liabilities, income taxes payable and future income taxes liability related to the newspaper and interactive operations that were not previously pushed down to the underlying operations of \$413.6 million, \$9.0 million, \$78.4 million, \$12.0 million, \$1.4 million, (\$2.7) million, and \$16.1 million, respectively.

Approximately 26% of the Company's units of the Limited Partnership are subordinated in the payment of distributions if the Limited Partnership does not have adequate resources on a quarterly basis to fund distributions. The subordination period ends October 31, 2007, at which time these units will have the same terms and conditions of the other partnership units.

### 3. 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:

	<b>For the three months ended November 30,</b>	
	<b>2005</b>	<b>2004</b>
Income taxes at combined Canadian statutory rate of 34.65% (2004—35.20%)	618	39,033
Non-taxable portion of capital (gains) and losses	(2,261)	1,358
Effect of valuation allowance on future tax assets	3,435	1,285
Effect of foreign income tax rates differing from Canadian income tax rates	(5,996)	(8,214)
Tax costs of exchange note offer	-	5,777
Change in expected future tax rates	(2,985)	(4,144)
Large corporations tax	934	944
Non-deductible expenses	1,021	709
Non-taxable dilution gain on disposition to Limited Partnership	(54,484)	-
Limited Partnership net earnings allocated to minority interests	(2,606)	-
Effect of resolved tax dispute	(7,052)	-
Other	(1,023)	465
Provision for (recovery of) income taxes	<u>(70,399)</u>	<u>37,213</u>

#### 4. LONG TERM DEBT

	As at November 30, 2005	As at August 31, 2005
Senior Secured Credit facility <sup>(1)</sup>	447,388	-
Senior Secured Credit facility <sup>(2)</sup>	-	346,100
Senior unsecured notes <sup>(2)</sup>	292	237,420
Senior subordinated notes <sup>(2)</sup>	9,964	549,632
Senior subordinated notes	921,065	936,967
CanWest MediaWorks Limited Partnership Secured Credit facility <sup>(3)</sup>	825,000	-
Bank loan Australian \$130,000 (Aug. 31, 2005 – Australian \$180,000)	112,216	160,794
Senior unsecured notes US\$125,000 (Aug. 31, 2005 – US\$125,000)	145,922	148,609
Term and demand loan €7,198 (Aug. 31, 2005 - €8,368)	9,906	12,270
Term bank loan NZ\$186,485 (Aug. 31, 2005 – NZ\$187,802)	<u>152,899</u>	<u>154,824</u>
	2,624,652	2,546,616
Effect of foreign currency swaps <sup>(2)</sup>	<u>55,057</u>	<u>356,241</u>
Long term debt	2,679,709	2,902,857
Less portion due within one year	<u>(9,906)</u>	<u>(16,767)</u>
Long term portion	<u><u>2,669,803</u></u>	<u><u>2,886,090</u></u>

Except for the changes noted in <sup>(1)</sup> <sup>(2)</sup> and <sup>(3)</sup>, the terms and conditions of the long term debt are the same as disclosed in the August 31, 2005 consolidated financial statements.

- <sup>(1)</sup> In October 2005, the Company obtained a new \$500 million revolving term credit facility. As at November 30, 2005, the Company has \$22.0 million available on this facility. The revolving facility matures in five years, is subject to certain restrictions and bears interest at the prevailing prime rate, U.S. base rate, banker's acceptance rate or LIBOR plus, in each case, an applicable margin. This facility is secured by substantially all of the Company's directly held assets including the assets of its Canadian broadcast operations, the National Post, partnership units of CanWest MediaWorks Limited Partnership, and shares of CanWest MediaWorks (NZ) Limited and TEN Group Pty Limited, excluding the convertible debenture held in TEN Group Pty Limited.

- (2) During the quarter, the Company settled debt and associated swaps as follows:
- i. In October 2005, the Company completed a tender offer for its 10.625% senior subordinated notes payable due in 2011 and its 7.625% senior unsecured notes payable due in 2013. Substantially all of the notes under these facilities were settled. Debt with a book value of \$765.8 million was retired for cash of \$849.4 million. In addition, deferred financing and other costs of \$27.0 million relating to these notes were written off. The transaction resulted in a loss on debt retirement of \$75.3 million, net of tax of \$35.3 million. As a result of the repayment of these notes the Company recorded a swap loss of \$34.5 million, net of tax of \$19.0 million related to the associated cross currency interest rate swaps. The notes not settled under the tender offers are due on the original due dates and are subject to the same terms except that the covenants associated with these notes have been eliminated.
  - ii. In October 2005, the Company retired its senior credit facility. Debt with a book value of \$526.4 million was settled for cash of \$526.4 million. In addition, deferred financing costs of \$6.0 million relating to these notes were written off. The transaction resulted in a loss on debt retirement of \$3.9 million, net of tax of \$2.1 million. In addition, as a result of the settlement of this debt, the Company will record a loss of \$46.3 million, net of tax of \$25.4 million related to the associated interest rate and cross currency interest rate swaps.
  - iii. In November 2005, the Company retired interest rate and cross currency interest rate swap contracts relating to the 7.625% notes, the 10.625% notes and 50% of the cross currency interest rate swap related to the senior secured credit facilities for cash of \$364.0 million.

- (3) CanWest MediaWorks Limited Partnership obtained credit facilities in the amount of \$1 billion consisting of an \$825 million non-revolving term credit facility and a \$175 million revolving term credit facility. The revolving facility matures in five years, is subject to certain restrictions and bears interest at the prevailing prime rate, U.S. base rate, banker's acceptance rate or LIBOR plus, in each case, an applicable margin. The non-revolving facility matures in five years, and bears interest at the prevailing prime rate, U.S. base rate, banker's acceptance rate or LIBOR plus, in each case, an applicable margin. On closing of the IPO, the Limited Partnership drew \$825.0 million on its non-revolving facility and \$5.0 million on its revolving facility. The Limited Partnership has entered into five year interest rate swap contracts to fix the interest payments on a notional amount of \$825.0 million for the first three years and \$660.0 million for the remaining two years resulting in an effective interest rate of 5%.

Under its Senior Secured Credit facility the Company is required to maintain a fair value of its interest rate swaps and foreign currency and interest rate swaps above a prescribed minimum liability (\$500 million). There are also prescribed minimum liabilities with individual counterparties, which have two-way recouping provisions. The Company was required to make net recouping payments of \$119 million in the three months ended November 30, 2005 (2004 – \$137 million), \$69 million of this recouping payment related to overhanging swaps and accordingly was reflected in cash flows from operating activities. Further strengthening of the Canadian currency and/or declining interest rates may result in further payments to counterparties.

The Company is subject to covenants under certain of the credit facilities referred to above, including thresholds for leverage and interest coverage and is also subject to certain restrictions under negative covenants.

## 5. INVESTMENT GAINS AND LOSSES

The Company has recorded the following investment gains and losses.

	<b>For the three months ended November 30,</b>	
	<b>2005</b>	<b>2004</b>
Dilution gain – sale of 25.8% of Limited Partnership	84,050	-
Gain on sale of investments	-	2,171
Dilution gain – TEN Group and CanWest MediaWorks NZ Limited	63	176
Other	<u>1,022</u>	<u>(712)</u>
	<u><u>85,135</u></u>	<u><u>1,635</u></u>

## 6. RELATED PARTY TRANSACTIONS

Due from parent and affiliated companies consist of the following:

	<b>As at November 30, 2005</b>	<b>As at August 31, 2005</b>
Due from parent, CanWest - non-interest bearing	63,690	75,051
Due from various affiliated companies		
CanWest Entertainment Inc. - non-interest bearing	60,804	60,771
Fireworks Entertainment Inc. - non-interest bearing	369,332	380,841
Provision for loan impairment	<u>(430,136)</u>	<u>(430,136)</u>
Due from parent and affiliated companies	<u><u>63,690</u></u>	<u><u>86,527</u></u>

These advances have no fixed repayment terms.

The Company has loans due from Fireworks Entertainment Inc. and its parent, CanWest Entertainment Inc., companies controlled by CanWest in the amount of \$430.1 million. Following a period of poor financial performance and increasing concern about the significant decline in the marketability of Fireworks products internationally, in fiscal 2004 CanWest commenced a process to sell its Fireworks Entertainment Division. A comprehensive revaluation of the fair value of the assets and liabilities of Fireworks Entertainment was completed which resulted in the determination of a fair value that was significantly below the book value of the loans, and accordingly, the Company established a provision of \$430.1 million against these loans.

The Company made operating lease payments of \$0.8 million to CanWest and affiliated companies for the three months ended November 30, 2005 (2004 - \$0.8 million).

Senior subordinated notes held by CanWest Communications Corporation, the parent company of CanWest, with a book value of \$49.7 million (US\$41.9 million) were settled in October 2005, under the same terms offered to the unrelated senior subordinated note holders

for \$55.4 million. For the three months ended November 30, 2005, interest expense related to this debt totaled \$0.7 million (2004 - \$1.5 million).

All the related party transactions have been recorded at the exchange amounts, which are representative of market rates.

## 7. EMPLOYEE BENEFIT PLANS

The Company has a number of funded and unfunded defined benefit plans, as well as defined contribution plans, that provide pension, other retirement and post retirement benefits to its employees. The measurement date for our plans is June 30 of each year. Information regarding the components of net periodic benefit cost for our benefit plans is presented below:

	<b>For the three months ended November 30,</b>			
	<b>Pension benefits</b>		<b>Post retirement benefits</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Current service cost	5,781	4,443	451	332
Employee contributions	(1,536)	(1,540)	-	-
Accrued interest on benefits	6,153	6,107	631	586
Expected return on plan assets	(5,800)	(5,055)	-	-
Amortization of transitional obligation	108	147	76	-
Amortization of past service costs	302	302	34	34
Amortization of net actuarial loss (gain)	1,369	757	15	(13)
Changes in valuation allowance	<u>(21)</u>	<u>(17)</u>	<u>-</u>	<u>-</u>
Total pension and post retirement benefit expense	<u><u>6,356</u></u>	<u><u>5,144</u></u>	<u><u>1,207</u></u>	<u><u>939</u></u>

## 8. CONTINGENCIES

- (a) The Company has requested arbitration related to \$86.5 million owed by Hollinger International Inc., Hollinger Inc. and certain related parties (collectively "Hollinger") related to certain unresolved adjustments and claims related to its November 15, 2000 acquisition of certain newspaper assets from Hollinger. Hollinger disputes this claim and claims that it and certain of its affiliates are owed \$45 million by the Company. The outcome and recoverability of this claim is not determinable.
- (b) In March 2001, a statement of claim was filed against the Company and certain of the Company's subsidiaries by CanWest Broadcasting Ltd.'s ("CBL's") former minority shareholders requesting, among other things, that their interests in CBL 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 action was stayed on the basis that the Ontario courts have no jurisdiction to try the claim. In April 2004, a statement of claim was filed in Manitoba by the same minority shareholders, which was substantially the same as the previous claim, seeking damages of \$405 million. In June 2005, the Company filed a Statement of Defence and Counterclaim. In its Counterclaim, the Company is seeking a declaration of the fair value of the former minority shareholders' interest in CBL and repayment of the

difference between the fair value and the redemption amount paid by the Company to the former shareholders. The Company believes the allegations in the Statement of Claim are substantially without merit and not likely to have a material adverse effect on its business, financial condition or results of operation. The outcome of this claim is not determinable and the Company intends to vigorously defend this lawsuit.

- (c) The Company is one of several defendants to a claim by a proposed class of freelance writers instituted in July 2003 in respect of works that they provided to newspapers and other print publications in Canada. The total amount claimed (by all plaintiffs against all defendants) is \$500 million in compensatory damages and \$250 million in exemplary and punitive damages. The outcome of this claim is not determinable.
- (d) CanWest MediaWorks NZ Limited has received a Notice of Proposed Adjustment from the New Zealand Inland Revenue covering the years 2002 to 2004 that proposes a potential tax liability of NZ\$13.3 million on the treatment of its optional convertible notes. A Notice of Proposed Adjustment is an instrument through which the New Zealand Inland Revenue advises a taxpayer that it is considering amending its tax assessment from that in the tax return and is not a confirmation of liability. CanWest MediaWorks NZ Limited is confident that the tax treatment that it has applied to the notes is correct and does not believe that any material additional tax liability will result. The outcome of this situation is not determinable and CanWest MediaWorks NZ Limited intends to dispute the proposed adjustments.
- (e) 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.

## **9. SEGMENTED INFORMATION**

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

Each segment operates as a strategic business unit with separate management. Segment performance is measured primarily upon the basis of segment operating profit. The Company accounts for inter-segmented information as if the sales were to third parties. Segmented information and a reconciliation from segment operating profit to earnings before income taxes are presented below:

Operating Segments	Revenue <sup>(1)</sup>		Segment operating profit <sup>(2)</sup>	
	2005	2004	2005	2004
Publishing and Online - Canada	<u>341,298</u>	<u>325,759</u>	<u>81,624</u>	<u>85,651</u>
Television				
Canada	187,075	200,281	28,970	55,492
Australia - Network TEN	230,696	246,851	104,490	120,192
New Zealand	36,100	35,751	12,275	14,529
Ireland	<u>12,046</u>	<u>11,321</u>	<u>5,725</u>	<u>4,641</u>
	465,917	494,204	151,460	194,854
Radio - New Zealand	23,572	23,763	7,018	7,738
Outdoor - Australia	29,674	28,904	7,469	7,793
Corporate and other	-	-	<u>(8,657)</u>	<u>(6,150)</u>
	<u>860,461</u>	<u>872,630</u>	238,914	289,886
Ravelston management contract termination			-	<u>(281)</u>
			238,914	289,605
Amortization of intangibles			5,575	4,939
Amortization of property, plant and equipment			23,591	21,539
Other amortization			<u>1,474</u>	<u>1,179</u>
Operating income			208,274	261,948
Interest expense			(52,680)	(73,244)
Interest income			706	841
Amortization of deferred financing costs			(1,949)	(2,201)
Interest rate and foreign currency swap losses			(120,539)	(44,598)
Foreign exchange gains (losses)			(574)	10,499
Investment gains, losses and write-downs			85,135	1,635
Loss on debt extinguishment			<u>(116,589)</u>	<u>(43,992)</u>
Earnings before income taxes			<u>1,784</u>	<u>110,888</u>

(1) Represents revenue from third parties. In addition, the following segments recorded intercompany revenues: Canadian Television - \$0.3 million (2004 - \$0.2 million), Publishing and Interactive - Canada - nil (2004 - \$0.1 million).

(2) Corporate and other in 2004 has been reclassified between segments to conform with the presentation adopted in the current year.

## 10. SUBSEQUENT EVENTS

- (a) During the quarter, the Company announced its successful bids to acquire interests in two radio stations in Turkey. On September 21, 2005, the Company announced that CGS Televizyon Ve Radyo Yayıncılığı Ticaret Anonim Sirketi ("CGS") was successful in its bid to acquire the assets of *Super FM* for consideration of US\$33 million, which will be payable upon completion of the transaction. On September 22, 2005, the Company announced that Pasifik Televizyon Ve Radyo Yayıncılığı Ticaret A.S. ("Pasifik") was successful in its bid to acquire the assets of *Metro FM* for consideration of US\$23 million, which will be payable upon completion of the transaction. In exchange for the payment of \$US 42.0 million, the Company will acquire a 75% economic interest in both CGS and Pasifik. These transactions, which are subject to regulatory approvals by certain Turkish authorities and are expected to be completed once these regulatory approvals have been obtained. Subject to a relaxation of foreign ownership restrictions and the receipt of all necessary regulatory approvals, the Company has the right to convert its interest to a 75% equity interest in *Metro FM* and *Super FM*.
- (b) On December 21, 2005, TEN Group announced that it had successfully completed a private placement in the United States of A\$150 million 10 year floating rate senior notes that are due in 2015.